LSL Property Services plc
Annual Report and Accounts 2018

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

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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. Further information about forward looking statements can be found in the Shareholder Information section on page 192.

Segmental Reporting

To reflect the increased importance of LSL's Financial Services businesses, the LSL Board has decided to update the Group segmental reporting effective from 1st January 2019. From 1st January 2019 LSL will report three segments: Estate Agency; Financial Services; and Surveying and Valuation Services. The Financial Services segment will incorporate all LSL's Financial Services businesses. The Estate Agency segment will primarily incorporate the results from the Estate Agency networks (Your Move, Reeds Rains, LSLi and Marsh & Parsons) and Asset Management. The Surveying and Valuation Services segment is unchanged. Some sections of this Report contain information based on two segments and others contain information based on the new three segment reporting, to reflect the changes effective from the 1st January 2019.

Highlights 2018

Resilient performance despite subdued market conditions

Group

£324.6m
Group Revenue
(2017: £311.5m)

£35.9m
Group Underlying Operating Profit
(2017: £37.5m)

11.1%
Group Underlying Operating Margin
(2017: 12.0%)

£41.6m
Group Adjusted EBITDA
(2017: £42.7m)

£25.4m
Group Operating Profit
(2017: £42.1m)

£23.1m
Profit before tax
(2017: £40.1m)

£3.0m
Net exceptional cost
(2017: gain of £9.3m)

27.2p
Adjusted Basic Earnings Per Share
(2017: 28.3p)

10.9p
Full year dividend per Share
(2017: 11.3p)

Estate Agency and Related Services

£20.6m
Underlying Operating Profit
(2017: £26.9m)

Surveying and Valuation Services

£20.4m
Underlying Operating Profit
(2017: £18.9m)

	2018	2017	% change
Group Revenue – £m	**324.6**	311.5	+4
Group Underlying Operating Profit[1] – £m	**35.9**	37.5	-4
Group Underlying Operating Margin – %	**11.1**	12.0	
Group Adjusted EBITDA[2] – £m	**41.6**	42.7	-3
Group operating profit – £m	**25.4**	42.1	-40
Profit before tax – £m	**23.1**	40.1	-42
Net exceptional (cost)/gain – £m	**(3.0)**	9.3	
Basic Earnings Per Share (EPS) – pence	**17.4**	32.6	-47
Adjusted Basic Earnings Per Share (EPS) – pence[3]	**27.2**	28.3	-4
Net Bank Debt[4] at 31st December – £m	**32.1**	30.0	+7
Final proposed dividend per Share – pence	**6.9**	7.3	-5
Full year dividend per Share – pence	**10.9**	11.3	-4

Notes:

[1] Group Underlying Operating Profit is before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments (as defined in Note 5 to the Financial Statements)

[2] Group Adjusted EBITDA is Group Underlying Operating Profit plus depreciation on property, plant and equipment (as defined in Note 5 to the Financial Statements)

[3] Refer to Note 10 to the Financial Statements for the calculation

[4] Refer to Note 32 to the Financial Statements 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 include: residential sales, lettings, surveying, conveyancing, and mortgage and non-investment insurance brokerage services. Services to mortgage lenders include: valuations and panel management services, asset management and property management services.

To reflect the increased importance of LSL's Financial Services businesses to the Group, the Board has decided to change the Group's segmental reporting effective from 1st January 2019.

With effect from 1st January 2019, LSL will report three segments: Estate Agency, Financial Services, and Surveying and Valuation Services. Further details of the new segment reporting are set out in the Financial Review of this Report.

Information included in this section of this Report is split into the three principal segments and reflects the position as at 5th March 2019.

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

See also Note 35 to the Financial Statements for information relating to LSL's subsidiaries and joint ventures.

Estate Agency Division

Residential Sales and Lettings

LSL is one of the largest estate agency networks in the UK[1]. It has strong established high street estate agency brands. These include:

Your Move, with 175 branches, national coverage and one of the most visited estate agency websites in the UK[2];

Reeds Rains, a predominantly northern based network of 106 branches and one of the most recognised estate agency brands in the North of England[3];

Your Move and Reeds Rains operate a successful franchise model in approximately 50% of the branch networks;

Marsh & Parsons, operating out of 28 branches, a leading London premium brand estate agency which brings exposure to the prime and outer Central London property markets;

LSLi, nine estate agency companies with a combined network of 59 branches (including franchised branches) based in the South East of England; and owned by the holding company LSLi;

LSL Land & New Homes, a land and new homes business that provides a complete range of specialist services for house builders, developers and investors of all sizes; and

Homefast, which provides conveyancing panel management and support services to LSL's Residential Sales and Lettings branches and customers.

All LSL's Residential Sales and Lettings estate agency companies are members of The Property Ombudsman Scheme (TPOS), which operates a residential sales and lettings code of practice approved by the Trading Standards Institute (TSI) under its Consumer Codes Approval Scheme (CCAS).

Asset Management

LSL's asset management companies are market leaders in the sale of residential properties on behalf of corporate clients and property investors. LSL's three asset management companies are:

LSL Corporate Client Department operates a repossessions asset management business and a property management business for multi-property landlords;

St Trinity Asset Management specialises in repossession property sales and a range of other services;

Templeton LPA a Law of Property Act fixed charge receiver.

Financial Services Division

LSL's Financial Services businesses provide services to financial services intermediaries relating to the arrangement of mortgages and non-investment insurance products.

With 856[4] affiliated authorised firms, LSL's combined appointed representative network is the second largest in the UK[5].

PRIMIS is the trading style of LSL's mortgage and protection networks that are all authorised and regulated by the FCA, formerly trading as First Complete, Pink Home Loans (Advance Mortgage Funding) and Personal Touch Financial Services.

The Mortgage Alliance is a trading style of Advanced Mortgage Funding and distributes mortgages and financial services products to mortgage intermediaries who are directly authorised and regulated by the FCA.

Embrace Financial Services is an appointed representative of First Complete and employs financial consultants who deliver services to customers of the Group's Estate Agencies.

Linear Financial Solutions is an appointed representative of Advanced Mortgage Funding and provides financial consultants who are based in the branches of independent estate agents.

Mortgages First and RSC New Homes are both appointed representatives of First Complete and specialise in arranging mortgages and non-investment insurance products to customers financing the purchase of new-build properties.

Insurance First is an appointed representative of First Complete and specialises in arranging non-investment insurance products for customers purchasing new-build property.

First2Protect is a specialist business arranging household insurance for customers of LSL's Estate Agency Division and third party introducers.

Included within the Financial Services segment is LSL's investment in **Mortgage Gym** which is a digital marketplace that matches mortgage borrowers with mortgage lenders, but without taking away real people from the process. LSL owns c35% of the equity in Mortgage Gym.

Surveying and Valuation Services Division

e.surv Chartered Surveyors is one of the country's largest providers of property risk and residential valuation services[6].
With a network of over 600 surveyors, e.surv is the UK's largest employer of RICS registered surveyors. They use industry-leading technology to provide a range of products and services to a customer base that includes lenders, intermediaries, social housing entities, estate agents, and consumers.
In 2018 e.surv was awarded a material contract to supply valuation and surveying services to Lloyds Bank plc.

Walker Fraser Steele is one of the longest established Chartered Surveyor brands in Scotland, Walker Fraser Steele was founded in Glasgow in 1884 and became part of e.surv Chartered Surveyors in 2013. The acquisition substantially expanded LSL's geographic coverage within Scotland and the business now provides surveying and valuation services from locations across Scotland for both local and national clients, including the Home Report, an essential component of the Scottish home buying process.

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 Google Analytics January-December 2018
3 Research Bods independently commissioned research July-September 2018
4 856 was at 31st December 2018
5 Which Network – network performance figures for January 2019 showing the combined numbers for PRIMIS (First Complete and Advance Mortgage Funding)
6 The market position is based on LSL's own calculations and assessment using publicly available data

Milestones

2014

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

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

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

Acquisition of Hawes & Co.

Completed ten lettings book acquisitions.

2015

Acquisition of Thomas Morris.

Completed 30 lettings book acquisitions.

2016

Extension of banking facility to May 2020.

Acquisition of Group First (including Mortgages First and Insurance First Brokers).

Sale of entire shareholding in ZPG plc.

Completed nine lettings book acquisitions.

2017

Extension of contract to supply UK residential surveying and valuation services to Barclays Bank PLC.

Extension of contract to supply UK residential surveying and valuation services to Santander UK plc.

2018

Extension of banking facility to May 2022

mortgagegym

Investment in and commencement of a strategic partnership with **Mortgage Gym**

PRIMIS

Launch of **PRIMIS** brand

personal touch

Acquisition of **Personal Touch Financial Services**

e.surv Chartered Surveyors

Commencement of new **Lloyds Bank plc** surveying and valuation services contract including the transfer of Lloyds Bank plc surveyors and back-office employees into e.surv

RSC

Acquisition of **RSC New Homes**

Chairman's Statement

Introduction

The Group delivered a highly resilient revenue and operating profit performance in 2018 despite challenging residential property market conditions. Group Underlying Operating Profit[1] of £35.9m in 2018 was 4% below the prior year (2017: £37.5m) with Group Adjusted EBITDA[2] down 3%. Group Revenue in 2018 grew by 4% to £324.6m (2017: £311.5m) reflecting overall growth in both Divisions.

We continue to deliver a range of proactive self-help initiatives demonstrating the breadth of opportunity across the Group. These initiatives included the material contract win for the supply of surveying and valuation services to Lloyds Bank plc, the acquisitions in our Financial Services business of Personal Touch Financial Services and RSC New Homes, the acquisition of a c.35% holding in Mortgage Gym, a digital mortgage marketplace business, and the recommencement of our lettings book acquisition programme with six lettings books acquired during the period.

The changes to the structure of the Your Move and Reeds Rains estate agency branch networks and operations announced on 5th February 2019 demonstrate our commitment to evolve our business model to adapt to changes in the landscape and customer demands in order to drive value for our Shareholders.

The Your Move and Reeds Rains future focus on 144 keystone branches is to create a platform that will benefit from their larger scale, enabling us to invest in people and technology with the aim of providing enhanced levels of service to our customers whilst ensuring operational performance is optimised by competing more effectively in local markets. Delivering the ways of working programme into Your Move and Reeds Rains is expected to deliver material improvement in Your Move and Reeds Rains operating profit, assuming no material change in market conditions.

LSL retains a strong position in its traditional Estate Agency business. We continue to believe that traditional estate agents will represent the substantial majority of the Residential Sales and Lettings markets for the foreseeable future and that Estate Agency branches will continue to remain core to providing the service our customers expect

LSL has a 14.7% minority shareholding in Yopa. LSL's previous carrying value of £20.0m for Yopa has been written down through reserves by £12.2m to £7.8m as at 31st December 2018 to reflect the Board's assessment of fair value.

Dividend

The Board continues to support our previously communicated dividend policy, to apply a dividend pay-out ratio of between 30% to 40% of Group Underlying Operating Profit[1] after interest and tax. The Board has reviewed the policy while considering the risks and capital management decisions facing the Group.

Adjusted Basic Earnings Per Share for 2018 was 27.2 pence, a decrease of 4% on the prior year (2017: 28.3 pence). The Board has a positive view of the future prospects for the business whilst also being mindful of the uncertain economic and political landscape which has an impact on consumer sentiment. The proposed dividend payment is at the upper end of the range of our stated policy and a final dividend of 6.9 pence per Share (2017: 7.3 pence per Share) will be proposed to Shareholders at the forthcoming AGM, giving a total dividend for 2018 of 10.9 pence per Share (2017: 11.3 pence per Share). The ex-dividend date for the final dividend is 21st March 2019 with a record date of 22nd March 2019 and a payment date of 7th May 2019. The last date for election is 5th April 2019.

Corporate Governance and Board

The Board remains committed to high levels of corporate governance and during 2018, LSL has complied in all respects with the UK Corporate Governance Code (April 2016 edition). We note the publication of the revised UK Corporate Governance Code and Guidance on Board Effectiveness which was published in July 2018 and will apply to LSL from 1st January 2019. We have begun the implementation of actions to reflect the 2018 Code in our corporate governance arrangements, including the implementation of measures to support greater stakeholder engagement (including workforce engagement) and the development of LSL's culture, purpose and values. Further details on the steps we are taking are contained in our Corporate Governance Report.

In relation to 2018, as Chairman, I am responsible for leadership of the Board, and I have together with my fellow Directors reviewed the effectiveness of the Board and its Committees. The 2018 annual evaluation exercise had regard to the requirements of both the 2016 and 2018 editions of the Code and its associated guidance. In particular, we reviewed the composition of the Board and its Committees and our succession arrangements. Following this review we concluded that we have the appropriate balance of skills, independence and knowledge of the Group together to enable the Board to discharge its duties and responsibilities effectively. The evaluation also considered other matters such as leadership, division of responsibilities, meeting arrangements, and included a review of the annual evaluation process itself.

Details of our corporate governance arrangements and the recommendations arising from the 2018 evaluation exercise

Simon Embley
Chairman

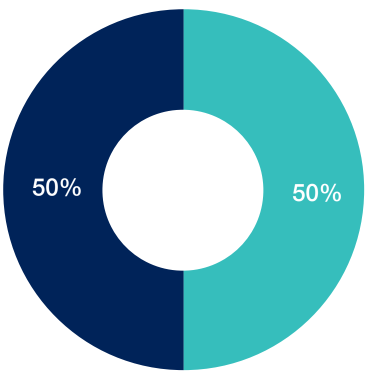
£324.6m
Group Revenue
Up 4% (2017: £311.5m)

£23.1m
Profit before tax
Down 42% (2017: £40.1m)

27.2p
Adjusted Basic Earnings Per Share
Down 4% (2017: 28.3p)

10.9p
Full year dividend per Share
Down 4% (2017: 11.3p)

Full year 2018
Underlying Operating Profit
£35.9m



are contained within the Corporate Governance Report of this Report together with details of how we have implemented recommendations which arose from the 2017 evaluation exercise.

I would like to take this opportunity to thank Kumsal Bayazit Besson who has been a Non Executive Director since September 2015 and who intends to retire from the Board and its Committees with effect from the 2019 AGM. Kumsal has made a significant contribution during her tenure as a Director and she is leaving LSL to focus on her new role as CEO of Elsevier.

I would also like to welcome Darrell Evans, who joined the Board and its Committees as a Non Executive Director on 28th February 2019. Darrell joins LSL with significant experience in Financial Services and he is currently the Chief Commercial Officer at the Co-Operative Bank plc.

The Nominations Committee will, on behalf of the Board, review the Board's composition during 2019. Details relating to all our Directors are included in The Board section of this Report and our website.

Outlook

Market conditions in 2019 have been notably softer than the equivalent period in 2018, whilst LSL's financial performance so far in 2019 has been marginally behind the Board's expectations. Nevertheless, at this early stage in the year, the Board's current expectation is that the Group will deliver a full year Underlying Operating Profit in line with its prior expectations, as the business is expected to continue to benefit from the range of LSL's ongoing self-help measures.

We continue to remain cautious on the residential property market outlook for 2019 given the current uncertainty over the UK and global political and economic environment and the potential impact on UK consumer confidence.

The Board currently expects to see a material reduction in the volume of house purchase transactions compared to the prior year. Mortgage costs continue to be low by historic standards and mortgage availability remains good. The medium to longer term fundamentals of the UK housing market remain solid.

The final arrangements for the planned exit from the European Union are uncertain. In the eventuality that the outcome leads to a changed impact on consumer confidence and our business, we will update our Shareholders.

Although Brexit and the current political environment continues to create uncertainty, the Group has a robust balance sheet with relatively low levels of gearing and is very cash generative at an operational level.

LSL continues to execute on its stated strategy and we are confident that LSL, with its market leading brands, broad portfolio of residential property services and the benefits from the proactive self-help measures, remains well positioned to perform well given a range of potential market conditions, in order to maximise Shareholder value. The Board remain confident of the opportunities for further positive progress for the Group.

Simon Embley
Chairman
5th March 2019

Notes:
[1] Group Underlying Operating Profit is before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments (as defined in Note 5 to the Financial Statements)
[2] Group Adjusted EBITDA is Group Underlying Operating Profit plus depreciation on property plant and equipment (as defined in Note 5 to the Financial Statements)

Group Chief Executive's Review

2018 Overview

In the context of challenging market conditions, the Group delivered a highly resilient performance in 2018, underpinned by a continuing range of self-help measures delivered across the Group.

Group revenues for the year ended 31st December 2018 increased by 4% to £324.6m (2017: £311.5m) reflecting overall growth in both Divisions, with Estate Agency revenue up 3% and Surveying revenue up 9%. Group Underlying Operating Profit[1] was down 4% to £35.9m (2017: £37.5m), and Group Adjusted EBITDA[2] was down 3% to £41.6m (2017: £42.7m). Profit before tax of £23.1m was down 42% compared to the prior year (2017: £40.1m).

The Group has a strong balance sheet with closing Net Bank Debt at 31st December 2018 of £32.1m (2017: £30.0m) and low level of gearing[3] at 0.8 times Group Adjusted EBITDA (2017: 0.7 times). The modest increase in Net Debt in 2018 is after incurring total cash consideration of £11.8m for the funding of two Financial Services acquisitions (Personal Touch Financial Services and RSC New Homes), one Financial Services investment (Mortgage Gym) and six lettings books acquisitions during the year. LSL also maintained the payment of dividends to Shareholders during the year.

e.surv iPad in use - investment in technology has enabled e.surv to optimise efficiency

Ian Crabb
Group Chief Executive Officer

The Group generated strong cash from operations of £36.9m (2017: £41.5m) converting 103% of Group Underlying Operating Profit to cash-flow from operations (pre PI and exceptionals) (2017: 117%).

In the Estate Agency Division, we continued to invest in the growing parts of our businesses and delivered strong year-on-year revenue growth in Lettings (+4%) and Financial Services (+17%). In the Surveying Division, we delivered strong operating profit growth (+9%) and strong margins (29.3%).

During 2018, we continued to execute on our stated strategy and made positive progress across the Group as follows:

- In May 2018, we were pleased to announce the material contract win for the supply of surveying and valuation services to Lloyds Bank plc. The initial performance of this contract is in line with expectations
- During 2018, LSL continued its strategy to evaluate selective acquisitions and completed two Financial Services related acquisitions, Personal Touch Financial Services and RSC New Homes which are both performing in line with expectations. These acquisitions support LSL's stated strategy of enhancing its position as a leading mortgage distributor and are an excellent fit with our existing Financial Services businesses. LSL also acquired a c.35% holding in Mortgage Gym, a digital mortgage marketplace business in July 2018
- During 2018, LSL restarted its lettings book acquisition programme with six lettings books acquired during the period

Reshaping Your Move and Reeds Rains branch networks

The changes to the structure of the Your Move and Reeds Rains estate agency branch networks and operations announced on 5th February 2019 are proceeding in line with expectations. The Your Move and Reeds Rains branch networks have been reduced from 308 to 144 keystone branches following the closure and merging of 81 neighbouring branches into the keystone branch network, the franchising of 39 branches and the closure of 44 branches.

Delivering the ways of working programme into Your Move and Reeds Rains is expected to deliver material improvement in Your Move and Reeds Rains operating profit, assuming no material change in residential property market conditions.

The Market in 2018

The UK residential property market was subdued in 2018. Approvals for house purchases[4] in 2018 were down by 1.9% with the decline in market transactions continuing to be more substantial in London and the South East[5]. Total mortgage approvals[4] increased by 0.6% in 2018, with the increase in remortgage approvals of 3.9% offsetting the fall in house purchase approvals. The increase in remortgage approvals included strong growth in the first half of 2018 (+7.9%) compared to the same period in 2017 reflecting an increase in remortgage activity due to the widely anticipated interest rate increase announced by the Bank of England in May 2018. Second half mortgage activity in 2018 was broadly flat against the same period in 2017.

Average house prices[6] in England and Wales grew by 0.1% (2017: 3.9%) to £305,284 with a decline in Greater London (-1.1%). Excluding Greater London and the South East, the average increase was 1.0%.

The proportion of residential housing stock available for sale with online and hybrid estate agents sector continued to grow modestly on a year-on-year basis, increasing from 7% in 2017 to 8% in 2018[7].

Total gross mortgage lending in 2018 was £269bn[8] (2017: £261bn). The proportion of mortgage lending in the market placed through intermediaries increased to 71% in 2018 (2017: 68%)[9].

Following market declines in the repossession market in the past few years, market repossessions volumes declined in 2018, reducing by 9.2% to 6,750[10] total repossessions as interest rates remained historically low and this was the lowest number since 1981.

Our market position

LSL continues to hold market leading positions in its core Estate Agency business comprising 12 Estate Agency subsidiaries: Your Move, Reeds Rains, LSLi group (nine companies) and Marsh & Parsons. We continue to believe that traditional estate agents will represent the substantial majority of the Residential Sales and Lettings markets for the foreseeable future and that our Estate Agency branches will continue to remain core to providing the service our customers expect.

In Your Move and Reeds Rains, the newly established keystone network of 144 branches are situated in core locations across the UK and generally have larger teams of dedicated experts in Residential Sales, Lettings and Financial Services roles than the average Your Move and Reeds Rains branches previously had in place.

The ambition for these keystone branches is to create a platform that will benefit from their larger scale, enabling us to invest in people and technology with the aim of providing enhanced levels of service to our customers whilst ensuring operational performance is optimised by competing more effectively in local markets. Our commitment to the new IT platform and investment in enhanced technology is intended to give these Your Move and Reeds Rains branches the opportunity to cover a wider geography and benefit from further scale.

Marsh & Parsons continues to implement its well established strategy of expanding its branch network with a focus on locations outside prime Central London. During 2018 we opened one new Marsh & Parsons branch in Chiswick, in outer prime Central London, which is performing in line with expectations.

The LSLi group of companies today operate 57 owned branches and they will continue with their existing strategy to develop the nine well established local companies in their existing markets in the South East of England. In addition, in 2019 the LSLi group of companies will continue to actively evaluate opportunities for lettings book acquisitions.

LSL has continued to monitor the progress of the Government's review of tenant fees which sets out to ban letting fees paid by tenants in the private rented sector and capping tenancy deposits in England and Wales. The Government has confirmed that the legislation will come into effect on 1st June 2019. In response to the change in legislation, LSL has made the necessary preparations to ensure these changes will be fully implemented across all of LSL's Estate Agency brands. We have also put in place a range of commercial measures in lettings across our Estate Agency brands to optimise future organic revenue growth.

In Financial Services, during 2018 the Group arranged total mortgage lending of £29.0bn (2017: £21.0bn). Measured by the number of appointed representatives, as at 31st December 2018, LSL's overall combined broker networks are the second largest in the UK[11]. Financial Services income represented 27% of total Group Revenue in 2018 (2017: 24%) demonstrating LSL's growing position as a leading financial services distributor.

Our Surveying Division became the clear market leader in 2018, maintaining strong relationships with many of the UK's largest lenders. During 2018 LSL was awarded a material contract to supply surveying and valuation services to Lloyds Bank plc. The five year contract included the transfer to e.surv of the existing Lloyds Bank plc surveyors and back-office employees. LSL's Surveying Division is the UK's largest provider of residential valuation services nationwide and is the largest employer of surveyors in the UK[5] with 503 qualified operational surveyors as at 31st December 2018.

Yopa

LSL retains a strong position in its traditional Estate Agency business. We continue to believe that traditional estate agents will represent the substantial majority of the Residential Sales and Lettings markets for the foreseeable future and that Estate Agency branches will continue to remain core to providing the service our customers expect.

LSL has a 14.7% minority shareholding in Yopa. LSL's previous carrying value of £20.0m for Yopa has been written down through reserves by £12.2m to £7.8m as at 31st December 2018 to reflect the Board's assessment of fair value.

Change to segment reporting

LSL's Financial Services revenue has grown materially in recent years, through both organic growth and selective acquisitions. LSL's Financial Services Revenue CAGR over the five year period, 2014 to 2018, has been 19%, representing approximately 27% of total Group revenue in 2018, compared to 14% in 2013.

The Board has carried out a review of the structure of the financial information it requires in order to assess the performance of the Group, allocate resources and assist in investor understanding of the underlying performance trends and drivers of value.

To reflect the growth and increased importance of LSL's Financial Services businesses, the Board has decided to update the Group segmental reporting effective from 1st January 2019.

The Group currently reports two segments: Estate Agency and Related Services, and Surveying and Valuation Services. From 1st January 2019 LSL will report three segments: Estate Agency; Financial Services; and Surveying and Valuation Services. The Financial Services segment will incorporate all LSL's Financial Services businesses. The Estate Agency segment will primarily incorporate the results from the Estate Agency networks (Your Move, Reeds Rains, LSLi and Marsh & Parsons) and Asset Management. The Surveying and Valuation Services segment is unchanged.

The 2018 and 2017 financial results contained within this Preliminary announcement are on the previous segment reporting basis.

Strategy

LSL remains committed to delivering on our stated strategy which now includes the separate Financial Services segment:

Estate Agency

- Ambition to achieve £80k-£100k profit per branch[12] in the medium term based on the expectation of a normalised level of market transactions
- Ambition to expand the number of Marsh & Parsons branches to a total of 36 in the medium term, particularly outside prime Central London

- Grow recurring and where market conditions permit counter-cyclical income streams
- Evaluate selective acquisitions of Residential Sales businesses and Lettings books

Financial Services

- Enhance LSL's position as a leading distributor of mortgage and non-investment insurance products
- Consistent delivery of appropriate outcomes for consumers with a focus on "best practice" standards of regulatory compliance
- Enhancement of technology solutions to improve the customer experience and operational efficiency
- Evaluate further selective Financial Services acquisitions

Surveying and Valuation Services

- Optimise contract performance and revenue generation from business to business customers
- Achieve further improvement in efficiency and capacity utilisation
- Use technology to target further improvements in customer satisfaction and performance
- Continue the graduate training programme

LSL performance in 2018

Estate Agency Division

Total Estate Agency income of £254.8m (2017: £247.4m) increased by 3%. This increase resulted from the consistent execution of our strategies with strong growth in both Lettings income (+4%) and in Financial Services income (total growth +17%, organic growth +1%). Operating profit being down 24% reflects the effect of operational gearing on lower residential exchange volumes which more than offset the benefits from Financial Services income and Lettings income growth.

Residential Sales exchange income

Residential Sales exchange income decreased by 9% to £69.9m (2017: £76.6m) due primarily to the final quarter of 2017 residential property market conditions impacting opening 2018 pipelines and subdued activity during 2018. Residential Sales exchange income was also impacted by selective branch closures in the final quarter of 2017 (2% of wholly owned branch network).

LSL has remained extremely disciplined in its Residential Sales exchange fee strategy throughout 2018. Average LSL Estate Agency Residential Sales exchange fee (£) per unit increased by 1% to £3,071 (2017: £3,042).

Lettings income

In 2018 we delivered growth in Lettings income of 4% (organic growth: 3%). Lettings income represented 30% of total Estate Agency Division income in 2018 (2017: 30%).

In line with our stated strategy, we restarted our lettings book acquisition programme during 2018 and acquired six lettings books in 2018 for a total consideration of £1.9m. The lettings books are performing in line with expectations and have been successfully integrated into the Estate Agency network.

Financial Services

Total Financial Services income grew strongly again with 17% year-on-year growth in 2018. Adjusting for the acquisitions of Personal Touch Financial Services and RSC New Homes in the first quarter of 2018, we delivered organic growth of 1% which was slightly higher than the market as measured by Total Mortgage Approvals. Financial Services income increased as a proportion of the Estate Agency businesses and represented 34% of total Estate Agency Division income in 2018 (2017: 30%) reflecting our continuing strategy to enhance LSL's position as a leading distributor of mortgage and non-investment insurance products.

In 2018, LSL further strengthened its position as a leading distributor of mortgage and non-investment insurance products and LSL delivered strong overall growth in the value of mortgage completions which were up 38% to £29.0bn in 2018 (2017: £21.0bn). LSL's market share is estimated to be 8% of the total market value of mortgage completions[13].

Marsh & Parsons

LSL estimates that Residential Sales volumes in the prime Central London market reduced by 15% to 20% in 2018 with Greater London house prices falling by 1.1%. Given the overall challenging prime Central London market, Marsh & Parsons delivered a resilient top line performance with revenue down by 2% in 2018 to £33.5m (2017: £34.3m).

Marsh & Parsons Residential Sales income fell by 13% in 2018 which represents a solid performance in light of the overall prime Central London market conditions. We are pleased with the Lettings performance with income growth of 4%. Lettings revenue now represents 63% of Marsh & Parson's total revenue (2017: 59%).

Expenditure at Marsh & Parsons was broadly flat year-on-year reflecting the increased staff costs of the Chiswick branch opened in April 2018 and the full year impact of the two branch openings in 2017, being largely offset by lower costs in a number of expenditure categories. Full year operating profit fell to £2.3m (2017: £3.9m). Adjusted EBITDA was £3.4m (2017: £4.9m). Profit in 2017 included a gain on sale of property of £0.7m (2018: £nil).

We continued with our branch expansion strategy in 2018, opening one new branch during the year in the outer prime Central London location of Chiswick. We are pleased with the performance of this new branch. This takes our total number of Marsh & Parsons branches to 28 as at 31st December 2018.

LSL's ambition remains to expand the number of Marsh & Parsons branches to a total of 36 in the medium term, particularly outside prime Central London. Outer prime Central London has not been as negatively impacted by subdued market conditions as prime Central London and Marsh & Parsons is looking to expand its branch footprint in outer prime Central London locations.

YOUR MOVE Reeds Rains

"The Your Move and Reed Rains future focus on ***144 keystone branches*** is to create a platform that will benefit from their larger scale, with the aim of providing enhanced levels of service to our customers by competing more effectively in local markets."

Estate Agency profit per branch (Your Move, Reeds Rains and LSLi)
Operating profit per owned branch in 2018 was £18,300 (2017: £32,000) due to the impact of the challenging residential sales market conditions on Residential Sales exchange income partly offset by growth in Financial Services income and Lettings income.

Surveying Division
The Surveying Division delivered strong revenue performance increasing by 9% to £69.8m (2017: £64.1m), which included a material contribution in the second half from the successful commencement of the Lloyds Bank plc surveying and valuation services relationship, up 25% year-on-year. The first half was down 6% year-on-year, impacted by market conditions and lender mix.

The Surveying Division delivered strong growth in operating profit of 8% to £20.4m (2017: £18.9m) and continued to deliver strong operating margins of 29.3% in 2018 (2017: 29.4%).

Total number of jobs performed during the year was 366,000 (2017: 309,000) with income per job of £191 (2017: £207). The total number of qualified operational surveyors at 31st December 2018 was 503, an increase of 182 over 2017 due primarily to the transfer to e.surv of the existing Lloyds Bank plc surveyors as part of the contract awarded to e.surv during May 2018, to supply surveying and valuation services to Lloyds Bank plc. The initial performance of the contract for the supply of surveying and valuation services to Lloyds Bank plc is in line with expectations.

Our on-going graduate programme continues to be successful and assists in alleviating the impact of capacity constraints in the market.

In 2018 the Group continued to make positive progress in addressing historic claims and there has been a net £2.2m exceptional gain and reduced PI Costs payments of £1.7m during 2018 compared to the previous year (2017: £3.3m).

Our customers
Our continued focus on providing the best service to our customers has been recognised in 2018 with numerous industry awards including:

- *Marsh & Parsons:* **UK Property Awards 2018:** Best Estate Agency Marketing, London – Gold Award, Best Real Estate Agency London – Gold Award, Best Lettings Agency, London – Gold Award. **International Property Awards 2018:** Best Estate Agency Marketing, UK – Gold Award, Best Estate Agency, UK – Gold Award, Best International Real Estate Agency, UK – Gold Award. **London Magazine Club Awards 2018:** Advertising Campaign of the Year – Silver Award. Creative Pool Awards 2018: Bronze for Photography.
- *Davis Tate:* **Best Estate Agent Guide 2018: (*)** Abingdon, Burghfield, Shinfield and Wantage – Rated Highly (Sales) and Rated Excellent (Lettings), Henley and Pangbourne – Rated Highly (Sales) and Rated Exceptional (Lettings), Didcot and Reading – Rated Highly (Lettings), Goring – Rated Excellent (Lettings), Wallingford – Rated Excellent (Sales) and Rated Excellent (Lettings), Woodley – Rated Exceptional (Sales) Sonning Common and Twyford – Rated Exceptional (Sales) and Rated Exceptional (Lettings).
- *Frost's:* **The Negotiator Awards**: Lettings Agency of the Year (2-5 branches) – Gold Award. **The ESTAS – Estate Agency of the Year Awards:** Letting Agent (rated by tenants), Hertfordshire and Middlesex – Silver Award, Letting Agent (rated by landlords), Hertfordshire and Middlesex – Silver Award.
- *Thomas Morris:* **Guild of Property Professionals 2018**: Lettings (East Anglia) – Gold Award, Sales (East Anglia) – Gold Award. **Fine & Country Awards 2018:** Best Property Presentation and Best Overall Operator. **The ESTAS – Estate Agency of the Year Awards:** Best Local Agency in Central England, Letting Agent (rated by tenants), East of England – Silver Award. **The 2018 all Agents Awards:** Best Estate Agent in East of England – Gold Award. **Relocation Agent Network:** Best Agent in East Anglia and Essex, Customer Relocation Award – Winner. **The Negotiator Awards 2018:** Lettings Agency of the Year (6-9 branches) – Gold Award, Estate Agency of the Year (6-9 branches) – Gold Award, Community Champion of the Year – Silver Award, East of England Agency of the Year – Silver Award. **Agents Giving Awards 2018:** Best Team/Company Fundraiser. **Best Estate Agent Guide 2018(*)** : East of England (Lettings) – Gold Award, East of England (Sales) – Gold Award, Outstanding Contribution To Estate Agency – Simon Bradbury.
- *e.surv Chartered Surveyors:* **Money Age Awards 2018**: Mortgage Surveyor of the Year. **Mortgage Introducer Awards 2018:** Best Survey/Valuation Business
- *LSL Financial Services:* **Precise Mortgage Awards:** Best Distribution Group 2018. Lifetime Achievement Award – David Copland.

(*) As judged and announced in 2018

Post balance sheet events
On 5th February 2019 LSL announced an Estate Agency Strategy: ways of working programme update and work has now commenced on the reshaping of the Your Move and Reeds Rains branch networks. As disclosed on 5th February 2019, LSL expects to incur an exceptional P&L charge of approximately £14m in 2019 and £1m in 2020, with cash costs amounting to approximately £12m over the three years from 2019 to 2021 including approximately £9m cash costs in 2019.

The changes to the structure of the Your Move and Reeds Rains estate agency branch networks announced on 5th February 2019 has reduced the total number of Your Move and Reeds Rains branches from 404 to 279 of which 144 are owned keystone branches and 135 are franchised.

Our people

The continued success of our business model is attributable to, and underpinned, by our strong brands and excellence in the delivery of high levels of customer services by our colleagues in our Estate Agency, Financial Services and Surveying businesses. I would like to take this opportunity to thank all my colleagues across our businesses for their professionalism and dedication during 2018. I look forward to working with my colleagues to deliver a successful year in 2019.

Outlook

Market conditions in 2019 have been notably softer than the equivalent period in 2018, whilst LSL's financial performance so far in 2019 has been marginally behind the Board's expectations. Nevertheless, at this early stage in the year, the Board's current expectation is that the Group will deliver a full year Underlying Operating Profit in line with its prior expectations, as the business is expected to continue to benefit from the range of LSL's ongoing self-help measures.

We continue to remain cautious on the residential property market outlook for 2019 given the current uncertainty over the UK and global political and economic environment and the potential impact on UK consumer confidence.

The Board currently expects to see a material reduction in the volume of house purchase transactions compared to the prior year. Mortgage costs continue to be low by historic standards and mortgage availability remains good. The medium to longer term fundamentals of the UK housing market remain solid.

The final arrangements for the planned exit from the European Union are uncertain. In the eventuality that the outcome leads to a changed impact on consumer confidence and our business, we will update our Shareholders.

Although Brexit and the current political environment continues to create uncertainty, the Group has a robust balance sheet with relatively low levels of gearing and is very cash generative at an operational level.

LSL continues to execute on its stated strategy and we are confident that LSL, with its market leading brands, broad portfolio of residential property services and the benefits from the proactive self-help measures, remains well positioned to perform well given a range of potential market conditions, in order to maximise Shareholder value. The Board remain confident of the opportunities for further positive progress for the Group.

Ian Crabb
Group Chief Executive Officer
5th March 2019

Notes:

[1] Group Underlying Operating Profit is before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments (as defined in Note 5 to the Financial Statements)

[2] Group Adjusted EBITDA is Group Underlying Operating Profit plus depreciation on property, plant and equipment (as defined in Note 5 to the Financial Statements)

[3] Operational gearing is defined as Net Bank Debt divided by Group Adjusted EBITDA (Group Adjusted EBITDA is Group Underlying Operating Profit (Note 5 to the Financial Statements) plus depreciation on property plant and equipment)

[4] Bank of England for "House Purchase Approvals" and "Total Mortgage Approvals" - January 2019

[5] LSL estimates and including Land Registry regional data – February 2019

[6] LSL Property Services/ACADATA HPI – February 2019

[7] LSL sources/data analysis

[8] UK Finance 'New mortgages by purpose of loan' – February 2019 (excluding product transfers)

[9] UK Finance 'New mortgages sold by intermediaries' – February 2019

[10] UK Finance 'Possessions on mortgaged properties' – February 2019

[11] Which-Network – network performance figures – January 2019

[12] The profit per branch methodology has been consistently applied since the profit per branch ambition of £80k-£100k was first announced by LSL in March 2014. Profit per branch is calculated for Your Move, Reeds Rains and the LSLi owned branches and excludes Marsh & Parsons

[13] LSL's market share is calculated using gross mortgage completions excluding product transfers

Strategic Report

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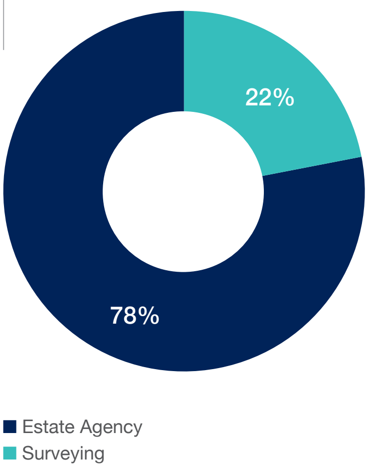
Strategy

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

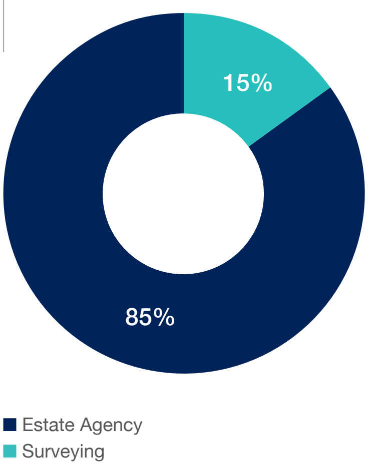
Group Revenue 2018

£324.6m



Full year 2018 average FTE

4,763



LSL remains committed to delivering on its stated strategy which with effect 1st January 2019 is separated into three segments: Estate Agency, Financial Services, and Surveying and Valuation Services.

Estate Agency

- Ambition to achieve £80,000 to £100,000 profit per branch in the medium term based on the expectation of a normalised level of market transactions.
- Ambition to expand the number of Marsh & Parsons branches to a total of 36 in the medium term, particular outside prime Central London.
- Grow recurring and where market conditions permit, counter-cyclical income streams.
- Evaluate selective acquisitions of Residential Sales businesses and lettings books.

Financial Services

- Enhance LSL's position as a leading distributor of mortgage and non-investment insurance products.
- Consistent delivery of appropriate outcomes for consumers with a focus on "best practice" standards of regulatory compliance.
- Enhancement of technology solutions to improve the customer experience and operational efficiency.
- Evaluate further selective Financial Services acquisitions.

Surveying and Valuation Services

- Optimise contract performance and revenue generation from business to business customers.
- Achieve further improvement in efficiency and capacity utilisation.
- Use technology to target further improvements in customer satisfaction and performance.
- Continue the graduate training programme.

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 meaningful proportion of earnings as a dividend to Shareholders.

Note: Business Model describes the Group's operations as at 5th March 2019

- LSL is the market leader in Surveying and Valuation Services, second largest combined network in Financial Services, and has market leading positions in Estate Agency.
- LSL serves retail customers in its Estate Agency businesses, such as house sellers and buyers, and landlords and tenants by providing Residential Sales, Lettings, as well as mortgage and non-investment brokerage services and other related services.
- 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 (recurring income) and Asset Management (counter-cyclical income).
- The recent creation of keystone branches in Your Move and Reeds Rains creates a platform that will benefit from their larger scale, enabling us to invest in people and technology with the aim of providing enhanced levels of service to our customers whilst ensuring operational performance is optimised by competing more effectively in local markets and utilising central hubs to handle certain administrative tasks centrally.
- The Financial Services business is a leading financial services distributor and includes highly regarded back-office and administration technology (Toolbox) which has been designed to build scale and opportunity for its financial services intermediaries.
- The model benefits from scale and investment to ensure the Surveying and Valuation Services business has the best technology in the market to help it maintain its market leading position and to improve quality, service performance and risk management for clients.
- 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

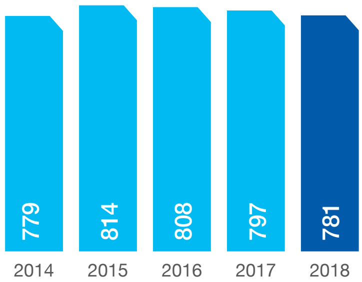
LSL operates across the residential property services value chain

Information in this section of the Report is as at 31st December 2018

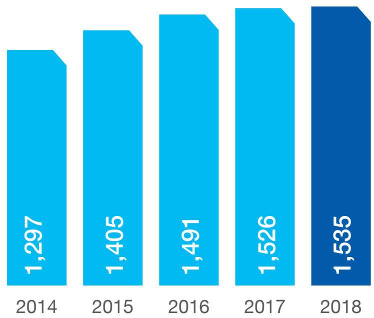
In 2018 total mortgage approvals increased by 0.6% to 1,535,000 (2017: 1,526,000)[1].
Overall house purchase approvals fell by 1.9% to 781,000 (2017: 797,000)[1].
Remortgage (and other) volumes of 754,000 were up by 3.4% compared to 2017 (2017: 729,000)[1].

Market transaction data

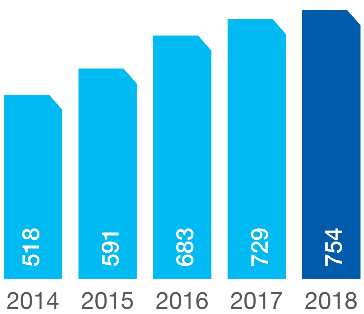
Total mortgage approvals for house purchase[1]
'000s



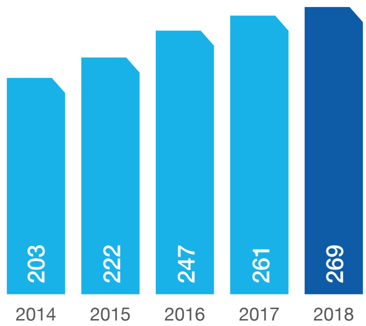
Total mortgage approvals[1]
'000s



Remortgage (and other) volumes[1]
'000s



Total gross mortgage lending[3]
£bn



LSL's markets:

During 2018 LSL's markets were categorised into two principal segments:

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

The Market in 2018

The UK residential property market was subdued in 2018. Approvals for house purchases[1] in 2018 were down by 1.9% with the decline in market transactions continuing to be more substantial in London and the South East[4]. Total mortgage approvals[1] increased by 0.6% in 2018, with the increase in remortgage approvals of 3.9% offsetting the fall in house purchase approvals. The increase in remortgage approvals included strong growth in the first half of 2018 (+7.9%) compared to the same period in 2017 reflecting an increase in remortgage activity due to the widely anticipated interest rate increase announced by the Bank of England in May 2018. Second half mortgage activity in 2018 was broadly flat against the same period in 2017.

Average house prices[5] in England and Wales grew by 0.1% (2017: 3.9%) to £305,284 with a decline in Greater London (-1.1%). Excluding Greater London and the South East, the average increase was 1.0%.

The proportion of residential housing stock available for sale with online and hybrid estate agents sector continued to grow modestly on a year-on-year basis, increasing from 7% in 2017 to 8% in 2018[6].

Total gross mortgage lending in 2018 was £269bn[3] (2017: £261bn). The proportion of mortgage lending in the market placed through intermediaries increased to 71% in 2018 (2017: 68%)[7].

Following market declines in the repossession market in the past few years, market repossessions volumes declined in 2018, reducing by 9.2% to 6,750[2] total repossessions as interest rates remained historically low and this was the lowest number since 1981.

LSL market positions

LSL continues to hold market leading positions in its core Estate Agency business comprising 12 Estate Agency subsidiaries: Your Move, Reeds Rains, LSLi group (nine companies) and Marsh & Parsons. LSL continues to believe that traditional estate agents will represent the substantial majority of the residential sales and lettings markets for the foreseeable future and that LSL's Estate Agency branches will continue to remain core to providing the service Group customers expect.

In Your Move and Reeds Rains, the newly established keystone network of 144 branches are situated in core locations across the UK and generally have larger teams of dedicated experts in Residential Sales, Lettings and Financial Services roles than the average Your Move and Reeds Rains branches previously had in place.

The ambition for these keystone branches is to create a platform that will benefit from their larger scale, enabling LSL to invest in people and technology with the aim of providing enhanced levels of service to Group customers whilst ensuring operational performance is optimised by competing more effectively in local markets. LSL's commitment to the new IT platform and investment in enhanced technology is intended to give these Your Move and Reeds Rains branches the opportunity to cover a wider geography and benefit from further scale.

Marsh & Parsons continues to implement its well established strategy of expanding its branch network with a focus on locations outside prime Central London. During 2018 LSL opened one new Marsh & Parsons branch in Chiswick, in outer prime Central London, which is performing in line with expectations.

The LSLi group of companies today operate 57 owned branches and they will continue with their existing strategy to develop the nine well established local companies in their existing markets in the South East of England. In addition, in 2019 the LSLi group of companies will continue to actively evaluate opportunities for lettings book acquisitions.

LSL has continued to monitor the progress of the Government's review of tenant fees which sets out to ban letting fees paid by tenants in the private rented sector and capping tenancy deposits in England and Wales. The Government has confirmed that the legislation will come into effect on 1st June 2019. In response to the change in legislation, LSL has made the necessary preparations to ensure these changes will be fully implemented across all of LSL's Estate Agency brands. The Group has also put in place a range of commercial measures in lettings across LSL's Estate Agency brands to optimise future organic revenue growth.

In Financial Services, during 2018 the Group arranged total mortgage lending of £29.0bn (2017: £21.0bn). Measured by the number of appointed representatives, as at 31st December 2018, LSL's overall combined broker networks are the second largest in the UK[8]. Financial Services income represented 27% of total Group Revenue in 2018 (2017: 24%) demonstrating LSL's growing position as a leading financial services distributor[8].

LSL's Surveying Division became the clear market leader in 2018, maintaining strong relationships with many of the UK's largest lenders. During 2018 LSL was awarded a material contract to supply surveying and valuation services to Lloyds Bank plc. The five year contract included the transfer to e.surv of the existing Lloyds Bank plc surveyors and back-office employees. LSL's Surveying Division is the UK's largest provider of residential valuation services nationwide and is the largest employer of surveyors in the UK[4] with 503 qualified operational surveyors as at 31st December 2018.

Estate Agency and Related Services

Estate Agency and Related Services 78.5%

of Group Revenue in 2018 (2017: 79.4%)

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 non-investment insurance brokerage services with revenue earned directly by the Estate Agency brands and through the operation of intermediary networks.

Residential Sales and Lettings 45.1%

of Group Revenue in 2018 (2017: 48.3%)

- Estate Agency services for residential property sales.
- Comprehensive Lettings service for residential landlords and tenants.

Financial Services 26.9%

of Group Revenue in 2018 (2017: 23.9%)

- Financial services networks which are authorised and regulated by the FCA and provide support and supervision to financial services intermediaries.
- Brokerage services for mortgages and non-investment insurance products.
- Arranged £29.0bn mortgage completions in 2018 (2017: £21.0bn).
- Combined appointed representative networks is the second largest in the UK[8].

Asset Management 1.7%

of Group Revenue in 2018 (2017: 2.0%)

- Repossessions asset management services for lenders.
- Property management services for multi-property landlords.
- Repossession volumes fell by 9% to 6,800 (2017: 7,400) in 2018[2] in a declining market.

Other income 4.8%

of Group Revenue in 2018 (2017: 5.2%)

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

Surveying and Valuation Services

Surveying and Valuation Services 21.5%

of Group Revenue in 2018 (2017: 20.6%)

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] Bank of England for 'House Purchase Approvals' and 'Total mortgage approvals' – January 2019

[2] UK Finance 'Possessions on mortgaged properties' – February 2019

[3] UK Finance 'New mortgages by purpose of loan' – February 2019

[4] LSL estimates and including Land Registry regional data – February 2019

[5] LSL Property Services/ACADATA HPI – February 2019

[6] LSL sources/data analysis

[7] UK Finance 'New mortgages sold by intermediaries' – February 2019

[8] Which-Network – network performance figures – January 2019

Business Review
Estate Agency Division

+3%
Total income
2017: +2%

-9%
Exchange income
2017: -9%

+4%
Lettings income
2017: +4%

+17%
Financial Services income
2017: +16%

+1%
Fee per exchange unit
2017: -1%

8.1%
Operating margin
2017: 10.9%

Financial	2018 £m	2017 £m	% change
Residential Sales exchange income	69.9	76.6	-9
Lettings income	76.6	73.9	+4
Financial Services income	87.4	74.4	+17
Asset Management income	5.5	6.3	-13
Other income[1]	15.4	16.2	-5
Total income	254.8	247.4	+3
Operating expenditure	(234.2)	(220.5)	-6
Underlying Operating Profit[2]	20.6	26.9	-24

KPIs	2018	2017	% change
Exchange units	22,747	25,176	-10
Underlying Operating Margin (%)	8.1	10.9	
Fees per unit £	3,071	3,042	+1

Market data			
House purchase approvals (000s)[3]	781	797	-2
Total mortgage approvals (000s)[3]	1,535	1,526	+1
UK housing transactions (000s)[4]	1,195	1,220	-2
Repossessions[5]	6,750	7,430	-9

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] Refer to Note 5 to the Financial Statements for the calculation
[3] Bank of England for "House Purchase Approvals" and "Total Mortgage Approvals" – January 2019
[4] HMRC Stats "Monthly property transactions completed in the UK with value of £40,000 or above" – January 2019
[5] UK Finance 'Possessions on mortgaged properties' – February 2019

Estate Agency Division performance
Year-on-year income growth in the Estate Agency Division was 3%. Lettings income and Financial Services income showed positive growth with Residential Sales performance reflecting market conditions.

Residential Sales exchange income
Residential Sales exchange income decreased by 9% to £69.9m (2017: £76.6m), average fees per unit increased by 1% to £3,071 (2017: £3,042). Residential Sales exchange volumes fell by 10%.

Lettings income
As in 2017, Lettings income grew in each quarter of the year as LSL continued to focus on this recurring revenue stream. Lettings growth for the year was 4% (organic: 3%).

Financial Services income
Total Financial Services income is delivered through the Estate Agency Division's branches, Group First, RSC New Homes (acquired in March 2018), Personal Touch Financial Services (acquired in January 2018) and the intermediary networks trading as PRIMIS and grew strongly again with 17% year-on-year growth in 2018 (organic: 1%).

Other income
Other income fell by 5% year-on-year in large part due to a fall in conveyancing income due to lower Residential Sales transaction volumes.

Asset Management
Asset Management maintained its market position in a smaller repossessions market.

Estate Agency Division operating margin
The Estate Agency Division Underlying Operating Margin was 8.1% in 2018 (2017: 10.9%).

Branch numbers

The total number of Estate Agency branches reduced by 14 in 2018, following the closure of six owned branches and six franchise branches and the opening of one new branch in Marsh & Parsons and the merging of three into existing local branches.

The changes to the structure of the Your Move and Reeds Rains estate agency branch networks announced on 5th February 2019 has at the 5th March 2019 reduced the total number of Your Move and Reeds Rains branches from 404 to 279 of which 144 are owned keystone branches and 135 are franchised.

Breakdown of LSL's Estate Agency branches as at 31st December 2018 and 31st December 2017:

	Owned	Franchise	Total 2018	Total 2017
Your Move	194	58	**252**	260
Reeds Rains	114	38	**152**	154
Sub total	308	96	**404**	414
LSLi	57	2	**59**	64
Marsh & Parsons	28	-	**28**	27
Total	**393**	**98**	**491**	**505**

Your Move and Reeds Rains branch summary:

	Branch numbers (31st December 2018)	Branch numbers (5th March 2019)
Total owned branches	308	144
Total franchise branches	96	135
Total branches (combined)	404	279

Regulation

Residential Sales and Lettings

The Estate Agency Division's branches adhere to the Codes of Practice issued by industry professional and regulatory bodies, including The Property Ombudsman (TPO) and/or the ARLA Propertymark and NAEA Propertymark. Membership of these bodies is in addition to observing compliance with relevant legislation, such as Data Protection, the Consumer Protection Regulations and 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 has also on behalf of all its Estate Agency businesses entered into a primary authority agreement with York Trading Standards Office.

During the year LSL implemented the General Data Protection Regulations ahead of the May 2018 commencement date which included a review of and updates to the Group's Data Protection arrangements.

LSL from time to time also enters into direct dialogue with the regulators and consumer groups. During 2018 there continued to be significant focus on housing issues and LSL has been monitoring and responding to the wide range of consultations published by the Government as part of its review of the housing market which commenced at the start of 2017 and is expected to continue during 2019. This includes legislation and consultations impacting and relating to both Residential Sales and Lettings activities.

In relation to the Lettings business, this has included the introduction of the tenant fee ban, the review of client money protection arrangements, the proposed regulation of lettings agents, the implementation of selective licensing by local authorities, the review of measures which seek to improve rental arrangements in the private rental sector and the proposal to create a specialist housing court. In relation to Residential Sales this has included monitoring the work being undertaken by the Government's Regulatory Property Agents: Working Group, the review of the home buying and selling process (which included a review of referral fees) and the proposal to create a single property ombudsman.

The Estate Agency Division has a dedicated compliance team which together with the in-house Legal Services team provides support to the Estate Agency businesses. The Estate Agency Compliance team is subject to oversight by the Estate Agency Management Committee and annual review by the LSL Audit & Risk Committee. The Estate Agency's Financial Services activities are subject to the oversight of First Complete (see Regulation – Financial Services for further details).

Financial Services

LSL's Financial Services business includes three intermediary networks which provide products and services to financial services intermediaries: First Complete, Advance Mortgage Funding, and Personal Touch Financial Services. All three networks are directly authorised by the FCA in relation to the sale of mortgages together with non-investment insurance products. Personal Touch Financial Services also has permission in relation to the sale of investment products.

During 2018, First Complete and Advance Mortgage Funding both traded under the PRIMIS brand which was launched in 2018. With effect from 31st January 2019, Personal Touch Financial Services also commenced trading as PRIMIS.

First Complete acts as principal for most of the Estate Agency businesses within LSL's Estate Agency Division, enabling the Estate Agency businesses to refer their customers to Embrace Financial Services whose employed financial advisers provide Financial Services advice to customers of the branch networks.

Your Move, Reeds Rains, First2Protect, Mortgages First, Insurance First, RSC New Homes and Embrace Financial Services along with the LSLi subsidiaries are all appointed representatives of First Complete.

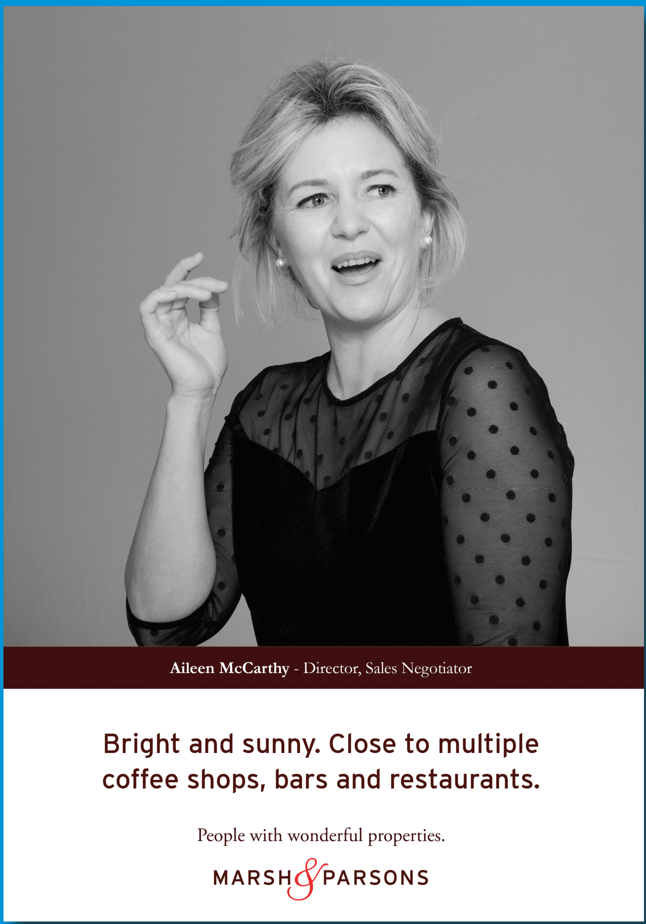
Linear Financial Solutions is an appointed representative of Advance Mortgage Funding for mortgage and insurance business and also an appointed representative of Openwork for investment business.

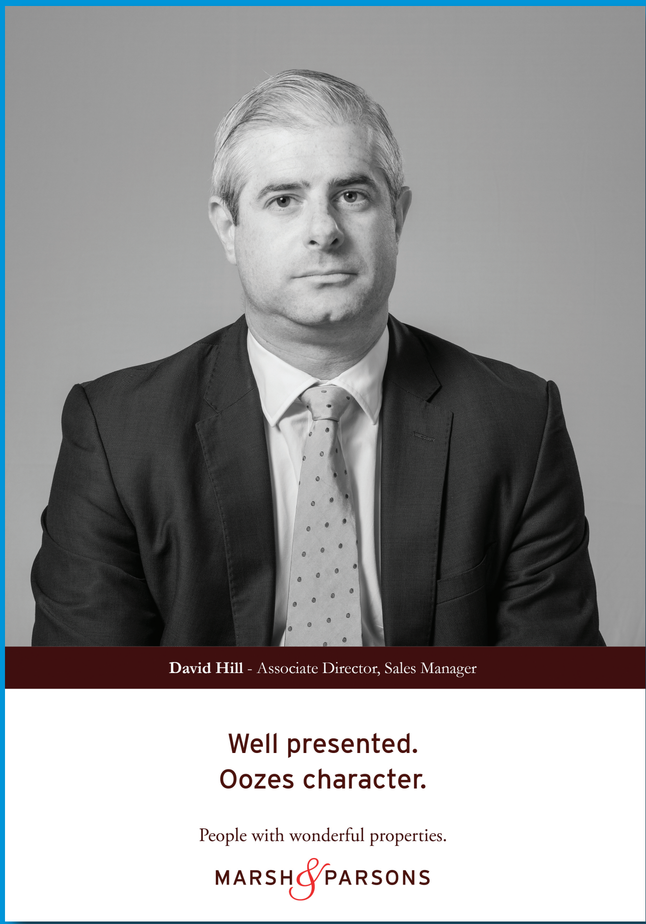
LSL's Financial Services businesses are also members of the Association of Mortgage Intermediaries (AMI) which is an industry representative and trade body and the Financial Services businesses are subject to the Financial Ombudsman Service and contribute to the funding of the Financial Services Compensation Scheme through regulatory fees and charges.

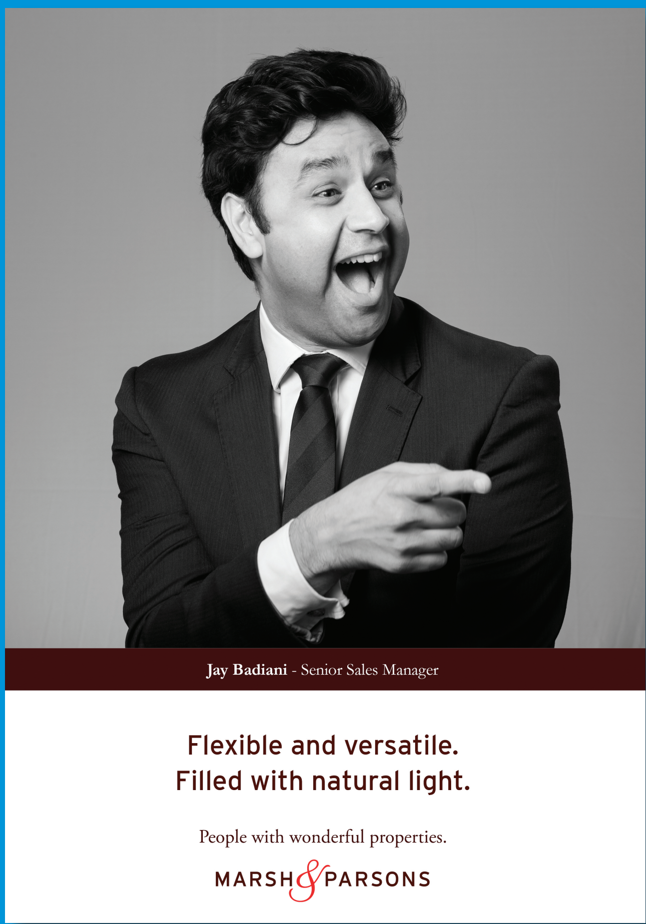
During 2018, LSL has been monitoring and engaged in Government and Regulatory consultations and review, including in relation to the senior managers regime and the review of the mortgage market. During 2019, LSL will continue to monitor reforms and engage with the FCA in addition to taking steps to implement the senior managers regime across the Group.

The Financial Services businesses have dedicated compliance teams which together with the in-house Legal Services team provides support to the Financial Services businesses. The Group's Financial Services activities are subject to the oversight of the Financial Services Risk Committee and Financial Services Management Committee and annual review by the LSL Audit & Risk Committee.

Please also refer to the Principal Risks and Uncertainties section of this Report for details of how the Estate Agency Compliance and Financial Services Compliance teams form part of the Group's risk management and internal control arrangements, together with details of how the Group describes and mitigates risks and uncertainties relating to regulation and compliance.







"People with Wonderful Properties" campaign, created to celebrate the talented staff at Marsh & Parsons

Business Review
Surveying Division

+9%
Revenue
2017: -1%

-8%
Income per job
2017: +2%

29.3%
Profit margin
2017: 29.4%

503
Number of qualified surveyors
2017: 321

Financial	2018 £m	2017 £m	% change
Revenue	**69.8**	64.1	+9
Operating expenditure	**(49.4)**	(45.2)	-9
Underlying Operating Profit[1]	**20.4**	18.9	+8
KPIs	**2018**	2017	% change
Underlying Operating Margin (%)	**29.3**	29.4	
Jobs performed (000s)	**366**	309	+18
Revenue from private surveys (£m)	**2.1**	2.4	-13
Income per job (£)	**191**	207	-8
Historic PI Costs provision (balance sheet) at 31st December (£m)	**12.4**	15.9	-22
Number of qualified operational surveyors at 31st December (FTE)[2]	**503**	321	+57
Total mortgage approvals (000s)[3]	**1,535**	1,526	+1

Notes:

[1] Refer to Note 5 to the Financial Statements for the calculation
[2] Full Time Equivalent (FTE)
[3] Bank of England for "House Purchase Approvals" and "Total Mortgage Approvals" – January 2019

Surveying Division performance

Surveying Division revenue increased by 9% to £69.8m (2017: £64.1m), with total number of jobs performed during the year of 365,504 (2017: 309,499).

First half revenue was down by -6% year-on-year, impacted by market conditions and lender mix. In May 2018 the Surveying Division announced the successful negotiation of a material contract to supply surveying and valuation services to Lloyds Bank plc, with e.surv becoming the lead supplier for the Lloyds Bank plc group of companies with instructions commencing from September 2018. This led to an improved second half performance with revenue up 25% year-on-year.

The decrease in income per job to £191 (2017: £207), a reduction of 8% year-on-year, was offset by strong cost control leading to improved profit performance. As a result, the Surveying Division delivered an increase in Underlying Operating Profit[1] to £20.4m (2017: £18.9m), maintaining profit margin at 29.3% (2017: 29.4%).

The total number of qualified operational surveyors at 31st December 2018 was 503[2], an increase of 182 against the 2017 position due to the transfer of Lloyds Bank plc surveyors into e.surv.

In 2019 the Surveying Division will continue to focus on its successful graduate training programme, which assists in alleviating the impact of capacity constraints in the market.

At 31st December 2018 the total provision for PI Costs was £12.4m (2017: £15.9m). In 2018 the Surveying Division continued to make positive progress in addressing these historic claims. There was an exceptional gain of £2.2m during the year.

Financial Review

£324.6m
Group Revenue
Up 4% (2017: £311.5m)

£35.9m
Group Underlying Operating Profit
Down 4% (2017: £37.5m)

£36.9m
Cash generated from operations
Down 11% (2017: £41.5m)

£25.4m
Group operating profit
Down 40% (2017: £42.1m)

Income Statement

Group Revenue
Revenue increased by 4.2% to £324.6m in the year ended 31st December 2018 (2017: £311.5m).

Other operating income
Other income of £557,000 (2017: £555,000) for the year ended 31st December 2018 was in line with previous year and comprised of rental income.

Gain on sale of property, plant and equipment
There was a small gain of £34,000 (2017: £668,000) in the year ended 31st December 2018 resulting from the disposal of a commercial property.

Income from joint ventures and associates
Income from joint ventures and associates was £259,000 (2017: £1,583,000) as challenging residential property market conditions impacted the financial performance of the joint ventures, LSL recognised its share of the early-stage costs of the newly acquired interest in Mortgage Gym.

Total operating expenses
Total operating expenses increased by 4.6% to £289.6m (2017: £276.8m). Increases in the Estate Agency Division were primarily a result of the acquisition of Personal Touch Financial Services and RSC New Homes in the first quarter of 2018. Surveying operating expenses were ahead of prior year in the second half of 2018 due primarily to the transfer to e.surv of the existing Lloyds Bank plc surveyors and back-office employees as part of the contract awarded to e.surv during May 2018, to supply surveying and valuation services to the Lloyds Bank plc group.

Group Underlying Operating Profit
Group Underlying Operating Profit[1] decreased by 4.3% to £35.9m (2017: £37.5m) with an Underlying Operating Margin of 11.1% (2017: 12.0%).

On a statutory basis, the Group operating profit decreased to £25.4m (2017: £42.1m) largely reflecting the impact of exceptional items. In 2018 there were net exceptional cost of £3.0m compared to the 2017 financial results which included an exceptional gain on the disposal of LSL's share in GPEA (£5.6m) and a net exceptional gain on historic PI claims (£3.7m).

Group Adjusted EBITDA
Group Adjusted EBITDA[2] decreased by 2.7% to £41.6m (2017: £42.7m) with the decreased Group Underlying Operating Profit being slightly offset by an increased depreciation charge of £5.7m (2017: £5.2m).

Share-based payments
The share-based payment charge of £349,000 (2017: £47,000) in 2018 consists of a charge in the period of £1.3m offset by the lapse of the 2016 LTIP scheme as well as adjustments for leavers in the period.

Amortisation of intangible assets
The amortisation charge for 2018 was £5.3m (2017: £4.1m). The increase in 2018 is mainly a result of the amortisation of in-house software in both Personal Touch Financial Services and e.surv.

Exceptional items
Total 2018 net exceptional cost of £3.0m including a £2.2m PI Costs exceptional provision release (H1: £1.2m, H2 £1.0m) as claims were settled below previous expectations and £5.2m of exceptional costs, the majority of which were in relation to initial one-off transition and integration costs for the contract to supply surveying and valuation services to Lloyds Bank plc and also restructuring costs in the Estate Agency Division including planned restructuring costs incurred following the acquisition of Personal Touch Financial Services.

The exceptional gain in 2017 consisted of a £5.6m gain on the sale of the Group's share in GPEA and a £3.7m gain relating to the historic PI Costs provision.

Net financial costs
Net financial costs amounted to £2.3m (2017: £2.0m). The finance costs related principally to interest and fees on the RCF. Additional costs relate to the unwinding of discounts on provisions and contingent consideration.

Taxation
The UK corporation tax rate reduced to 19% with effect from 1st April 2017. A future UK corporation tax of 17% has been enacted and is effective from 1st April 2020, and this is the rate at which deferred tax has been provided (2017: 17%). Corporation tax is recognised at the headline UK

corporation tax rate of 19% (2017: 19.25%).

The effective rate of tax for the year was 22.5% (2017: 16.7%). The effective tax rate for 2018 is higher than the headline UK tax rate for a number of reasons, including non-deductible costs in relation to contingent consideration and the depreciation of assets which do not qualify for capital allowances.

Deferred tax credited directly to other comprehensive income is £0.0m (2017: £0.6m). Income tax credited directly to the share-based payment reserve is £0.0m (2017: £0.0m).

In 2018 corporation tax payments of £6.9m (2017: £11.1m) were made which is greater than the current year corporation tax charge of £5.9m (2017: £7.5m). This is a result of two quarterly payments being made in the year in respect of the year ended 31st December 2017 liability – which is higher than the corporation tax charge for the year ended 31st December 2018.

Basic Earnings Per Share

The Basic Earnings Per Share was 17.4 pence (2017: 32.6 pence). The Adjusted Basic Earnings Per Share[3] is 27.2 pence (2017: 28.3 pence), a decrease of 3.9% which is in line with the decrease in Group Underlying Operating Profit[1].

The Group seeks to present a measure of underlying performance which is not impacted by the unevenness in profile of exceptional gains and exceptional costs, contingent consideration, amortisation and share-based payments. The Directors consider that the adjustments made to exclude the after tax effect of exceptional items, contingent acquisition consideration and amortisation provides a better and more consistent indicator of the Group's underlying performance.

Balance Sheet

Goodwill

In 2018 goodwill has increased by £7.8m to £159.7m (2017: £151.9m). The increase is due to the acquisitions of Personal Touch Financial Services (£0.3m), RSC New Homes (£7.1m) and the lettings book acquisitions (£0.4m).

Other intangible assets and Property, plant and equipment

Total capital expenditure in the year amounted to £6.0m (2017: £5.6m) which includes expenditure of £1.1m (2017: £0.6m) for new software which has been treated as an intangible asset.

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

Financial assets

LSL holds financial assets of £11.6m (2017: £25.3m); the decrease in the year is a result of the revaluation of LSL's shareholding in Yopa and the exercise and subsequent sale of the ZPG warrants in October 2018.

LSL has a 14.7% minority shareholding in Yopa. LSL's previous carrying value of £20m for Yopa has been written down by £12.2m to £7.8m as at 31st December 2018 to reflect the Board's accounting assessment of fair value. LSL has elected to recognise any changes to fair value through the Statement of Other Comprehensive Income (i.e. reserves) and not through the P&L account in accordance with IFRS 9.

Joint ventures, investments and associates

The Group has two joint ventures and one associate: a 33.3% (2017: 33.3%) interest in TM Group, whose principal activity is to provide property searches, a 50% (2017: 50%) interest in LMS whose principal activity is to provide conveyancing panel management services. LMS and TM Group are held in the balance sheet at £8.2m and £1.5m respectively (2017: £8.3m and £1.2m).

During the second half of 2018, LSL acquired a 34.69% interest in Mortgage Gym, a digital mortgage marketplace, for cash consideration of £4.1m. Mortgage Gym is held in the balance sheet at a value of £3.6m as at 31st December 2018 (2017: nil) reflecting the original investment of £4.1m and the post-tax loss of £0.5m in the period.

Financial Liabilities

Net Bank Debt

As at 31st December 2018 Net Bank Debt was £32.1m (2017: £30.0m) and Shareholders' funds amounted to £142.6m (2017: £148.6m) with a balance sheet gearing of 22.5% (2017: 20.2%). The increase in Net Bank Debt[4] incorporated acquisitions made in the year (Personal Touch Financial Services, RSC New Homes and six lettings books) which totalled £7.7m along with the investment in Mortgage Gym of £4.1m. The 2018 gearing level was 0.8 times[5] Group Adjusted EBITDA (2017: 0.7 times).

Bank facilities

In January 2018, LSL extended its bank facility until May 2022. The facility includes a £100m RCF (2017: £100m). During the period under review, the Group complied with all of the financial covenants contained within the facility.

Deferred and contingent consideration

Within financial liabilities LSL has £2.1m of deferred consideration (2017: £0.1m) and £15.0m (2017: £9.1m) of contingent consideration. The deferred consideration relates primarily to the acquisition of Personal Touch Financial Services and this has been settled since the balance sheet date. The contingent consideration relates primarily to Group First (£9.5m) and RSC New Homes (£4.8m).

Provisions for liabilities:

Professional indemnity (PI) claim provision

At 31st December 2018, the total provision for historic PI Costs was £12.4m (2017: £15.9m). In 2018 the Group continued to make positive progress in addressing historic claims and there has been a net £2.2m exceptional gain.

Onerous lease

As at 31st December 2018 LSL held onerous lease provisions of £130,000 (2017: £210,000).

Net assets

The Group's net assets as at 31st December 2018 were £142.6m (2017: £148.6m).

Statement of Cash-flows

The Group generated strong cash from operations of £36.9m (2017: £41.5m) converting 103% of Group Underlying Operating Profit to cash-flow from operations (pre PI and exceptionals) (2017: 117%). The decrease in conversion from 2017 is primarily related to the increase in trade receivables of £3.8m (2017: decrease of £1.7m) resulting from significant growth in the surveying business in quarter four. Provisions also decreased by £3.6m (2017: decrease of £5.4m) due to the positive progress in addressing historic PI claims.

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. Further details on the Group's financial commitments as well as the Group's treasury and risk management policies are set out in this Report.

Post Balance Sheet Events

On 5th February 2019 LSL announced an Estate Agency Strategy: ways of working programme update and work has now commenced on the reshaping of the Your Move and Reeds Rains branch networks. As disclosed on 5th February 2019, LSL expects to incur an exceptional P&L charge of approximately £14m in 2019 and £1m in 2020, with cash costs amounting to approximately £12m over the three years from 2019 to 2021 including approximately £9m cash costs in 2019.

International Financial Reporting Standards (IFRS)

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

Notes:

[1] Group Underlying Operating Profit is before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments (as defined in Note 5 to the Financial Statements)

[2] Group Adjusted EBITDA is Group Underlying Operating Profit plus depreciation on property, plant and equipment (as defined in Note 5 to the Financial Statements)

[3] Refer to Note 10 to the Financial Statements

[4] Refer to Note 32 to the Financial Statements for the calculation

[5] Operational gearing is defined as Net Bank Debt divided by Group Adjusted EBITDA[2]

Principal Risks and Uncertainties

LSL has an overall framework for the 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 and is supported by the Audit & Risk Committee) on a regular basis identifies, evaluates and manages the principal risks and uncertainties faced by the Group; as well as areas which could adversely affect its business, operating results and financial condition.

Management of risk appetite

During 2018, in line with the FRC's Guidance on 'Risk Management, Internal Control and Related Financial and Business Reporting', the Board continued to manage the Group's risk appetite through the risk appetite framework to ensure continued compliance with the 2016 Code and the related FRC guidance (published in 2014). The Board through its established processes expresses and reviews the types and level of risk which it is willing to take or accept to achieve LSL's strategy and business plans; and to support consistent, risk-informed decision making across the Group.

The risk appetite framework was developed following the approval by the Directors of a risk framework policy which included defining individual risk appetite statements for LSL's principal risks and uncertainties, and for key decisions made by the Board. These statements provide parameters within which the Board typically expects 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. This includes monitoring risk measures and the identification of actions needed to bring any specific outlying areas of risk within target levels.

During 2018, the Group has continued to take steps to enhance the existing risk framework within each of the Group's subsidiary businesses, including the maintenance of risk appetite measures by each subsidiary. Each year, each subsidiary business quantifies their highest ranked risk areas and routinely provide the Audit & Risk Committee with graphical management information to facilitate the tracking of risk status versus tolerance by the subsidiary boards and divisional governance committees. The framework continues to improve the visibility of action plans to address any core risk areas considered outside tolerance.

Risk management activities in 2018 included a 'deeper-dive' on information security risk and a business-wide questionnaire was issued to enable the Audit & Risk Committee to compare how well risk management practices are embedded at each subsidiary business, with a view to identifying any areas for improvement. These developments have in turn served to provide a more robust means for evaluating the capture and measurement of risk factors within the Group's established risk appetite framework.

The framework covers 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 2019, LSL will continue to review the framework to ensure it remains in line with emerging best practice and continues to foster the maturity of risk appetite routines at both LSL and its subsidiary businesses.

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

On-going evolution of the risk management framework is carried out as part of an on-going cycle of continual improvement, and remains a key priority for the Audit & Risk Committee and the Board in 2019. Further, during 2018 the Audit & Risk Committee and Board commenced a review of the Group's risk management framework to ensure it reflects the requirements of the 2018 Code and the FRC's Guidance on Board Effectiveness (also published in 2018) and this work will continue during 2019.

Developing the financial viability statement

Assessment of prospects

The Group's business model and strategy are central to an understanding of its prospects, and details are included in the Strategy and Business Model sections of this Report.

Through organic growth, selective acquisitions and a delivery of high quality services to customers, the Group's key objective is to build market leading positions and ultimately deliver long-term Shareholder value.

Prospects of the Group are assessed by the Board throughout the year at its meetings, including a particular focus during the strategic planning process. This process includes an annual review of the on-going plan, led by the Group Chief Executive Officer and Group Chief Financial Officer in addition to the relevant business functions involved.

The Directors participate fully in the annual planning process by means of a Board meeting and part of the Board's role is to consider whether the plan continues to take appropriate account of the changing external environment including macroeconomic, political, regulatory and technical changes.

This process allows the Board to produce strategic objectives and detailed financial forecasts over a three year period. The latest updates to the on-going plan were finalised in December 2018. This considered the Group's current position and its prospect of operating over the three year period ending 31st December 2021, and reaffirmed the Group's stated strategy. Furthermore, the Group's future prospects have been further strengthened with the extension of the RCF which was renewed in January 2018 for a period up to May 2022.

Brexit

Since the 2016 EU referendum result, LSL has been monitoring Brexit developments to assess the impact on LSL. 'Brexit' is a subset entry within the Group's risk appetite framework and in addition during 2018 LSL has conducted a specific impact assessment in relation to Brexit which was completed in line with FRC guidance.

The impact assessment considered whether LSL will be impacted directly by the outcome of the negotiations between the UK and the EU, for example due to regulatory changes or due to changes that may impact our employees or whether the impact would be indirect, i.e. resulting from the broader economic uncertainties. The Group concluded that whilst LSL is not directly impacted by the Brexit negotiations due mainly to its UK based business model it is indirectly impacted by the impact that the continued economic uncertainty has on the housing market.

This approach has ensured that Brexit developments are being formally monitored, and the risk status regularly reassessed with reactive action plans identified to respond to the effects of on-going uncertainties and the outcomes of the UK and EU negotiations and any transitional period arrangements.

These practices will continue throughout 2019 as the UK progresses to the Brexit date of 29th March 2019, along with wider consideration of the likely impacts of other major economic and political events, and their influence on viability assessment modelling.

The Group's principal risks and uncertainties are set out below. The Board reviewed LSL's principal risks and uncertainties when assessing the Group's prospects, and noted that none of these individual risks would, in isolation, compromise the Group's prospects. See the Directors' Report in this Report for details of how Brexit was taken into account in completing the going concern assessment.

Assessment of viability

Although the strategic plan reflects the Directors' best estimate of the prospects of the Group in accordance with provision C.2.2 of the 2016 Code (which is now contained in the 2018 Guidance on Board Effectiveness), the Directors have assessed the viability of the Company over a longer period than the 12 months required by the 'going concern' provision.

For the purposes of assessing the viability of the Group, it was determined that a three year period ending on 31st December 2021 should be used, as this corresponds with the Board's strategic planning cycle. This assessment has been made with reference to the Group's current position and prospects, the Board's risk appetite and the Group's principal risks and uncertainties.

A number of severe but plausible scenarios were considered and two of these were modelled in detail with input from across a functional group of senior managers, including representatives from the finance teams.

The following scenarios were modelled:

- severe downturn in the UK housing market close to the level seen in 2008 during the last recession caused by Brexit and/or political uncertainties; and
- a data breach causing a regulatory fine and reputational damage, with the potential loss of customers.

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's recurring income and counter-cyclical businesses, notably Lettings and 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 wide geography which allows some protection from the impact of stress scenarios.

The results from the stress testing indicated that the Group would be able to withstand the financial impact of each scenario and therefore continue to operate and meet its liabilities, as they fall due, over the three year period ending 31st December 2021.

Furthermore the Board also considered it appropriate to prepare the Financial Statements on the going concern basis, as explained in the Basis of Accounting paragraph in the Principal Accounting Policies section contained within this Report.

The Audit & Risk Committee oversaw the process by which the Directors reviewed and discussed the assessment undertaken by the Management Team in proposing the viability statement.

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

Risk management and internal controls framework

LSL's risk management and internal controls framework for 2018 included:

- 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, the Head of Risk and Internal Audit and the Group Financial Controller;
- a network of risk owners in each of LSL's businesses with specific responsibilities relating to risk management and internal controls, including maintenance of detailed risk analyses;
- the documentation and monitoring of risks are recorded and managed through risk appetite measures which undergo regular reviews and scrutiny by subsidiary boards, divisional governance committees and the Head of Risk and Internal Audit;
- the Board routinely identifies, reviews and evaluates the principal risks and uncertainties which may impact the Group as part of the planning and reporting cycle to ensure that such risks are identified, monitored and mitigated in addition to carrying out specific risk assessments as part of its decision-making processes;
- the development and application of LSL's risk appetite statement and associated framework (for further details on steps taken during the year, see the Audit & Risk Committee Report included in this Report); and
- reporting by the Chairman of the Audit & Risk Committee to the Board on any matters which have arisen from the Audit & Risk Committee's review of the way in which LSL's risk management and internal control framework has been applied together with any breakdowns in, or exceptions to, these procedures.

The risk framework includes the following:

- a risk framework policy;

- a boardroom culture which promotes risk assessment and management in decision-making;
- determination of risk appetite, with management and mitigation of risks in line with risk appetite tolerances;
- assessment of prospects and viability;
- review of the effectiveness of the risk management and internal control systems; and
- going concern confirmation (for LSL's going concern disclosure see the Report of the Directors included in this Report).

During 2019 the areas of focus will be to develop underlying subsidiary risk appetite metrics policies.

During 2018, the Directors carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that threaten the Group's 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.

The Directors also carried out a risk appetite assessment exercise which involved the evaluation of continually evolving aspects of risk management. During 2018, this included further strategic responses to the threat of external technology-based business models, integration planning for newly acquired business activities, articulation of risk appetite tolerances with action plans to counter key aspects of information security risk, implementing responses to a fast changing regulatory environment (including new GDPR and tenant welfare requirements) and consideration of major scenarios of further external political and economic change on the UK housing market including the impact of Brexit.

The identified 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 uncertainties 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 2016 and 2018 Codes, this Report includes descriptions of principal risks and uncertainties 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 and uncertainties has also contributed to the Group's viability statement which is included within the Report of the Directors. The Directors have also considered the impact if risks coincide, namely a combination of non-principal risks and uncertainties could potentially represent a single compound principal risk or uncertainty.

The Group also faces other risks which, although important and subject to regular review, have been assessed as less significant and are not listed in the Preliminary Results Announcement or this Report. 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 2018 is set out in the Audit & Risk Committee Report (Internal Controls) of this Report.

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). The housing market is also impacted by changes in national and global political and economic environments (e.g. Brexit). The impact of this risk can be direct (such as changes in Government policy or legislation arising from a change in Government) or indirect (such as changes in consumer behaviour/ sentiment arising from changes in Government policy or legislation).	• Daily, weekly and monthly monitoring of trading and market performance data. • Market share, product mix and segmentation initiatives. • Development of counter-cyclical and recurring revenue income streams. • Responsive investment and cost control measures during the housing market cycle. • Investment in teams to deliver strategic projects. • Balanced UK-wide geographical spread. • Monitoring of wider macroeconomic and political developments (including domestic and international developments). • Enhanced impact analysis relating to Brexit completed and considered as part of going concern analysis in addition to budgeting and planning processes.
2	**New UK housing market entrants**	Traditional business models and pricing structures for residential property services are exposed to new business models and technological advancements (e.g. online/hybrid estate agents, automated valuation models and automated financial services operating models).	• Competitor and industry benchmarking. • Development of strategies in response to market disrupters, including exploring options to capitalise on digital opportunities. • Infrastructure investment, including investment in innovation and technology, with upgrading, consolidating and replacing core or legacy operating systems to increase functionality, improve customer experience, reduce costs and deliver efficiencies. • Service delivery enhancements, product/services differentiation and experimentation. • Engagement of specialist external consultative support as necessary. • Monitoring of acquisition, investment, associate and joint venture opportunities. • Marketing initiatives. • Operation of staff incentive schemes to mitigate staff attrition.
3	**Investment, acquisitions and growth initiatives**	Realising appropriate targets for investment, acquisition and major project initiatives, including delivery of appraisals, due diligence and integration/implementation requirements, in line with LSL's strategy to complete selective acquisitions.	• Monitoring of opportunities which support delivery of Group strategy. • Engagement of strategy consultants to support identification and evaluation of strategic investment and acquisition opportunities. • Defined pre and post-acquisition reporting to the Board and Audit & Risk Committee. • Establishment of structured authority levels for expenditure. • Responsive flexing of risk appetite during the housing market cycle. • Flexible resource pool to support and deliver investments and acquisitions. • Defined due diligence processes completed ahead of all investments and acquisitions. • Due diligence is undertaken by in house teams with support from subject specialists as required (e.g. the use of IT experts to carry out technology due diligence or use of strategy consultants to advise on business models). • Completion of risk assessments including RCF leverage stress testing ahead of all significant investments and acquisitions. • Flexible resource pool to deliver integration/implementation activities following completion of acquisitions. • Engagement of specialist external consultative support as necessary. • Established integration/implementation planning methodology. • Promotion of Group-wide relationships in business arrangements. • Post-acquisition and post-integration/implementation review programmes. • Risk and Internal Audit engagements.

	Risk	Description	Mitigation
Sales/distribution:			
4	**Professional services**	Exposure to major PI claims arising from any lapses in professional services, including surveying and valuation practices, financial services advice, and estate agency services.	**Surveying and Valuation Services Division** • Robust framework and monitoring routines to maintain valuation accuracy. • Dedicated surveying risk team. • Timely data capture of all claims and associated trends with regular scenario modelling undertaken. • Utilisation of technology to monitor valuation trends, trigger alerts and ‘real time’ checks. • Board-level authorities for PI claims settlement payments and governance of underlying claims handling and accounting processes. • Integration of new business assets into the established valuation controls framework. • Development of lender on-boarding policy with Board oversight to ensure instructions are within risk appetite. **Estate Agency Division (including Financial Services)** • Defined responsibilities for claims management and operation of PI insurance together with management of underlying risk areas. **Group-wide** • Risk and Internal Audit engagements. • Experienced claims handling personnel supported by legal and compliance experts. • Culture promoting effective sales conduct and open lines of communication with clients with a focus on customer outcomes.
5	**Client contracts**	The performance of the Estate Agency and Surveying businesses is dependent on entering into appropriate and relevant agreements and retaining contracts with key clients (e.g. lenders, portfolio landlords and house builders).	• Customer outcomes focused forums and initiatives. • Designated senior members of staff with responsibility for relationship management at subsidiary and Group levels. • On-going investment in resources, innovation, technology and service standards to ensure LSL has the capacity to meet service level demands. • Targeted marketing and training events for corporate clients. • Monitoring of client dependency, service delivery, risk and compliance with contractual requirements. • Robust control framework supporting the risk profiling of prospective clients, contract renewals (including contract terms) and the quality of professional services. • In-house legal services and compliance teams, with specialist external legal and compliance support engagement when necessary, together with dedicated claims/customer complaints management teams within business areas. • Risk and Internal Audit reviews.

	Risk	Description	Mitigation
Operations:			
6	**Business infrastructure (including IT)**	The Group has varied operations which require robust internal controls, infrastructures and business continuity arrangements (including in relation to IT). The controls environment needs to remain adaptable to support growth initiatives, harness technological advancements and counter business continuity threats, including in relation to IT systems, malicious and cyber-related attacks. LSL's strategy recognises the importance of investing in the Group's infrastructure (including IT) to maintain both competitive advantages and deliver controls and system security – all within the context of changing business models within the residential property services markets.	• Group-wide internal controls processes and policies which are subject to regular review to ensure they are in line with best practice. • Group IT governance, policies, base standards and initiatives supported by the Group IT Director and with oversight from the Information Security and Governance Committee. • Focus on investment and development of innovation and systems development within the Group's strategies. • Combination of dedicated in-house IT teams and engagement with external IT specialist suppliers to deliver efficiencies and market leading service. • Maintenance of business infrastructure to ensure effective service delivery with appropriate controls. • On-going infrastructure investment and development programmes. • Identifying and securing innovation and technology opportunities through the Group's investment and acquisition strategies. • Implementing business continuity and disaster recovery solutions (encompassing IT premises, transportation and employees). • Monitoring of compliance with relevant contractual and regulatory requirements. • Inter-Group IT governance forums. • External consultative support as necessary. • Risk and Internal Audit engagements. • Oversight by the Information Security and Governance Committee, the Audit & Risk Committee and the LSL Board.
7	**Information security (including data protection)**	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 and IT Teams with policy implementation and oversight responsibilities. • Defined Group-wide base policy standards. • Dedicated information security and data protection personnel (including DPOs). • Group cyber insurance cover in place and reviewed annually to ensure the cover remains appropriate. **Data protection** • Group data protection policies and training in place supported by in-house legal and compliance teams. • Tracking of data assets/data sharing and any breach incidents, in line with authority levels. • Implementation of regulatory changes – (e.g. General Data Protection Regulation) via defined project teams with support from in-house legal and compliance teams. **Systems security** • Penetration testing and intrusion scanning programmes. • Benchmarking against and accreditation by best practice standards – e.g. ISO27001 accreditation for e.surv. • Second and third-line risk-based thematic reviews.

	Risk	Description	Mitigation
8	**Regulatory and compliance**	Compliance with legal and regulatory requirements, including relationship with regulators. Regulations govern roles as an employer and as providers of services. Any compliance breaches could result in sanctions and reputational damage (e.g. prosecutions or fines). This includes compliance with existing regulations and implementing new regulations (e.g. Senior Managers Certification Regime). Regulatory and compliance risk extends to oversight of standards adopted by business partners (e.g. franchises, appointed representatives, joint ventures, minority investments, associates and suppliers). The market and business operations are also impacted by regulatory reforms (e.g. Government reviews relating to the housing market, including reforms relating to the tenants fees and conveyancing referral fees) which may have an impact on Group revenue and expenditures. Regulatory costs, fees and charges continue to grow due to the growth of LSL's Financial Services businesses and the funding requirements of the Financial Services Compensation Scheme (FSCS).	• Top-down management culture focused on fairness, transparency and delivery of good customer outcomes. • Open dialogue with regulators and monitoring of emerging developments and regulatory reforms. • Group risk framework policy incorporating a 'three lines of defence' model to track compliance with regulations. • Group policies including ethics (i.e. whistleblowing structures, anti-fraud and anti-bribery policies) and employee welfare. • Subsidiary businesses have in place health and safety arrangements with an associated Group reporting framework which covers the welfare of employees and visitors to Group premises. • Group-wide forums with regulatory focus and oversight (e.g. Financial Services Management Committee, Financial Services Risk Committee and Information Security and Governance Committee). • Dedicated second-line compliance teams in higher risk/regulated functions. • Investment in recruitment of expertise within the compliance teams to ensure the Group is able to maintain appropriate procedures and risk measures for regulatory compliance. • Harmonisation of best practice compliance standards following acquisitions. • Evolution and development of IT systems to strengthen oversight routines. • Responsive complaints tracking of any emerging themes. • In-house legal and compliance teams, with access to specialist external legal and compliance support when necessary. • Group Risk and Internal Audit engagements. • Membership of industry trade bodies and participation in Government and regulatory consultations. • Responsive business model changes to mitigate and address the impact of any regulatory changes.

	Risk	Description	Mitigation
People:			
9	**Employees**	Securing and retaining key strategic populations and controlling attrition in key business critical areas (e.g. through e.surv's graduate training programme), as well as ensuring the effective management of personnel standards and policy frameworks across varied Group businesses.	• Oversight by LSL Remuneration and Nominations Committees supported by the Company Secretary and Group HR Director. • Group remuneration policies and incentive schemes to retain key strategic populations. • Regular benchmarking and appraisals of Executive Directors and senior management. • Succession planning reviews and targeted development programmes for high achievers. • Dedicated in-house talent acquisition teams within Group HR. • Targeted retention and recruitment initiatives. • Employee surveys and Group HR initiatives to monitor culture, attrition, morale, and any areas of pressure. • Group-wide HR IT systems. • Monitoring of statutory reporting requirements and developments (e.g. gender and ethnic pay reporting). • Employee policies and monitoring frameworks in place (e.g. health and safety and lone working arrangements to ensure employee welfare). • Monitoring subsidiary culture, values and ethics and the development of LSL's culture, values and ethics. • Implementation of workforce engagement measures to ensure employee considerations are included in decision making. • Adoption of reporting arrangements to demonstrate consideration of key stakeholders, including employees in decision making. • Clear Group policies and whistleblowing procedures to enable employees to confidentially raise or report concerns.

Corporate Social Responsibility

e.surv chartered surveyor completing a marathon in Kenya in aid of Compassion UK

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 and consider the broad impact of corporate actions on stakeholders including employees, customers, local communities, and the environment. The continued focus, importance and attention to social responsibility issues has many benefits for corporations such as LSL.

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). The ways in which LSL communicates with its employees will be evaluated and assessed in 2019 as part of the work that LSL is undertaking in relation to the new workforce engagement requirements contained in the 2018 Code. Further, enhanced reporting requirements introduced in 2018 ensures that papers presented to the Board clearly identify consideration of all key stakeholders including employees in decision making.

LSL's focus is on actions that the Group can take, over and above its legal or Code requirements, to address its competitive interests as well as those of the wider society. This approach underpins all other internal policies that the Group adheres to. LSL actively ensures that its businesses are compliant and proactive in respect of legislation and takes into consideration where appropriate its key stakeholders, including employees, customers, suppliers, local communities and other relevant 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. For example, LSL's environmental policy demonstrates the Group's commitment to the reduction of energy consumption and the positive impact that this will have both on the environment and on reducing costs to the Group's businesses.

LSL's social responsibility scope extends to its relationships with customers and suppliers, and all Group companies conduct business in a manner which seeks to be honest and fair in these relationships. Further, ethics, hospitality and conflicts policies are in place to support the business and to govern these relationships.

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 residential property services group. This section of this Report details how LSL seeks to manage these interests and deliver on corporate social responsibility.

Environmental, Social and Governance (ESG) matters

As part of LSL's regular risk assessment procedures and in its decision making, LSL takes into account the significance of ESG matters relevant to the Group. LSL will identify and assess the significant ESG risks to LSL's short and long-term value, as well as the opportunities to enhance value that may arise from activities. The Board will also receive information and training on relevant ESG matters.

The Board ensures that LSL has in place effective systems for managing and mitigating significant risks, which, where relevant, incorporate performance management systems and appropriate remuneration incentives. For further details on LSL's internal controls and risk management arrangements, see the Principal Risks and Uncertainties section of this Report.

Employees

LSL recognises that its employees are a valuable asset and the Group's businesses are committed to providing working environments in which employees are supported in their professional and personal development. By creating such an environment, the Group seeks to recruit and retain the right individuals to work at every level throughout the Group. An essential part of LSL's strategy is to encourage and promote effective communication with all employees which includes the use of an annual employee opinion survey to obtain employee views and the establishment of a Group-wide Group Employee Engagement Forum, which discusses the outcome of the employee survey each year. These engagements support the Group, in its decision making, ensuring it takes into account employees' views.

LSL will also during 2019 review the Group's employee engagement arrangements as part of the evaluation of arrangements relating to the 2018 Code and the requirements relating to workforce engagement.

For further details of the employee survey arrangements and the Group Employee Engagement Forum, 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 employees and the contribution they make both to the business and the wider community. LSL recognises that its market leading positions in Estate Agency, Financial Services and Surveying and Valuation Services 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 decision making on how the Group approaches the management of its workforce.

Communication

During 2018 LSL continued to implement improvements to its governance arrangements to reflect best practice introduced by the joint guidance issued by the Investment Association and ICSA in relation to stakeholder engagement in addition to the guidance issued by the GC100 on directors' duties under section 172 of the Companies Act 2006. This included the introduction of new reporting requirements to assist the Board in its oversight of the impact on stakeholders of decision making and updates to the Directors' induction and training programme. Specifically, the Directors also received a presentation on section 172 of the Companies Act 2006 which was delivered by Pinsent Masons LLP.

The Group's businesses evaluate and monitor how they each communicate with LSL's stakeholder groups, including employees. Examples of the communication methods are set out below:

Employees

LSL ensures that employees are kept informed of Group affairs via information distributed by post, email, handbooks, various intranet sites and employee forums (including roadshows/management presentations).

LSL's businesses all value employee feedback and all Group employees are encouraged to discuss strategic, operational and business issues within their teams and with their management teams.

In addition, the Board receives employee feedback via the Group's employee opinion surveys which are undertaken across all parts of the Group's businesses on an annual basis. The employee opinions that are captured are then presented to the Board as part of a regular review of employee matters which focuses on considering issues relevant to the Group's employees. Key performance indicators such as labour turnover and responses to key questions are also monitored to measure staff morale and review culture.

In relation to the annual employee opinion surveys, LSL engages an external consultant to assist and this engagement allows LSL to not only generate an accurate picture of engagement across the Group, but also to assess the results and feedback received against similar organisations using the benchmarking data retained by the consultant.

As in previous years, the 2018 survey which related to 2017, covered all aspects of the working environment including culture, training, careers, performance and Group companies' communications, together with questions on the effectiveness of Group companies' management and leadership. The response from employees to the 2018 survey was positive with 3,302 (65%) (2017: 3,574 (72%)) returns received. The survey relating to 2018 will be conducted in 2019 and the findings reported in the Annual Report and Accounts 2019.

The Group has also established a Group Employee Engagement Forum, a cross business team which has been established in the last two years with individuals from across the Group, including members of senior management teams. The forum meets via webinars and it has proved positive with initiatives being shared across the Group to improve employee engagement.

The employee opinion survey results also 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.

The process is planned to be repeated again in 2019 as LSL remains committed to the continual development and improvement of employee engagement across the Group.

LSL has also during 2018, continued to build on the work that started in 2017 in relation to stakeholder engagement. In 2019 LSL will continue to review how the Group engages with employees as part of its review of corporate governance reforms including identifying how it will implement workforce engagement requirements. This will include a review of existing employee engagement arrangements (e.g. employee surveys and forums).

Customers

In relation to its customers, all Group businesses regularly seek feedback from customers. This feedback is obtained in a range of ways, including relationship management meetings, formal questionnaires, mystery shopping exercises and consumer focus groups. This feedback is taken into account in LSL's decision making processes and in particular in the development of its services to customers. Feedback from customers including monitoring complaints and business performance against agreed service levels is also undertaken by LSL's Executive Committee as part of the Group's regular Customer Outcomes reviews.

Suppliers

LSL has in place supplier relationship management arrangements across all its businesses and has developed a Supplier Code of Conduct to capture and communicate LSL's policies and procedures to its suppliers which includes provisions relating to modern slavery and anti-bribery.

Equal opportunities

LSL promotes equal opportunities in employment, recognising that equality and diversity are a vital part of the Group's success and growth. The Group's recruitment, training and selection processes seek to appoint the best candidates based on suitability for the job and to treat all employees and applicants fairly regardless of race, gender, marital status, nationality, social backgrounds, 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 which the Group Chief Executive Officer has overall responsibility for, with certain 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 alongside regular reporting to the Board, which includes indicators such as staff turnover. The reporting will be reviewed in 2019 as part of the work being undertaken in relation to LSL's purpose, culture and values and the ways in which the Board can assess and monitor culture.

Gender diversity

During 2018, LSL has remained committed to diversity and equal pay and commenced reporting on gender pay for all LSL Group companies with more than 250 employees, in accordance with the new reporting requirements, to the Government's website for report submissions (gender-pay-gap.service.gov.uk).

The Group is also monitoring the Government's review of reporting in relation to ethnic pay.

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.

	2018	2017	2016	2015	2014
Total employees at 31st December	**5,463**	5,084	4,990	5,181	5,222
Total employee turnover percentage (%)[1]	27.0	28.7	30.8	28.5	27.8

Breakdown by gender	**2018**	2017	2016	2015	2014
Male	**2,562**	2,273	2,206	2,285	2,316
Female	**2,901**	2,811	2,784	2,896	2,906

Note: [1] Data excludes forced leavers

The gender split for the Board, the senior Management Team and the Group employees as at 31st December 2018 and 2017 is as follows:

	Female		Male	
	2018	2017	**2018**	2017
Directors	**2**	2	**5**	5
Senior Managers	**17**	15	**59**	61
Group employees	**2,882**	2,794	**2,498**	2,207

Employee training

LSL's businesses place strong emphasis on the quality of service they provide to customers with employees (and where appropriate consultants) undergoing suitable training.

During 2018, LSL continued its commitment to recruit, develop and invest in colleagues. LSL's approach is to prioritise colleague learning and development to strengthen the Group's businesses and to ensure the Group's continued success.

The Group has also during 2018, and will in 2019 continue to review its processes and put into place arrangements to ensure compliance with new legislation.

LSL monitors all relevant legislative changes affecting its businesses and 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 also regularly monitors and contributes to consultations relating to legislative and regulatory reviews and reforms. For further details relating to laws and regulations which impact LSL's business, see the Business Reviews sections of this Report.

Details of LSL's approaches to training are summarised below.

Group HR – Talent Development Team

LSL's Group HR function includes a 'Talent Development Team' which delivered classroom and webinar based training to a total of 5,089 Group employees during 2018, equating to the delivery of 2,418 training days.

During 2018 LSL moved a significant proportion of the classroom training to webinars to offer a blended learning approach in response to the Group's business needs and reduce intrusiveness on day to day business. The Talent Development proposition is now smarter and more focused. In addition to this, Group employees completed 62,319 eLearning modules.

By fostering an inclusive culture, LSL is committed to diversity and equal pay, and recognises that many of its employees do not progress at the same rate. Therefore LSL has identified some of the main barriers to progression and has developed a plan to support minority groups. This includes the running of training programmes which include both unconscious bias and assertiveness training.

Estate Agency

Residential Sales, Lettings and Asset Management

The Estate Agency Division's branches adhere to the Codes of Practice issued by industry professional and regulatory bodies, including the TPO and/or ARLA Propertymark. Membership of these bodies is in addition to observing compliance with relevant legislation, such as Data Protection legislation, the Consumer Protection regulations, the Consumer Rights Act 2015, 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/TSI, HMRC and codes published by other relevant bodies, including the ASA.

LSL has also on behalf of all its Estate Agency businesses entered into a primary authority agreement with York Trading Standards Office.

LSL from time to time also enters into direct dialogue with the regulators and consumer groups. During 2018 LSL has been monitoring and responding to the wide range of consultations published by the Government as part of its review of the housing market which commenced at the start of 2017 and continued during 2018.

The Estate Agency Division has dedicated risk and compliance teams and is subject to oversight by the Estate Agency Management Committee.

Financial Services

In relation to LSL's Financial Services business (with effect from the 31st January 2019), PRIMIS is the trading name of First Complete, Advance Mortgage Funding and Personal Touch Financial Services, and all three companies are directly authorised by the FCA in relation to the arrangement of mortgage and non-investment insurance products.

Your Move, Reeds Rains, First2Protect, Mortgages First, Insurance First Brokers, Embrace Financial Services along with the LSLi subsidiaries are all appointed representatives of First Complete. Linear Financial Solutions is an appointed representative of Advance Mortgage Funding for mortgage and non-investment insurance brokerage and also an appointed representative of Openwork for investment business. In 2018, LSL acquired RSC New Homes which is an appointed representative of First Complete and Personal Touch Financial Services.

LSL's Financial Services businesses are also members of the Association of Mortgage Intermediaries (AMI) which is an industry representative and trade body and the Financial Services businesses are subject to the Financial Ombudsman Service and contribute to the funding of the Financial Services Compensation Scheme through regulatory fees and charges.

First Complete acts as principal for most of the Estate Agency businesses within LSL's Estate Agency Division and Embrace Financial Services, enabling their employed financial advisers to offer Financial Services to customers of the branch networks. Advance Mortgage Funding (previously trading as Pink Home Loans) and Personal Touch Financial Services both also operate intermediary networks, providing products and services to financial services intermediaries.

The Financial Services businesses have dedicated compliance teams and the Financial Services activities are subject to the oversight of the Financial Services Risk Committee and Financial Services Management Committee. The Financial Services companies are also responsible for the training and compliance arrangements of the majority of Financial Services business conducted by Group companies and the Financial Services businesses place strong emphasis on the quality of service provided to customers and as part of the compliance arrangements and have in place arrangements to capture and monitor customer feedback and outcomes.

All employees involved in the Financial Services businesses receive appropriate and relevant training. In particular, all Financial Services advisers complete a specially designed training programme which is supplemented by effective supervision, regular monitoring and regular refresher training sessions.

Surveying and Valuation Services

There are a total of 91 trainees in the Surveying and Valuation Services Division, 39 of whom have achieved AssocRICS qualifications. There are 52 still working towards the competency levels (including ten apprentices) who are on schedule to qualify during 2019/2020. In addition there are 22 AssocRICS qualified surveyors being sponsored through the Assessment of Professional Competency (APC) programme, and an additional seven who have successfully completed, resulting in the MRICS status.

All surveyors are regulated by RICS and Continuing Professional Development (CPD) is a commitment by members to continually update their skills and knowledge in order to remain professionally competent. All RICS professionals must undertake and record online a minimum of 20 hours of CPD activity each calendar year. This is supported by the Group and undertaken through a variety of methods ranging from distance learning, online modules through the Learning Management System, classroom based training and regional conferences.

Training

During 2018, the Group's training expenditure was:

Division	Expenditure 2018 £	Expenditure 2017 £
Estate Agency and Related Services	**1,573,491**	1,221,496
Surveying and Valuation Services	**763,182**	426,556
Total Expenditure[1]	**2,336,673**	1,648,052

Note:
1 This includes in-house training costs of £1,582,119 (2017: £1,155,184)

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, which includes indicators such as accident numbers.

Environmental issues

LSL recognises that the environment has an intrinsic value, which is central to quality of life and underpins economic development. As part of this understanding, LSL has 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.

Energy efficiency strategy (including ESOS and greenhouse gas emissions reporting)

In complying with ESOS Regulations 2014 and Article 8 of the EU Energy Efficiency Directive, LSL appointed a Lead Assessor to undertake a number of energy audits, the results of which were submitted to the Environment Agency in December 2015.

The aim of ESOS is to aid organisations in their identification of energy efficient savings to support and increase good energy management and it is part of the Government's climate change initiative.

LSL continued to meet the ESOS qualifying criteria and is required to complete the qualifying number of energy audits and notify the Environment Agency of ESOS compliance by 5th December 2019 (the previous audit being completed in 2015). LSL will appoint a lead ESOS Assessor to manage the 2019 audit.

During 2018 the Group continued to proactively review and manage recommendations from the 2015 ESOS audit across branch premises and head office locations, implementing changes to key areas as listed below, on acquisition of new premises and via the branch refresh programmes. During 2019, LSL's energy initiatives will take into account the implementation of the Estate Agency: ways of working programme.

- *Energy Monitoring* – The programme of smart meter installation is on-going (and included as a standard requirement where supply is tendered) providing greater accuracy on billing data and usage. Electricity to the Marsh & Parsons premises estate will all be supplied via smart meter by the end of the first quarter of 2019.
- *Lighting* – The upgrade to low consumption fittings and LED lighting continues across the Group's branch premises and head office sites, with LED lighting installed throughout branches included in the Reeds Rains and Your Move 2018 refresh programmes, customer facing and back office areas. Elsewhere in the Group there were also several key location premises acquisitions at Halifax, Kettering and Solihull where LED lighting was installed.
- *Heating, Ventilation and Air Conditioning* – The practice of maintaining systems in accordance with manufacturer recommendations continues in order to ensure efficiency of the system, and where new premises are acquired the effectiveness of any existing installation is verified to ensure compliance with ESOS recommendations and standards.
- *Water* – Following deregulation of the water sector, the Estate Agency branch networks will put their premises portfolios out to tender during 2019.
- *Transport* – In accordance with Group strategy emission levels (including zero emission vehicles) has been a key consideration in the vehicle options made available to employees choosing to take a fleet vehicle, with continued availability of vehicles regularly reviewed particularly where manufacturers are continuing to report their emissions data. The trial of telematic devices is also on-going, particularly within Marsh & Parsons, as suppliers extend the range and scope of technical and driver data available to employers to assess driving practices and fuel consumption.

Greenhouse gas emissions

This section of this 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 2017/18 reporting period, the Group emitted a total of 6,330 tCO_2e from fuel combustion and operation of facilities (Scope 1 direct), and electricity purchased for the Group's own use (Scope 2 indirect). This is equal to 20 tCO_2e per £m of revenue or 1.27 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 2014 to 2018.

(tCO_2e)	**2017/18**	2016/17	2015/16	2014/15
Combustion of fuel and operation of facilities (Scope 1)	**3,705**	3,959	4,046	4,325
Electricity, heat, steam and cooling purchased for our own use (Scope 2)	**2,625**	2,721	3,553	4,236
Total Scope 1 and 2	**6,330**	6,680	7,599	8,561
tCO_2e per full time equivalent employee	**1.27**	1.47	1.69	1.89
tCO_2e per £m revenue	**20**	22	24	29

As the table demonstrates, since 2014 LSL's absolute emissions have decreased by 34%. This reduction has principally been due to the Group's programme of continual branch refurbishment across the Estate Agency businesses to improve efficiency and modernise fittings, as well as the reduction in average FTE employees across the Group over this period; the disposal of a number of sites; and the decrease in the UK electricity CO_2e GHG conversion factors linked to the reduction in coal powered electrical generation.

Greenhouse gas 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 2018 GHG Conversion Factors for Company Reporting in order to calculate CO_2 equivalent emissions from corresponding activity data. LSL has also utilised data required for compliance with the CRC Energy Efficiency Scheme and ESOS.

Greenhouse gas reporting boundaries and limitations

The emission sources included within this Report fall within the consolidated Financial Statement. LSL does not have responsibility for any emission sources that are not included within the consolidated Financial Statement. LSL has not to date 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 Greenhouse gas sources that constitute LSL's operational boundary for the 2017/2018 reporting period are:

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

Greenhouse gas 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 2016/2017 as a proxy.

Social and community interests (including human rights, ethical issues and prevention of modern slavery)

LSL's social and community interests (which includes the promotion of human rights, ethical issues and prevention of modern slavery) 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:

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

Further details of some specific charitable initiatives are set out below in this section of this Report.

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 (CEP), which is one of the policies that is presented to the Board for annual review and approval.

The Combined Ethics Policy covers:

a. anti-slavery and human trafficking;

b. anti-corruption and bribery (including hospitality);

c. conflicts;

d. fraud;

e. tax evasion; and

f. whistleblowing.

All Group employees are made aware of the CEP, the Audit & Risk Committee and the Risk and Internal Audit team will audit awareness and compliance, with the findings reported to the Board.

Modern slavery

LSL and its group of companies are all committed to conducting their businesses in a socially responsible way. LSL businesses seek to carry out their operations in accordance with appropriate ethical standards and to be honest and fair in their relationships with customers and suppliers. As part of this, LSL and its subsidiary companies have in place arrangements which seek to safeguard against modern slavery and human trafficking occurring within their businesses or any of their supply chains.

During 2018, LSL continued to implement arrangements to ensure compliance with the Modern Slavery Act 2015 including publishing its Modern Slavery Statement (Statement) for the financial year ending 2017 which was published in June 2018 (see lslps.co.uk/modern-slavery). LSL also has a dedicated LSL anti-slavery and human trafficking policy which works in combination with LSL's established whistleblowing policy.

The published Statement sets out the steps taken by Your Move, Reeds Rains, LSLi and e.surv and it was signed for and on behalf of the Board by Adam Castleton (Group Chief Financial Officer and a director of each of these companies).

Anti-corruption and bribery

The Group has in place arrangements to ensure compliance with the Bribery Act 2010 and its arrangements are risk-based. The Group reviewed anti-corruption and bribery risks in the development of its policies and procedures which are reviewed periodically.

Payment practices reform

Your Move, Reeds Rains and e.surv made their first payment practices reports in 2018 which are available on the Government's website for report submissions (check-payment-practices.service.gov.uk/).

Tax evasion and strategy

The Criminal Finances Act 2017 brought into effect two new criminal offences for companies of failing to prevent the facilitation of tax evasion, both in the UK and overseas. The new offences were effective from 30th September 2017. In response to the new legislation, the Group established a working party with the initial aim of raising internal awareness and identifying the Group's existing risks and controls in respect of these new offences.

In 2018 the Board approved a tax evasion policy for the Group which will be subject to annual review and approval by the Board as part of the CEP. Also, the Group reviewed its tax strategy 2018 and this is available on the LSL website (lslps.co.uk/investor-relations/corporate-governance/tax-strategy).

Thomas Morris raised £3,000 for Emmaus homeless charity

Reeds Rains supported Cash for Kids

Marsh & Parsons supported Brook Green Day

Charitable donations

Workplace giving

LSL has implemented the 'Charitable Giving' initiative and all Group employees have been invited to participate. The initiative was launched in October 2010 and in 2018 LSL employees raised over £10,864. The scheme donates to a range of charities and 77 employees participated in the scheme.

LSL 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 by receiving a higher amount. Further information can be found at: charitablegiving.co.uk/payroll/payroll-giving.htm

Estate Agency

LSL's Estate Agency Division encourages and promotes employees' individual fundraising activities in the local communities of all the brands. Employees have raised money for a wide range of causes in 2018, from national and international organisations such as: Macmillan Cancer Support, the Alzheimer's Society, UK Sepsis Trust, British Heart Foundation, Homelessness Prevention, Movember Foundation and Children in Need to very local causes such as Katherine House Hospice in Stafford, Yorkshire Air Ambulance and gathering donations for foodbanks in Clevendon. In addition to this, Reeds Rains was the headline sponsor of Bauer Radio's Cash for Kids Superhero Day in 2018 across eight radio stations in the North of England and Reeds Rains employees raised over £30,000 for the charity during the event.

Financial Services

PRIMIS employees participated in a range of local activities, including a team climbing Snowdon, to raise money for mental health and housing related charities.

Surveying and Valuation Services

For the third year running, the Surveying and Valuation Services Division's corporate charity was Coming Home. Coming Home is a national charity that provides specially adapted housing and support for ex-service personnel.

Support was also provided to a number of different charities (national and local) based on individual employee requests, including but not limited to: Beatson Cancer Charity, Burton Latimer Cricket Club, Children's Hospice South West, Circus Starr, Compassion UK, Cransley Hospice, Gafael Llaw, Guide Dogs for the Blind Association, Kids Cancer Charity, Little Pepper Café, Rowcroft Hospice, Save the Children, Save the Courthouse/Openhouse, Sleep in the Park, The Highland Cattle Society, and Trinity Hospice.

The Board

Kumsal Bayazit Besson — Non Executive Director

Kumsal was appointed as an independent Non Executive Director on 1st September 2015 and was during 2018 also a member of LSL's Nominations, Remuneration and Audit & Risk 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 Chief Executive Officer of Elsevier which is part of the RELX Group plc. Prior to this she was Regional President, Europe at Reed Exhibitions which is also part of the RELX Group plc. Kumsal has previously held a number of executive technology and digital strategic roles including appointments as Chief Strategy Officer for RELX Group plc, 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. Kumsal will retire from the Board and its Committees with effect from the 2019 AGM in order to focus on her new role as Chief Executive Officer of Elsevier.

Helen Buck — Executive Director – Estate Agency

Helen was appointed as Executive Director – Estate Agency on 2nd February 2017 and has overall responsibility for the performance, strategy and development of LSL's Estate Agency Division. Prior to this role Helen had, since December 2011, served as an independent Non Executive Director and was also a member of LSL's Nominations and Remuneration Committees. Helen was previously Chief Operating Officer at Palmer & Harvey. Prior to this she was part of the Sainsbury's management team from 2005 to 2015, including five years as a member of the Operating Board. Helen has extensive expertise in strategy, marketing, commercial and operations. Before joining Sainsbury's, Helen held a number of senior positions at Marks & Spencer, Woolworths and Safeway and was a senior manager at McKinsey & Co.

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.

Ian Crabb — Executive Director, Group Chief Executive Officer

Ian was appointed Group Chief Executive Officer on 9th September 2013 and has primary responsibility for the performance, strategy and development of LSL. Ian's previous experience included seven years as CEO 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. 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 UK/Europe, the document management and office products provider, for six years; delivering significant growth both organically and through several acquisitions. Ian holds a BA from Oxford University and an MBA from Harvard Business School.

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 oversaw and was responsible for the turnaround of the initial Group. Simon's other directorships are limited to a small estate management company, Road to Health (a healthcare provider) and he is also Non Executive Chairman at Global Property Ventures (which distributes a tenant deposit replacement product).

Darrell Evans – Non Executive Director

Darrell was appointed as an independent Non Executive Director on 28th February 2019 and is also a member of LSL's Nominations, Remuneration and Audit & Risk Committees. Darrell joined LSL with significant experience in financial services and he is currently the Chief Commercial Officer at the Co-Operative Bank plc. Darrell spent the first part of his career at Royal Bank of Scotland plc, where he was Managing Director, Mortgages, Loans and Retail Telephony in the retail banking division responsible for all aspects of the Group's mortgage proposition. Prior to that he was Product Director for the RBS retail bank. Darrell has also held senior executive roles at Direct Line Insurance Group plc, Virgin Money plc and The Consulting Consortium where he was CEO.

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 & Risk 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, Non Executive Chairman of Johnson Service Group plc and Council Member at the University of Southampton. 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.

David Stewart — Non Executive Director and Chairman of the Audit & Risk Committee

David joined the Board on 1st May 2015, and is Chairman of the Audit & Risk Committee and a member of the Remuneration and Nominations Committees. David has significant experience in finance, strategy, operations, risk and compliance with a particular expertise in financial services. He is currently Non Executive Chairman of the Enra Group and also sits as a Non Executive Director on the boards of M&S Bank, HSBC Private Bank (UK) Limited and Brooks Macdonald Group plc. Previously, he was Chief Executive of the Coventry Building Society (2006-2014), having earlier served as Finance Director and Operations Director. Prior to joining the Coventry, David spent ten years at DBS Management plc, holding a number of board positions including Group Chief Executive, Group Managing Director and Group Finance Director. David qualified as a Chartered Accountant with Peat Marwick (KPMG) and is a graduate of Warwick University.

Sapna B FitzGerald — General Counsel and Company Secretary

Sapna is a solicitor (qualified in 1998) and has been in the role of General Counsel and 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.

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
5th March 2019

Adam Castleton
Group Chief Financial Officer
5th March 2019

Report of the Directors and Corporate Governance Reports

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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 International Financial Reporting Standards (IFRS) as adopted by the EU.

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 IFRS is insufficient to enable users to understand the impact of particular transactions, and other events and conditions on the Group's financial position and financial performance.
- State that the Group has complied with IFRS, subject to any material departures disclosed and explained in the Group Financial Statements.
- 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 Group 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 & Risk 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 Strategic Report (including the Chairman's Statement and the Group Chief Executive's Report) sets out a review of the business including details of LSL's performance, developments (including future developments) and strategy.

Annual general meeting

LSL's AGM will be held at its London offices: 1 Sun Street, London EC2A 2EP on 30th April 2019 starting at 3.30pm.

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

The Board continues to support LSL's previously communicated dividend policy, to apply a dividend pay-out ratio of between 30% to 40% of Group Underlying Operating Profit after interest and tax. The Board has reviewed this policy while considering the risks and capital management decisions facing the Group.

Adjusted Basic Earnings Per Share for 2018 was 27.2 pence, a decrease of 4% on the prior year (2017: 28.3 pence). The Board has a positive view of the future prospects for the business whilst also being mindful of the uncertain economic and political landscape which has an impact on consumer sentiment. The proposed dividend payment is at the upper end of the range of the stated policy and a final dividend of 6.9 pence per Share (2017: 7.3 pence per Share) will be proposed to Shareholders at the forthcoming AGM, giving a total dividend for 2018 of 10.9 pence per Share (2017: 11.3 pence per Share). The ex-dividend date for the final dividend is 21st March 2019 with a record date of 22nd March 2019 and a payment date of 7th May 2019. The last date for election is 5th April 2019.

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 employees are a valuable asset and the Group's businesses are committed to providing working environments in which employees are supported in their professional and personal development. By creating such an environment, the Group believes that this results in 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 CSR statement, included in this Report. The CSR statement also summarises the Group's policy in relation to disabled employees.

The Corporate Governance Report details the steps that the Group is also taking to implement workforce engagement arrangements to ensure compliance with the 2018 Code and the associated FRC Guidance on Board Effectiveness.

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 31 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 Report of the Directors. The 2018 results are included within the CSR statement of this Report.

Directors

Details of the Directors as at 5th March 2019 are on pages 44 and 45 of this Report. Kumsal Bayazit Besson will retire from the Board with effect from the 2019 AGM.

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

Re-election and election

All the Directors will each retire at the AGM and, being eligible intend to stand for re-election save that Kumsal Bayazit Besson will not stand for 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. All of the Directors (who were elected at the 2018 AGM) will stand for re-election at the 2019 AGM (with the exception of Kumsal Bayazit Besson). Darrell Evans who has been appointed after the 2018 AGM will stand for election. Shareholders 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 with the exception of Kumsal Bayazit Besson.

The biographical details for all the Directors are set out on pages 44 and 45 of this Report.

During the 2018 Board and Committees annual evaluation and 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 2018 and the date of this Report, there were no changes in the Directors' interests other than the purchases of Shares by Ian Crabb (220 Shares), Adam Castleton (220 Shares) and Helen Buck (220 Shares) as participants of LSL's SIP/BAYE 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 (including any extensions to appointments) are set out in the Directors' Remuneration Report and are available for inspection at the Registered Office during normal business hours and at each AGM.

Auditor

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 2019 AGM.

Details of LSL's policy designed to safeguard the independence and objectivity of the external auditors is included in the Audit & Risk Committee Report together with details of how the Audit & Risk Committee undertakes this assessment.

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 26 to the Financial Statements. There have been no changes to the Share capital during 2018. LSL will seek Shareholder approval for the renewal of authority for the Directors to allot unissued Ordinary Shares and for the power to disapply statutory pre-emption rights at the 2019 AGM. LSL obtained Shareholder approval to disapply pre-emption rights at the 2018 AGM.

Full details of the deadline for exercising voting rights in respect of the resolutions to be considered at the 2019 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 Link Market Services Trusts (formerly 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 13 to the Financial Statements. The Trustees have waived the right to any dividend payment in respect of each Share held by them in 2018 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. The 2011 EBT does not currently hold any LSL Shares and will be closed during 2019.

Viability statement

In accordance with provision C.2.2 of 2016 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. This assessment was considered against the Group's expected financial position, existing banking facilities and potential management actions.

As with previous years, a three year viability period, ending 31st December 2021, has been selected which corresponds to the Board's three year planning horizon. In light of the further FRC guidance issued, the appropriateness of this period was reassessed and is still considered appropriate given this aligns with the Group's planning and budget cycle and is supported by the Group's funding arrangements, which expire in May 2022.

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 27 to 34 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-flows.

The process by which LSL developed its viability statement is set out on pages 27 and 28 of the Principal Risks and Uncertainties section of this Report.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review 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 23 to the Financial Statements. Note 31 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 27 to 34.

As explained in Note 31 to the Financial Statements, the Group meets its day to day working capital requirements through cash generated from operations as well as utilising its RCF, which was renewed in January 2018. The Group currently has a £100m facility which is committed for a period up to May 2022. As stated in Note 31 to the Financial Statements as at 31st December 2018 the Group had available £65.5m of undrawn committed borrowing facilities in respect of which all precedent conditions 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 is due to mature in May 2022) where necessary. Further the Directors considered the key judgements, 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 the auditor

Having made enquiries of fellow Directors and of the external auditor, each of the Directors who have been directors in 2018, 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.
- 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 2018, 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 Meeting 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 (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 closed periods).
- Pursuant to the Listing Rules of the FCA/UKLA and LSL's Share Dealing Policy, 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 2018, the Trust held 1.44% (2017: 1.45%) 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 events

On 5th February 2019 LSL announced an Estate Agency Strategy: ways of working programme update and work has now commenced on the reshaping of the Your Move and Reeds Rains branch networks. As disclosed on 5th February 2019, LSL expects to incur an exceptional P&L charge of approximately £14m in 2019 and £1m in 2020, with cash costs amounting to approximately £12m over the three years from 2019 to 2021 including approximately £9m cash costs in 2019.

Directors' responsibility statement

Each of the Directors who were appointed to the Board in 2018 confirms that to the best of their knowledge:

- The Financial Statements, prepared in accordance with IFRS as adopted by the EU, 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.
- 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 shareholdings

As at 31st December 2018 and as at 4th March 2019, the Shareholders set out below have notified LSL of their interest under DTR 5:

Institutional Shareholders:

		31st December 2018		4th March 2019	
Institution	Nature of shareholding	Number of Ordinary Shares	% of Ordinary Shares	Number of Ordinary Shares	% of Ordinary Shares
Harris L.P	Beneficial	10,316,680	9.90	10,316,680	9.90
Brandes Investment Partners L.P	Beneficial	10,263,763	9.85	10,263,763	9.85
Setanta Asset Management Ltd	Beneficial	9,296,137	8.93	9,296,137	8.93
Kinney Asset Management, LLC	Beneficial	7,298,513	7.01	7,298,513	7.01
FMR, LLC	Beneficial	6,969,606	6.69	6,969,606	6.69
Russell Investments Group, Ltd	Beneficial	6,625,024	6.36	6,625,024	6.36
Franklin Templeton Institutional, LLC	Beneficial	5,224,560	5.02	5,224,560	5.02

Individual Shareholders (excluding Directors):					
David Newnes	Registered	3,479,910	3.34	3,479,910	3.34

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

Sapna B FitzGerald
Company Secretary
5th March 2019

Corporate Governance Report

UK Corporate Governance Code (April 2016) (2016 Code) and the UK Corporate Governance Code (July 2018) (2018 Code)

The Board continues to be 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 both the 2016 and 2018 versions of the Code together with the associated FRC Guidance on Board Effectiveness.

This part of this Report describes how the Board and its Committees have complied with the 2016 version of the Code during 2018 and the corporate governance arrangements that LSL is putting in place for 2019, which will include the implementation of arrangements in accordance with the 2018 version of the Code which applies to the 2019 financial year and against which LSL will report in its Annual Report and Accounts 2019.

This Report assesses LSL's compliance against the 2016 Code and during 2018, LSL complied with the relevant provisions of the Code in all respects. The Code is available on the FRC's website (frc.org.uk).

Corporate governance reviews

During 2018 the Board continued to implement improvements to its governance arrangements to prepare for implementation of the 2018 version of the Code and to reflect best practice introduced by the joint guidance issued by the Investment Association and ICSA in relation to stakeholder engagement, in addition to the guidance issued by the GC100 on directors' duties under section 172 of the Companies Act 2006.

Also in 2018, LSL continued to progress the Group's culture, values and ethics review and following the publication of the 2018 Code and associated Guidance, the Board with the support of the Executive Committee commenced work to articulate LSL's purpose, culture and values and to ensure its alignment to strategy and risk. LSL also continued to progress work already started on stakeholder engagement alongside identifying actions to be taken in 2019 with regard to the 2018 Code provisions.

LSL is also reviewing its subsidiary governance arrangements taking into account the guidance contained in The Wates Corporate Governance Principles for Large Private Companies (Wates Principles) which was published in December 2018 following a period of consultation and which applies to the 2019 financial year. During 2019 the Group will implement arrangements to ensure that relevant subsidiaries put in place arrangements to comply with the Wates Principles.

The Board and the Audit & Risk Committee have monitored reports on corporate governance failings and the resulting reviews of audit firms and their regulator to ensure that the Group's governance, internal controls and risk management arrangements remain in line with best practice and are appropriate.

The Board continues to take account of the impacts of decisions on stakeholders and LSL is currently reviewing the options relating to the Board's engagement with the workforce to identify the most effective arrangements for workforce engagement which will best support the Group and its diverse range of businesses.

LSL is also monitoring the review of the FRC which the Government initiated in 2018, noting in particular Sir John Kingman's recommendation that the FRC be replaced with an independent statutory regulator (the Audit, Reporting and Governance Authority), accountable to Parliament, with a new mandate, mission, leadership and powers.

The Board

During 2018, the Board consisted of seven members: three independent Non Executive Directors, three Executive Directors plus the Chairman, whose details are all set out below.

Director Name	Position(s)
Kumsal Bayazit Besson (retiring at AGM)	Independent Non Executive Director – member of the Nominations Committee, Remuneration Committee and Audit & Risk Committee
Helen Buck	Executive Director – Estate Agency
Adam Castleton	Executive Director – Group Chief Financial Officer
Ian Crabb	Executive Director – Group Chief Executive Officer
Simon Embley	Non Executive Director – Chairman
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 the Audit & Risk Committee
David Stewart	Independent Non Executive Director – member of the Nominations Committee, Remuneration Committee, and Chairman of the Audit & Risk Committee
Darrell Evans	Independent Non Executive Director – member of the Nominations Committee, Remuneration Committee and Audit & Risk Committee

On 28th February 2019, Darrell Evans was appointed to the Board as an independent Non Executive Director and to each of the Nominations, Remuneration and Audit & Risk Committees.

In line with the provisions of the 2016 and 2018 Code, all the Directors will retire from the Board at the AGM and stand for re-election, save that, as announced on 29th January 2019, Kumsal Bayazit Besson will retire and will not stand for re-election. Accordingly, subject to Shareholder approval at the AGM, following the AGM (in compliance with the 2016 and the 2018 Code), the Board will consist of three independent Non Executive Directors, three Executive Directors and the Chairman.

All the Directors are listed with their biographies in The Board at pages 44 and 45 of this Report.

Board changes and director search

There were no Board changes in 2018. In January 2019, LSL announced that Kumsal Bayazit Besson will retire from the Board at the 2019 AGM.

During 2018 the Nominations Committee, assisted by executive search agency Russell Reynolds Associates, conducted a search for a new independent non executive director to join the Board and its Committees. Russell Reynolds Associates is considered to be independent of, and does not have any connection with, LSL. This search resulted in the appointment of Darrell Evans to the Board and its Committees on 28th February 2019.

The search for an additional director focused on individuals with skills and expertise in technology and innovation together with experience of operating in the financial services sector and resulted in the appointment of Darrell Evans to the Board with effect from 28th February 2019.

Details of all of the Directors are included in The Board section of this Report.

Board composition

During 2018 the Non Executive Directors (excluding the Chairman) were determined to be independent in accordance with B.1.1 of the Code and the Board composition continued to comply with B.1.2 of the Code, namely that half of the Board (excluding the Chairman) comprised independent Non Executive Directors. The current Non Executive Directors together have a range of experiences which are described in more detail overleaf in the Nominations Committee section of this Corporate Governance Report. All the Non Executive Directors (excluding the Chairman) are considered by the Directors (and for the purposes of the 2016 and 2018 Code) to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

In relation to the requirements of the 2018 Code, the Chairman does not meet the 2018 Code's independence test on appointment because he was previously the Group Chief Executive Officer of LSL. Further, Simon Embley has been in the role of Chairman since 2014 and prior to this was Deputy Chairman. He was first appointed to the Board in 2004 when the buy-out of Your Move and e.surv was completed. LSL listed on the London Stock Exchange in 2006. Simon Embley was Group Chief Executive Officer from 2004 to 2014 when he moved into the role of Deputy Chairman before taking on the role of Chairman in 2015. Accordingly, Simon Embley's total term as a Director of LSL exceeds the 2018 Code's provision which states that terms should be limited to nine years.

The changes in Simon Embley's role during his term and his position on the Board reflects the Board's desire to retain his knowledge and experience of the residential property market and benefit from his track record in delivering Shareholder value. Prior to his appointment as Chairman, LSL consulted with significant Shareholders and their feedback was taken into account.

Roles of the Chairman, Deputy Chairman and Senior Independent Director, and Group Chief Executive Officer

There is a clear division of responsibilities between LSL's Chairman, Deputy Chairman and Senior Independent Director and Group Chief Executive Officer and these are documented, approved by the Board and available on the LSL website.

Chairman:

The role of Chairman is pivotal in creating the conditions for overall Board and individual Director effectiveness, setting clear expectations concerning the style and tone of Board discussions, ensuring the Board has effective decision making processes and that it applies sufficient challenge to major proposals. It is up to the Chairman to make certain that all Directors are aware of their responsibilities and to hold meetings with the Non Executive Directors without the Executive Directors present in order to facilitate a full and frank airing of views.

LSL's Chairman is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman sets the Board's agenda, ensuring that the Board's discussions are focused on key issues including: strategy, performance, value creation, culture, key stakeholders and accountability, and ensuring that issues relevant to these areas are reserved for Board decision.

The Chairman shapes the culture of the Boardroom by promoting a culture of openness and debate by encouraging all Directors to engage in Board and Committee meetings by drawing on their skills, experience and knowledge. He also fosters relationships based on trust, mutual respect and open communication between the Non Executive and Executive Directors.

The Chairman also ensures that the Directors receive accurate, timely and clear information and he ensures that the Board has effective communications with all of LSL's key stakeholders: including its Shareholders, employees, customers and regulators. As noted elsewhere in this Report, the Board is considering options relating to the Board's engagement with the workforce to identify the most effective arrangements for workforce engagement which will best support the Group and its diverse range of businesses.

The Chairman will also ensure that the Directors continually update their skills and the knowledge and familiarity with LSL required to fulfil their role (both as a member of the Board and its Committees).

The Chairman provides support and advice to the Group Chief Executive Officer (while respecting Executive responsibility) and also provides guidance and mentoring to new directors (as appropriate).

The Chairman leads the annual Board and Committee evaluation exercise, with support from the Deputy Chairman and Senior Independent Director, and Company Secretary ensures that the Board and its Committees acts on its results. The Chairman will also periodically consider the undertaking of an externally facilitated exercise. For further details regarding the annual evaluation arrangements, see XX below.

Group Chief Executive Officer:
The Group Chief Executive Officer's key responsibility is the running of the business and his delegated powers are set by the Board. As the most senior Executive Director, the Group Chief Executive Officer is responsible for proposing Company strategy and for delivering the strategy as agreed by the Board. He also has primary responsibility for setting an example to the Group's workforce, for communicating to them the expectations in respect of the Company's culture, and for ensuring that the operation of policies and practices drive appropriate behaviour.

The Group Chief Executive Officer supports the Chairman in ensuring that the appropriate standards of governance permeate through all parts of the organisation and he ensures that the Board is aware of views gathered from meetings between Management and the workforce. As noted elsewhere in this Report, the Board is considering further how best to facilitate further workforce engagement.

The Group Chief Executive Officer ensures the Board is aware of the views of Management on business issues in order to improve the standard of discussion in the Boardroom and, prior to a final decision on an issue, explain in a balanced way any divergence of view.

The Group Chief Executive Officer is also responsible for ensuring that Management fulfils its obligation to provide Directors with:

- accurate, timely and clear information in a form and of a quality and comprehensiveness that will enable it to discharge its duties;
- the necessary resources for developing and updating their knowledge and capabilities; and
- appropriate knowledge of the Group, including access to company operations and members of the workforce.

Deputy Chairman and Senior Independent Director:
LSL's Deputy Chairman and Senior Independent Director acts as a sounding board for the Chairman, providing support for the Chairman in the delivery of his objectives, and leads the annual evaluation of the Chairman on behalf of the other Directors.

The Deputy Chairman and Senior Independent Director is also available to meet with Shareholders if they should wish.

The Deputy Chairman and Senior Independent Director works closely with the Chairman, the Group Chief Executive Officer and the other Directors to resolve significant issues; and the Board has a clear understanding of his role and responsibilities.

The Deputy Chairman and Senior Independent Director will also take responsibility for ensuring an orderly succession process and the evaluation of the Chairman each year (see below for details of the annual evaluation exercise).

All role profiles are available on the LSL website.

Chairman's other appointments
In addition to his role as Chairman, Simon Embley's other board appointments comprise a small estate management company, Road to Health Group Limited (a healthcare provider) and he is also Non Executive Chairman of Global Property Ventures Limited (trading as Zero Deposit, which distributes a tenant deposit replacement product).

Board, Committees and Directors evaluation
During the year the Directors continuously monitor and review their performance, and are encouraged to provide feedback on the effectiveness of the Board and its Committees. Further, in accordance with the requirements of the Code, the Directors undertake a formal and rigorous annual evaluation of the performance of the Board with the assistance of the Company Secretary. The process includes an evaluation of the Board, its Committees and of individual Directors. The Chairman leads the annual evaluation exercise, with support from the Deputy Chairman and Senior Independent Director (as appropriate). The Deputy Chairman and Senior Independent Director leads the evaluation of the Chairman.

LSL's evaluation exercise is bespoke in its formulation and delivery; and whilst the 2018 exercise did not involve an externally facilitated evaluation, the Chairman monitors the need for an externally facilitated evaluation on an on-going basis.

The exercise considers: the balance of skills, experience, independence and knowledge of the Group on the Board; its diversity (including gender); how the Board works together as a unit; and other factors relevant to its effectiveness. In addition this year, the exercise considered the suitability of the evaluation process.

The exercise seeks to ensure that the Directors remain individually and collectively effective and the Chairman, with the support of the Company Secretary, ensures that the Board acts on the results of the evaluation by recognising its strengths and addressing its weaknesses and, where appropriate, reviewing its composition.

Individual Director evaluations consider each person's contribution to demonstrate that each Director continues to contribute effectively and to demonstrate their commitment to the role (including commitment of time for Board and Committee meetings and any other duties). The evaluation exercise forms a useful part of the Board's succession planning as it provides an opportunity to review skills, assess composition and agree plans for filling any gaps in skills and diversity.

As part of the 2018 annual evaluation exercise, the Directors considered and determined that they are satisfied that the balance of Executive and Non Executive Directors on the Board is appropriate and that no individual or group dominates the Board's decisions.

Implementation of 2017 evaluation recommendations:
The actions agreed during the 2017 evaluation process were completed in 2018 and the findings arising from the exercise contributed to succession planning in 2018, including the recruitment of a new independent Non Executive Director.

2018 evaluation exercise:
The evaluation process conducted during 2018 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.

No significant issues requiring action arose from the 2018 evaluations and the outcomes of the exercise were reported to, and discussed by, the Board. The outcomes will be fed back into the Board's work on composition, the design of induction and development programmes, and other relevant areas. The appraisal confirmed that the Board and its Committees were discharging their responsibilities effectively and produced a number of recommendations to further improve the effectiveness of the Board.

As a result of the 2018 exercise, during 2019 the Board will undertake the following:

a. continue to develop succession planning arrangements for Executives, Senior Managers and Non Executive Directors;

b. recruit an additional independent non executive director with skills and expertise to enhance existing Board and Committee composition (including diversity) and to support Group business and markets developments. Also identify and address any barriers to non executive director recruitment; and

c. building on 2018 improvements, continue to review and revise meeting arrangements and the provision of information to the Board and its Committees to ensure that the Board/Committees prioritise supporting the Group's strategy.

2019 evaluation exercise:
During the 2019 exercise, which is intended to be conducted in line with the provisions of the 2018 Code, the Board will consider ways in which the Directors can formally include feedback from key stakeholders, including the workforce and LSL's auditor as part of the annual evaluation exercise, in addition to considering whether the exercise should be externally facilitated.

Diversity (including gender)
LSL continues to recognise the benefits of diversity on the Board (including relevant professional skills, experience, gender and race). The 2018 Code provides that diversity in the Boardroom can have a positive effect on decision making and recommends that the Board decide on which aspects of diversity are important to the Company in the context of its business and needs.

In terms of gender diversity, during 2018 the Board included two female Directors, Helen Buck (Executive Director – Estate Agency) and Kumsal Bayazit Besson (independent Non Executive Director). In 2019, following the retirement of Kumsal Bayazit Besson, the Board will include one female Director (Helen Buck). The Board also considers diversity of aspects in addition to gender and considers that its composition includes a wide range of skills and expertise that are relevant to the Group's businesses and needs. Diversity of personal attributes is also important and is taken into account in the recruitment of new Directors. See also the Corporate Social Responsibility section of this Report for details of the number of women within the senior Management teams.

During 2018 the LSL Board composition included expertise, skills and experience in strategy, technology, estate agency, surveying and valuation services, financial services, the residential housing sector, commercial property, retail and marketing, operations, business services, entrepreneurial private and public companies, finance, consumer and employee matters, and corporate governance. In 2019, the Board will be further enhanced by the financial services experience and skills of Darrell Evans, a new Non Executive Director.

LSL has not adopted a formal diversity policy in relation to the Board's composition and whilst the Directors remain of the view that the setting of diversity related targets (e.g. number of female directors) in relation to Director appointments is not necessary, the Board continues with the support of the Nominations Committee to appoint on merit. Both the Chairman of the Board and the Chairman of the Nominations Committee ensure that all searches for directors and senior managers (including those undertaken in 2018 and being undertaken in 2019) continue to take into account the benefits of diversity, including professional skills, experience, gender, social and ethnic backgrounds.

LSL believes that diversity on the Board, within the senior management teams and the general Group workforce has a positive impact on the Group's performance and the Board will during 2019 continue to review its position with regard to the adoption of a formal diversity policy in relation to the Board's composition.

For further information on how the Nominations Committee ensures the promotion of diversity within the Group, see below (Nominations Committee section).

Directors' service agreement and letters of appointment

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. Further details of Director service agreements and Non Executive Director letters of appointment are contained in the Directors' Remuneration Report.

Director support (including the role of the Company Secretary)

All Directors have access to independent professional advice at LSL's expense, where they judge it necessary to discharge their responsibilities and for the performance of their duties. This is in addition to the access every Director has to the Company Secretary and to the Group HR Director and their teams.

The Company Secretary is responsible for ensuring that Board procedures are complied with, advising the Board on all governance matters, supporting the Chairman of the Board and each of the Committees, and helping the Board and its Committees to function efficiently. She reports to the Chairman and the Deputy Chairman and Senior Independent Director on all governance matters and to Executive Directors in relation to other executive management responsibilities.

LSL's Company Secretary's responsibilities include ensuring information flows efficiently within the Board and its Committees and between senior Management and the Non Executive Directors. The Company Secretary also works alongside the Group HR Director, facilitating Board inductions, arranging Board training and assisting with professional development as required.

The Company Secretary and Group HR Director organise and arrange for the provision of resources to develop and update the Directors' knowledge and capabilities. Training is delivered in a manner that is appropriate to the particular Director, and that aims to enhance that Director's effectiveness as a part of the Board or its Committees in line with the results of the Board evaluation process.

Assisting the Chairman in establishing the policies and processes the Board needs in order to function properly is a core part of the Company Secretary's role.

During 2019, the Chairman and the Company Secretary will review whether the Board and LSL's governance processes (e.g. Board and Committee evaluation) are fit for purpose, and consider any improvements or initiatives that could strengthen the governance of the Group (including in line with the 2018 Code).

The Company Secretary's effectiveness is enhanced by building relationships of mutual trust with the Chairman, the Deputy Chairman and Senior Independent Director and each of the Non Executive Directors, while maintaining the confidence of Executive Director colleagues. As the 2018 Code recognises, the role of Company Secretary is in a unique position between the Executive and the Board, and is well placed to take responsibility for concerns raised by the workforce about conduct, financial improprieties or other matters.

Director induction and training

Each newly appointed Director receives a comprehensive, tailored induction on a range of topics, including, as appropriate, the responsibilities of a director of a public listed company and the LSL businesses. Thereafter, LSL with the support of the Company Secretary and the Group HR Director, provides the necessary resources for developing this understanding and knowledge. Further, the Chairman annually 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 2018, LSL completed a review of its induction and training arrangements to take into account the requirements of the 2018 Code, and specifically to ensure that LSL's approach to stakeholder engagement was included in the induction programme for new Directors. The updated induction arrangements are being used in the induction of Darrell Evans as a new independent Non Executive Director. The Company Secretary and Group HR Director ensure that the Director induction and training arrangements are reviewed regularly with updates provided to the Board.

During 2018, the Board also received a training session on the new 2018 Code and the directors' duties under section 172 of the Companies Act 2006 which was delivered by Pinsent Masons LLP.

Board and Committee meetings

During 2018 the Board held seven scheduled meetings (including a strategy meeting). Each of the Directors was able to allocate sufficient time to LSL to discharge their responsibilities effectively, as shown by the attendance of each of the Directors at all seven Board meetings. The attendance of each Director at Board and Committee meetings is set out in this Report.

During 2019 the Board is scheduled to meet eight times (including a strategy meeting). Additional meetings may be held as required.

During 2018 the Non Executive Directors collectively met four times without the Executive Directors being present and it is the intention that the Non Executive Directors will meet six times during 2019. These meetings are scheduled to take place before or after a Board or Committee meeting.

In addition, the Non Executive Directors are scheduled to meet at least once in the year without the Chairman being present.

2018 Board and Committee attendance:

Board Member	Position	Board Meetings (including a strategy meeting)	Audit & Risk Committee	Remuneration Committee	Nominations Committee
Simon Embley	Chairman	7	-	-	-
Bill Shannon	Deputy Chairman and Senior Independent Director	7	3	3	2
Kumsal Bayazit Besson	Independent Non Executive Director	7	3	3	2
Ian Crabb	Group Chief Executive Officer	7	-	-	-
Adam Castleton	Group Chief Financial Officer	7	-	-	-
Helen Buck	Executive Director – Estate Agency	7	-	-	-
David Stewart	Independent Non Executive Director	7	3	3	2

Director elections

LSL's Articles of Association stipulate that all the Directors appointed since the previous AGM and 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 chosen to adopt annual elections for all Directors, in accordance with best practice (including under the 2016 and 2018 Code) and by an amendment to the Nominations Committee Terms of Reference. Accordingly, all the Directors will stand for re-election/election at the forthcoming AGM (other than Kumsal Bayazit Besson who is not standing for re-election).

Board role and responsibilities

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 Group's risk appetite framework, including the identification, assessment and monitoring of LSL's principal risks and uncertainties. In accordance with best practice, LSL has adopted a policy of Matters Reserved for the Board which is reviewed at least annually by the Board.

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 the information or advice necessary for them to discharge their duties. These arrangements are monitored by the Chairman and the Company Secretary and reviewed annually by the Directors as part of the Board's evaluation process (which is explained above).

Governance

There is also a programme of regular reviews by the Board of LSL's 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).

Stakeholder engagement – section 172 Companies Act 2006

During 2018, and building on the work that it had started in 2017, the Board implemented enhancements to its arrangements relating to stakeholder engagement and also implemented new reporting arrangements alongside these measures to ensure compliance with the Directors duties as set out in section 172 of the Companies Act 2006. In reviewing its new reporting arrangements, the Board took into account the actions arising from the 2017 Board evaluation exercise in addition to guidance published by the GC100 in October 2018. Specifically, papers submitted to the Board for a decision identify if any stakeholders are impacted by the decision and, if so, how. LSL has also updated its Board and Committee terms of reference to include reference to section 172.

LSL intends to consider the implementation of further measures during 2019 to support the Directors compliance with section 172 and LSL's reporting to be included within the strategic report of the Annual Report and Accounts 2019 (the new reporting requirements apply from financial year 2019).

Stakeholder engagement – workforce engagement

The Board is considering the options contained in the 2018 Code in relation to workforce engagement to identify the arrangements which would best support LSL's business model and workforce. This includes a review of existing workforce engagement arrangements which are in place across the Group (for example employee forums and the employee annual survey).

Purpose, culture and values

The Board also continued its review of the Group's purpose, culture, values and ethics in addition to commencing work on the articulation and definition of LSL's purpose and how it relates to the Group's corporate strategy. During 2019 the Board will define LSL's purpose and then identify actions to deliver it, underpinned by the values and behaviours that shape its culture and the way it conducts business. The Board will also consider how it can monitor and assess LSL's culture.

The definition of LSL's purpose will assist the Group in its articulation of LSL's business model, and development of strategy, operating practices and its approach to risk. It will also support LSL engagement with key stakeholders, including Shareholders, the workforce, customers and the wider communities in which the Group's businesses operate. The Remuneration Policy will be assessed to ensure alignment with LSL's purpose, culture, values and ethics.

In addition, the 2018 annual employee survey included additional questions relating to culture which were presented to the Board as part of an annual Group HR presentation and the results were independently reviewed by Risk and Internal Audit. Management actions identified as a result of the survey are being implemented with monitoring by the Executive Committee.

Corporate Social Responsibility (CSR)

LSL believes that CSR is necessary to support responsible business decisions that consider 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 and has during 2018 been monitoring and considering what lessons can be learnt from corporate failures of other companies.

Further details of LSL's CSR objectives can be found in the CSR Statement included in this Report.

New regulations

During 2018, the Board closely monitored the Group's EU General Data Protection Regulation and Data Protection Act 2018 implementation project and also received regular updates on arrangements relating to Reporting on Payment Practices Regulations 2017, the Modern Slavery Act 2015, The Bribery Act 2010, The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and the Criminal Finances Act 2017.

The Board has also been monitoring developments in relation to laws and regulations which impact LSL's Estate Agency and Financial Services businesses and further details relating to these are included in the Business Review – Estate Agency section of this Report.

Director conflicts of interest

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 of Association 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 the 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:

a. Nominations Committee;

b. Remuneration Committee; and

c. Audit & Risk Committee.

In addition the Board has established a Disclosure Committee to ensure compliance with the Market Abuse Regulation.

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 (lslps.co.uk).

During 2018, the Board reviewed the Terms of Reference for each of the Committees and updated each to ensure compliance with the new 2018 Code and the FRC Guidance on Board Effectiveness.

It is also the intention that Bill Shannon, as Chairman of the Nominations Committee and Remuneration Committee and David Stewart, as Chairman of the Audit & Risk Committee, will both attend the 2019 AGM to answer any questions.

Nominations Committee

During 2018, Bill Shannon was the Chairman of the Nominations Committee and its other members were Kumsal Bayazit Besson and David Stewart. With effect from LSL's AGM, Kumsal Bayazit Besson will retire from the Nominations Committee. Darrell Evans was appointed to the Nominations Committee with effect from 28th February 2019.

Director searches

In relation to the recruitment of a new independent non executive director, the Nominations Committee has been assisted in its search by Russell Reynolds Associates.

During 2018, the Nominations Committee considered at length a number of aspects regarding the Board's composition and continued a search which commenced in the second half of 2017, for the recruitment of an additional independent non executive director with technology and innovation expertise and experience in the financial services sector. The search in 2018 recognised the growing importance of LSL's Financial Services businesses.

Following this search the Board appointed Darrell Evans as a new independent Non Executive Director with effect from 28th February 2019.

Russell Reynolds Associates is considered to be independent of, and does not have any connection with, LSL.

Roles and responsibilities of the Nominations Committee

The Nominations Committee has been established by the Board to lead the process for appointments to the Board and to ensure plans are in place for orderly succession to both the Board and senior Management positions. The Nominations Committee has oversight of LSL's succession arrangements and in discharging its roles and responsibilities it considers and has regard to the requirements of the Listing Rules and Disclosure Guidance and Transparency Rules together with guidance issued by the FRC (including the Code).

The duties of the Nominations Committee are governed by its Terms of Reference, which were reviewed in 2018 to ensure continued compliance with the 2016 Code and updated with effect from 1st January 2019 to ensure compliance with the 2018 Code.

During 2018 and with effect from 1st January 2019 the Nominations Committee's roles and responsibilities include the following:

a. taking into account LSL's strategy and the Board's knowledge and understanding of the Group's key stakeholders, regularly reviewing the structure, size and composition (including skills, knowledge and experience) required of the Board and its Committees; and making recommendations to the Board with regard to any changes;

b. recommending appointments after the evaluation of the balance of skills, experience, independence and knowledge on the Board, taking into account diversity (including gender and race). The Nominations Committee will also prepare a description of the role and capabilities required for a particular appointment;

c. giving full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing LSL, and what skills and expertise are therefore needed on the Board in the future. The Nominations Committee will also satisfy itself that plans are in place for orderly succession for appointments to the Board and to senior Management, so as to maintain an appropriate balance of skills and experience within the Group and on the Board, to ensure progressive refreshing of the Board;

d. 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 are made, on merit, against objective criteria, with due regard for (i) the benefits of diversity, including gender and race; and (ii) the Group's key stakeholders;

e. reporting on the nomination of all new Board appointments and undertaking an annual performance evaluation to ensure that all members of the Board have devoted sufficient time to LSL to discharge their duties effectively;

f. keeping 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. ensuring that on appointment to the Board, Non Executive Directors receive a formal letter of appointment which sets out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;

h. 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, recognising the need for availability in the event of a crisis; and

i. as part of the process for nominating candidates for any appointments, obtain details of and review any interests that the candidate may have which conflict or may conflict with the interests of LSL.

The Nominations Committee makes recommendations to the Board as set out in its Terms of Reference. In 2018 recommendations to the Board included the following matters:

a. succession plans for both Executive Directors and Non Executive Directors (in particular, for key roles of the Chairman and the Group Chief Executive Officer);

b. recommended the extension of appointment terms for David Stewart and Kumsal Bayazit Besson;

c. reviewed the 2018 Code and related Guidance on Board Effectiveness; and

d. reporting on its activities each year within LSL's Annual Report and Accounts.

The Nominations Committee will also monitor the terms of each Director and ensure that each year the Board, along with the Chairman, completes a formal and rigorous evaluation of the Board, its Committees and its Directors. For details of the 2018 evaluation exercise, see above (Board, Committees and Directors evaluation).

What the Nominations Committee did in 2018

The Nominations Committee met twice in 2018 and the Group Chief Executive Officer, the Chairman, the Group HR Director and the Company Secretary were all invited to attend all or parts of these meetings and to assist the Nominations Committee in its deliberations during this period.

During the year, as part of it discussions, the Nominations Committee considered the following matters:

a. Board composition, including gender, race and professional skills diversity of the Board and its Committees as a whole;

b. Non Executive Director skills, expertise and experience together with succession planning arrangements taking into consideration the term of each Non Executive Director;

c. Executive Committee performance together with Executive Committee and senior Management succession planning arrangements;

d. a review of the governance arrangements within the Estate Agency and Financial Services management teams, including considering the renewal of the appointment of the non executive member to the Financial Services Management Committee and changes to the Financial Services management structure following the acquisition of Personal Touch Financial Services;

e. a review of the 2018 Code and the associated 2018 FRC Guidance on Board Effectiveness including discussing how LSL can implement the new workforce engagement arrangements during 2019;

f. a review of the Nominations Committee's performance and its terms of reference to ensure continued compliance with the 2016 Code and to prepare for the 2018 Code. This review also considered related FRC guidance and resulted in updates to the Terms of Reference with effect from 1st January 2019; and

g. the Nominations Committee continued a search for the recruitment of an additional independent Non Executive Director which commenced in 2017 and resulted in the appointment of Darrell Evans on 28th February 2019. LSL was assisted by executive search agency Russell Reynolds Associates in its selection.

As part of its discussions in 2018 the Nominations Committee considered FRC guidance and other publications relevant to the roles and responsibilities of the Nominations Committee.

Governance

In carrying out its duties, the Nominations Committee takes into account both the requirements of the Listing Rules (together with requirements issued by the FCA), the Code and related guidance issued by the FRC and other relevant bodies (e.g. ICSA), together with the requirements of the Board.

During 2018, the Nominations Committee continued to monitor reviews and reforms of corporate governance and during its discussions it considered the 2018 Code and the 2018 Guidance on Board Effectiveness, including considering LSL's purpose, culture and values and how the Group can implement the new workforce engagement requirements.

Board composition and diversity

Whilst LSL does not have in place a formal policy on diversity, it has during 2018 and will continue during 2019 to ensure that LSL's recruitment and succession planning practices continue to identify and consider a diverse pool of candidates to improve diversity over time.

During 2019, with support from the Group HR Director and the Company Secretary, the Nominations Committee will consider the setting and meeting of diversity objectives and strategies for the Group as a whole, and monitor the impact of any diversity initiatives.

For further details regarding LSL's approach to diversity, see above (Diversity).

Gender pay reporting

LSL published its gender pay reports for all LSL Group companies with more than 250 employees in April 2018 and further reporting will be published in April 2019. The reports are available to view at gender-pay-gap.service.gov.uk.

For details of gender reporting in relation to the Board, the senior Management Team and Group employees, see the CSR statement included in this Report.

Remuneration Committee

During 2018, the Remuneration Committee was chaired by Bill Shannon and its other members were Kumsal Bayazit Besson and David Stewart. With effect from LSL's AGM, Kumsal Bayazit Besson will retire from the Remuneration Committee. Darrell Evans was appointed to the Remuneration Committee with effect from 28th February 2019.

The Remuneration Committee met four times during the year and the Group Chief Executive Officer, the Chairman, the Group HR Director and the Company Secretary were each invited to attend all or part of these meetings and assist the Remuneration Committee in its deliberations during this period.

Role and responsibilities of the Remuneration Committee

The Remuneration Committee has delegated responsibility for determining the policy for Executive Director remuneration and setting remuneration for the Chairman, the Executive Directors and Senior Management (the definition of Senior Management for this purpose will be determined by the Board). With effect from 1st January 2019, the Remuneration Committee will also review workforce remuneration and the alignment of incentives and rewards with LSL's culture, taking these into account when setting the policy for Executive Director remuneration.

The Remuneration Committee does not consider remuneration of the Non Executive Directors as this is a matter for the Board.

The duties of the Remuneration Committee are governed by its Terms of Reference, which were reviewed in 2018 to ensure continued compliance with the 2016 Code and updated with effect from 1st January 2019 to ensure compliance with the 2018 Code.

During 2018 and with effect from 1st January 2019, the Remuneration Committee's role and responsibilities include the following:

- review the design of schemes of performance related remuneration which include discretion to override formulaic outcomes and provisions to enable recovery or the withholding of payments where it is appropriate to do so;
- ensure that only basic pay is pensionable and to review pension contribution arrangements (or payments in lieu) for the Executive Directors to monitor alignment with those available to the workforce;
- review of share incentive plan arrangements for approval by the Board and Shareholders; and
- promote long-term shareholdings by the Executive Directors to support alignment with Shareholder interests.

The Directors' Remuneration Report provides details of how the Remuneration Committee discharged its duties during 2018 and this can be found from pages 78 to 80 of this Report.

The Terms of Reference of the Remuneration Committee are available from the Company Secretary or LSL's website (lslps.co.uk).

What the Remuneration Committee did in 2018

During 2018, the Remuneration Committee met three times and considered the following matters:

a. reviewed the levels of remuneration of the Executive Directors and the Chairman (this included consultations with significant Shareholders in relation to revisions to the Group Chief Executive Officer's base pay);

b. continued to implement and apply LSL's Remuneration Policy;

c. reviewed a proposal to amend the Group's BAYE/SIP plans to include the grant of matching shares;

d. reviewed the Group's Executive Directors' and senior Management bonus arrangements for 2018 and 2019 (including reviewing and setting Executive Director NFMs);

e. reviewed and approved LTIP awards for the Executive Directors and senior Management;

f. reviewed the Executive Directors shareholding guidelines and Executive Director shareholdings;

g. reviewed the Remuneration Committee's performance and its Terms of Reference to ensure continued compliance with the 2016 Code and updated the Terms of Reference to ensure compliance with the 2018 Code and related FRC guidance;

h. as part of the annual Board and Committee evaluation exercise, the Remuneration Committee evaluated its composition and performance; and

i. reviewed the introduction of new remuneration reporting requirements.

As part of its discussions in 2018 the Remuneration Committee considered FRC guidance and other publications relevant to the roles and responsibilities of the Remuneration Committee, including feedback from shareholder groups.

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 or 2018 Remuneration Committee members, have any personal financial interest (other than as Shareholders), any conflicts of interest arising from cross directorship, 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 Senior Managers, take into account LSL's performance on governance (including regulatory compliance) and CSR related issues. Further, it ensures that the incentive schemes put in place do not raise any ESG issues by inadvertently motivating irresponsible behaviour.

2019 remuneration

In relation to Executive Director remuneration for 2019, see the Directors' Remuneration Report included in this Report.

Audit & Risk Committee

During 2018, the Audit & Risk Committee was chaired by David Stewart and its other members were Bill Shannon and Kumsal Bayazit Besson. At the LSL AGM, Kumsal Bayazit Besson will retire from the Audit & Risk Committee. Darrell Evans was appointed to the Audit & Risk Committee with effect from 28th February 2019.

During the 2018 Board and Committee evaluation process the Board also confirmed that the Audit & Risk Committee as a whole has competence relevant to the sectors in which LSL operates and that it includes at least one member who has recent and relevant financial experience.

The Audit & Risk Committee met on three occasions in 2018. LSL's Head of Risk and Internal Audit, the external auditor, the Chairman, the Executive Directors, the Group Financial Controller and the Company Secretary were invited to attend all or parts of these meetings to assist the Audit & Risk Committee in its deliberations. The Audit & Risk Committee met with the Head of Risk and Internal Audit and the external auditor, without the Executive Directors being present, three times during 2018.

Further details of the duties and responsibilities of the Audit & Risk Committee are shown on pages 65 to 77 of this Report together with details of how it discharged its duties during 2018.

Whistleblowing, fraud and anti-bribery arrangements

During 2018 the Audit & Risk Committee was responsible for:

a. reviewing the arrangements by which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters with the objective of ensuring that arrangements are in place for proportionate and independent investigation of such matters and appropriate follow-up action; and

b. reviewing LSL's procedures for detecting fraud and the prevention of bribery and corruption. The Audit & Risk Committee's objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and that appropriate follow-up action is taken.

With effect from 1st January 2019 by way of an amendment to the Audit & Risk Committee's terms of reference and an update to LSL's Matters Reserved for the Board Policy, the Board will provide direct oversight of LSL's whistleblowing arrangements alongside fraud and anti-bribery controls. This change was introduced to reflect the requirements of the 2018 Code (Principle E). The Audit & Risk Committee will continue to receive reports on any matters which relate to LSL's internal controls and risk management arrangements including those relating to any incidents of fraud or bribery.

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 or its Committees (as appropriate). In addition presentations will be arranged from time to time for Shareholders and analysts, including after the publication of the interim and full year results.

In relation to the Directors' remuneration arrangements for 2019, the Remuneration Committee Chairman supported by the Group HR Director consulted with significant Shareholders. For further details of this consultation, see the Directors' Remuneration Report included in this Report.

The Group Chief Executive Officer and Group Chief Financial Officer will also engage with Shareholders following strategic announcements. Throughout the year, a number of steps are taken to ensure that all Directors understand the views of significant Shareholders, including feedback received from the corporate advisers and Executive Directors and the distribution of analysts' reports to the Board.

The 2018 Code requires chairs of company boards to seek regular engagement with major Shareholders in order to understand their views on governance and performance against strategy. Each year all of the Non Executive Directors, including Simon Embley (Chairman) and Bill Shannon (Deputy Chairman and Senior Independent Director), are offered the opportunity to attend meetings with all Shareholders as they require. If any Shareholder or 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 192 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 Directors will be available at the 2019 AGM to meet with Shareholders.

LSL is also monitoring the FRC and the FCA review of shareholder engagement including revisions to the UK Stewardship Code which was launched in January 2019.

Details of specific Shareholder consultation exercises undertaken in 2018 are set out below:

2018 AGM Vote (Resolution 18 – General Meeting Notice Period)
At the 2018 AGM, whilst Shareholders approved all of the resolutions presented to the meeting the Chairman received a letter from the Investment Association regarding resolution 18 which authorised LSL to hold a general meeting on not less than 14 days' notice. The result of the voting for this resolution is included in the Investment Association's Public Register (theinvestmentassociation.org/publicregister.html) and a copy of LSL's response can be found on the LSL website (lslps.co.uk).

A total of 88,993,417 proxy votes were received at the 2018 AGM to all of the resolutions presented for Shareholder approval, which represents 85.44% of LSL's issued share capital. For resolution 18, 23.16% of the votes received were against the resolution. In response to the vote LSL conducted a Shareholder consultation in order to understand Shareholder concerns on this matter. Following this consultation, LSL notes that, notwithstanding that this resolution is customarily proposed (and passed) at the AGMs of most listed companies, certain Shareholders typically vote against shortening a general meeting notice period as a general principle. The Board has considered this feedback but remains of the view that the flexibility afforded by this ability to reduce the notice period is important, and therefore intends to seek approval for the resolution at the 2019 AGM.

Remuneration Consultation
During 2018 LSL consulted with significant Shareholders in relation to an increase in the base pay for the Group Chief Executive Officer and in relation to an amendment to the performance targets for the upcoming LTIP award in 2019. Further details of this consultation are contained in the Directors' Remuneration Report.

Remuneration Policy Consultation 2019
During 2019, LSL will continue to engage with significant Shareholders and their representative bodies, as appropriate, in respect of any proposed changes to the Remuneration Policy and on the implementation of the Remuneration Policy.

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

Share Dealing Code and Disclosure Committee
LSL has in place a Share Dealing Policy and Share Dealing Code to ensure LSL's compliance with the EU's Market Abuse Regulation (MAR). This Share Dealing Policy and Share Dealing Code applies to the Directors, other persons discharging managerial responsibilities and relevant employees of LSL.

The Board has also established and delegated responsibilities to a Disclosure Committee which oversees LSL's compliance with the disclosure and control of inside information obligations as set out in the UKLA's Listing Rules, Disclosure Guidance and Transparency Rules and MAR. Notwithstanding the delegation to the Disclosure Committee, the Board remains responsible for LSL's compliance with all regulatory disclosure obligations and the Disclosure Committee refers matters to the Board as it sees fits, and the Board will consider any matter referred to it.

Takeover Directive
The Group has addressed the matters required 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
5th March 2019

Audit & Risk Committee Report

Dear Shareholder

I am pleased to report on the activities of the Audit & Risk Committee during 2018.

The Audit & Risk Committee, on behalf of the Board, has taken steps to ensure that the Annual Report and Accounts 2018, when taken as a whole, is fair, balanced and understandable.

In this report, we have detailed how the Audit & Risk Committee has discharged its responsibilities during 2018, including details of monitoring enhancements to LSL's compliance arrangements and supporting the on-going development of the risk framework across LSL's subsidiaries.

I would like to thank members of the Audit & Risk Committee for their support in 2018 and the active role each member played in understanding the Group and the risks and challenges it faces. I especially wish to thank Kumsal Bayazit Besson who is retiring from the Board and its Committees at the forthcoming AGM and I wish to welcome Darrell Evans who was appointed to the Board and its Committees on 28th February 2019.

I will be available at the 2019 AGM along with my fellow Directors to answer Shareholder questions relating to the Audit & Risk Committee and how this Committee discharged its roles and responsibilities during 2018.

David Stewart
Chairman of the Audit & Risk Committee
5th March 2019

LSL's Audit & Risk Committee

During 2018, David Stewart was the Chairman of the Audit & Risk Committee, its other members were Bill Shannon and Kumsal Bayazit Besson. With effect from LSL's AGM, Kumsal Bayazit Besson will retire from the Audit & Risk Committee. Darrell Evans was appointed to the Audit & Risk Committee with effect from 28th February 2019.

All members of the Audit & Risk Committee during 2018 and 2019 are independent Non Executive Directors as defined by the 2016 Code and the 2018 Code.

David Stewart was appointed Chairman of the Audit & Risk Committee in April 2016, the Board and Nominations Committee having determined that he has the requisite recent and relevant financial experience as is required by the 2016 Code and the 2018 Code.

During the 2018 annual Board and Committees evaluation exercise, the Board confirmed that the Audit & Risk Committee as a whole has the competence relevant to the sectors in which LSL operates and that it includes at least one member who has recent and relevant financial experience.

Further during the year, in reviewing the composition of the Board and its Committees, the Nominations Committee has evaluated the range of skills, experience, knowledge and professional qualifications of the Audit & Risk Committee to ensure LSL's continued compliance with the 2016 Code and the 2018 Code.

Details of the members of the Audit & Risk Committee are detailed in the Corporate Governance Report and in the Director profiles included in The Board section of this Report.

Roles and responsibilities of the Audit & Risk Committee

The Audit & Risk Committee has been established by the Board and is responsible for discharging governance responsibilities in respect of audit, risk and internal control. The main roles and responsibilities of the Audit & Risk Committee are detailed below.

In discharging its roles and responsibilities, the Audit & Risk Committee considers the requirements of the Listing Rules and Disclosure and Transparency Rules (together with any other requirements issued by the FCA), the Code together with guidance issued by the FRC (including the Guidance on Audit Committees and the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting), together with any requirements of the Board.

The Audit & Risk Committee met three times during the year and the Group Chief Executive Officer, the Chairman, the Group Chief Financial Officer, the Group Financial Controller, the Head of Risk and Internal Audit and the Company Secretary were each invited to attend all or parts of these meetings and assist the Audit & Risk Committee in its deliberations during this period.

Audit & Risk Committee Report

During 2018, the Audit & Risk Committee established a programme of work to ensure that each of its roles and responsibilities was covered adequately during the year.

The duties of the Audit & Risk Committee are detailed in its terms of reference, which were reviewed and updated with effect from 1st January 2019 to reflect the requirements of the 2018 Code.

The main role and responsibilities of the Audit & Risk Committee include:

- monitoring the integrity of LSL's financial statements and any formal announcements relating to LSL's financial performance, and reviewing significant financial reporting issues and judgements contained in them;
- providing advice (where requested by the Board) on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for Shareholders to assess LSL's position and performance, business model and strategy. In addition, the Audit & Risk Committee will assist the Directors in their statements to be included in the Annual Report and Accounts. To assist the Directors, the Audit & Risk Committee's review will assess whether other information presented in the Annual Report and Accounts is consistent with the financial statements;
- reviewing LSL's internal financial controls and internal control and risk management systems;
- monitoring and reviewing the effectiveness of LSL's Risk and Internal Audit Team;
- conducting the external auditor tender process and making recommendations to the Board, about the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity;
- reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- developing and implementing LSL's policy on the engagement of the external auditor to supply non-audit services (which is contained within the Auditor Independence Policy);
- ensuring that there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required; and
- reporting to the Board on how it has discharged its responsibilities.

Detailed below is further information on how the Audit & Risk Committee discharges its roles and responsibilities:

1. Internal controls and risk management

In relation to LSL's internal controls and risk management arrangements, the Audit & Risk Committee will:

a. ensure that the Group's accounting and financial policies and controls, are proper, effective and adequate;

b. ensure that internal and external auditing processes are properly co-ordinated and work effectively;

c. monitor the integrity of LSL's financial statements and any formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements contained in them;

d. review the Group's risk management and internal control systems, which includes the overall risk management framework (which have been established to identify, assess, manage and monitor risks) and all material controls (including financial, operational and compliance controls);

e. on behalf of the Board, provide oversight of LSL's risk management and internal controls systems (including reviewing LSL's capability to identify and manage new risk types) and in relation to the same, receive reports from the Management Team on material breaches of risk limits and the adequacy of proposed actions; and the effectiveness of the systems and the conclusions of any testing carried out by the Risk and Internal Audit Team or the external auditors;

f. consider the level of assurance the Audit & Risk Committee is getting on the risk management and internal control systems, including financial controls, and whether there is enough to help the Board in satisfying itself that they are operating effectively;

g. advise the Board on LSL's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities including the Bank of England, the FCA and other authoritative sources that may be relevant for LSL's risk policies;

h. oversee and advise the Board on the current risk exposures of LSL and risk management strategy;

i. monitor LSL's risk management and internal control systems and, at least annually, carry out a review to enable LSL to report on that review in the Annual Report and Accounts. The monitoring and review will cover all material controls, including financial, operational and compliance controls; and

j. review and approve the Group Risk Framework Policy, including a regular assessment and update of the Group risk appetite statement. This latter process involves frequent re-assessment by the Audit & Risk Committee of the Group's principal risks and uncertainties, underpinned by defined metrics which articulate the status and tolerance levels for key business risks. The framework ensures sufficient focus is placed on threats to Group objectives, with responsive action plans put in place for areas considered outside risk appetite. The process is underpinned by the capture of outputs from risk appetite measures maintained at subsidiary level, regular review of risk status by the Executive Committee and independent challenge of results by the Risk and Internal Audit function, prior to the tabling of overall conclusions for discussion at the Audit & Risk Committee.

2. Reporting to the Board

The Audit & Risk Committee reports to the Board on how it has discharged its responsibilities, including:

a. the significant issues that it considered in relation to the financial statements and how these were addressed;

b. its assessment of the effectiveness of the external audit process and its recommendation on the appointment/re-appointment of the external auditor; and

c. reporting on any other issues on which the Board has requested the Audit & Risk Committee's opinion. In doing so the Audit & Risk Committee identifies any matters in respect of which it considers that action or improvement is needed, whether the subject of a specific request by the Board or not, and make recommendations as to the steps to be taken.

3. External auditor

In relation to the external auditor, the Audit & Risk Committee is responsible for overseeing LSL's relationship with the external auditor and its roles and responsibilities in relation to the external auditor include:

a. to have primary responsibility for making annual recommendations to the Board on the appointment, re-appointment or removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor at the start of each audit;

b. to satisfy itself that the audit fee is appropriate and that an effective, high quality audit can be conducted for such a fee;

c. to be responsible for the selection procedure for the appointment of the external auditor (including ensuring that all tendering firms have such access as is necessary to information and individuals during the tendering process);

d. to meet with the external auditors before the start of each annual audit to consider the nature and scope of the audit and post-audit at the reporting stage. The Audit & Risk Committee will ensure that appropriate plans are in place for the audit and will consider whether the overall audit plan (including planned levels of materiality and proposed resources to execute the plan) appears consistent with the scope of the audit engagement (having regard to the seniority, expertise and experience of the audit team);

e. review with the external auditor the findings of their work and their report including a review of major issues, risks relating to audit quality, accounting and audit judgements, interactions with Senior Management and any errors;

f. to annually assess, and report to the Board on, the effectiveness of the audit process, taking into account qualification, expertise, ethical standards (including compliance with the same), resources, and independence of the external auditor. The assessment will also consider mind-set, culture, skills, character and knowledge, quality control and judgements, including the robustness and perceptiveness of the external auditor in handling key judgements, responding to questions from the Audit & Risk Committee, and in any commentary on LSL's systems of internal control. The Audit & Risk Committee will also consider all aspects of the audit service provided by the firm including their internal quality control procedures and consideration of the firm's annual transparency reports;

g. in the event of a resignation by the external auditor, to investigate the issues giving rise to such resignation and consider whether any action is required;

h. to evaluate the risks to the quality and effectiveness of the financial reporting process, especially in light of the external auditor's communications with the Audit & Risk Committee;

i. to develop and implement LSL's policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance, and to report to the Board in relation to the same (including identifying any matters in respect of which it considers that action or improvement is required and making recommendations on the steps to be taken);

j. to review and monitor the Management Team's responsiveness to the external auditor's findings and recommendations and review the audit representation letters (giving particular consideration to matters where any representation is requested that relate to non-standard issues). The Audit & Risk Committee will consider whether the information provided is complete and appropriate based on its own knowledge;

k. to meet the Board formally at least twice a year to discuss matters such as the Annual Report and Accounts, the relationship with the external auditors and any other matters included within its duties and responsibilities;

l. to keep under review the nature and extent of non-audit services provided by the external auditor, taking into account LSL's Auditor Independence Policy and to review at least annually for recommendation to the Board, LSL's Auditor Independence Policy; and

m. to meet with the external auditors without the presence of the Executive Directors at least once a year.

4. Annual Report and Accounts

Each year, the Audit & Risk Committee prepares a report to Shareholders for inclusion in LSL's Annual Report and Accounts. For details of how the Audit & Risk Committee discharged its obligations in relation to this Report, see below. The information required for inclusion in the Annual Report and Accounts is contained within the Corporate Governance Report and this Audit & Risk Committee Report.

5. Financial reporting

The Audit & Risk Committee reviews and reports to the Board on significant financial reporting issues and judgements made in connection with the preparation of LSL's financial statements (having regard to matters communicated to it by the external auditor) including the annual and half yearly statements, and where requested by the Board, and interim reports, preliminary results announcements, summary financial statements, significant financial returns to any regulators (as specified by the Board) and any financial information contained in other documents prior to their submission to the Board, with a particular focus on:

a. significant accounting policies and practices and any changes to them;
b. the appropriateness of LSL's accounting policies, estimates and judgements (taking into account the external auditor's view on the financial statements) ;
c. the clarity and completeness of disclosures in the financial statements and consider whether the disclosures are set properly in context;
d. major judgemental areas;
e. any significant adjustments arising from the audit;
f. the appropriateness of the adoption of the going concern basis of accounting and identification of any material uncertainties to the Group's ability to continue to do so for a period of at least 12 months from the date of approval of the financial statements;
g. compliance with accounting standards;
h. the extent to which the financial statements are affected by any unusual transactions; and
i. compliance with legal and regulatory requirements (including FCA and LSE requirements).

6. Risk and Internal Audit

The Risk and Internal Audit Team provides objective assurance and advice on risk and control. In relation to LSL's Risk and Internal Audit Team, the Audit & Risk Committee will:

a. review and approve the role and mandate of the Risk and Internal Audit Team (ensuring that the function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with relevant professional standards);
b. approve the internal audit plan and annually review and approve the Risk and Internal Audit Team's terms of reference to ensure that it is appropriate to the needs of the Group. The internal audit plan should be aligned to the key risks of the business. The Audit & Risk Committee will pay particular attention to the areas in which risk, compliance, finance, internal audit and external audit functions may be aligned or overlapping and oversee these relationships to ensure they are coordinated and operating effectively to avoid duplication;
c. ensure that there is open communication between the Group's different functions and that Risk and Internal Audit evaluates the effectiveness of LSL's risk, compliance and finance functions as part of the internal audit plan;
d. monitor and review the effectiveness of LSL's Risk and Internal Audit Team and activities, including approving the appointment and termination of the Group's Head of Risk and Internal Audit. The Risk and Internal Audit team also has access to the Audit & Risk Committee Chairman and LSL's Chairman;
e. undertake a review of the effectiveness of the Risk and Internal Audit Team and confirm to the Board that it is satisfied that the quality, experience and expertise of the function is appropriate for the Group. The matters which will be taken into account in the review are detailed in the Audit & Risk Committee's terms of reference and the Audit & Risk Committee reserves the right to instruct an independent, third party review of the internal audit effectiveness and appropriateness of processes; and
f. receive and consider the major findings of the Risk and Internal Audit Team together with reports on the actions Senior Management has taken to implement the recommendations of the Risk and Internal Audit Team and whether these properly support the effective working of the internal audit function.

7. Whistleblowing, fraud and anti-bribery arrangements

During 2018 the Audit & Risk Committee:

a. reviewed the arrangements by which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters with the objective of ensuring that arrangements are in place for proportionate and independent investigation of such matters and appropriate follow-up action; and

b. reviewed LSL's procedures for detecting fraud and the prevention of bribery and corruption. The Audit & Risk Committee's objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and that appropriate follow-up action is taken.

With effect from the 1st January 2019 and in line with the 2018 Code and Guidance on Board Effectiveness, oversight and monitoring of whistleblowing, fraud and anti-bribery arrangements is undertaken by the Board. The Audit & Risk Committee will continue to receive reports relating to these matters as appropriate in its oversight of the Group's internal controls. For further details in relation to LSL's arrangements see the Corporate Governance Report of this Report.

Anti-corruption and bribery

The Group has in place arrangements to ensure compliance with the Bribery Act 2010 and its arrangements are based on the results of a bribery risk assessment.

What the Audit & Risk Committee did in 2018

The Audit & Risk Committee met three times in 2018. Amongst other matters, during these meetings the Audit & Risk Committee discharged its roles and responsibilities in the following ways:

1. Internal controls and risk management

Group matters

a. 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 at each meeting. During the year the Audit & Risk Committee supported the Board in its robust assessment of LSL's principal risks and uncertainties and the continued application of the Group's risk appetite terms of reference, framework, and statement, including the further development of subsidiary risk appetite measures;

b. evaluated areas for the continued development of the Group's financial control structures, including improvements to Group Finance KPI reporting (particularly in relation to Lettings and Financial Services); implementation of IFRS changes; additional oversight of LSL's joint ventures; working capital controls; formalising the presentation and approach to financial modelling for investment appraisals; and enhancing support for Divisional finance teams in relation to reporting and financial statements together with tax matters;

c. reviewed arrangements of the Group's oversight routines in relation to LSL's investments, associates and join ventures;

d. monitored the Group's implementation of the new General Data Protection Regulation which became effective in May 2018 in addition to reviewing the Group's data, IT and information security governance and controls arrangements. This included receiving reports from the Information Security and Governance Committee (ISGC) and reviewing the effectiveness of the ISGC;

e. undertook a detailed assessment of the Group's IT infrastructure capabilities and arrangements against LSL's risk appetite metrics;

f. reviewed the Group's Board and Executive Committee governance arrangements including new arrangements relating to the Financial Services businesses following the acquisition of Personal Touch Financial Services in January 2018. The review included ensuring that all committees have in place terms of references; and

g. evaluated the risk framework in operation at subsidiary level via the use of a questionnaire exercise to provide assurance on the maturity of the underlying risk assessment and to identify any areas for improvement.

Surveying and Valuations Services Division

h. continued to develop the systems and controls in place with regard to valuations carried out by the Surveying and Valuation Services Division, including the transfer and integration of the Lloyds Bank plc surveyors and back-office employees within the established valuation controls framework and associated IT systems.

Estate Agency Division

i. in relation to compliance matters within the Estate Agency Division, the Audit & Risk Committee received reports from both the Financial Services Chief Risk Officer and the Estate Agency Risk and Governance Director in relation to the second-line risk based assurance cycle priorities; and

j. the minutes of the Financial Services Management Committee (FSMC) and the Financial Services Risk Committee (FSRC) were submitted for information and during the year amendments were made to the terms of reference of each committee to remove overlapping responsibilities. As a result, the FSRC reports into the Audit & Risk Committee while the FSMC reports into the Board.

2. External auditor

a. reviewed the external auditor's terms of engagement and considered the quality, effectiveness and independence of the external auditor and the external audit. The results of this review were taken into account in recommending the re-appointment of Ernst & Young as external auditor at the 2019 AGM; and

b. reviewed the auditor's effectiveness, independence and objectivity. In making its assessment of the effectiveness of the external audit, the Audit & Risk Committee reviewed the external audit findings and the Management Team's responses to these findings. Discussions were also held with the Risk and Internal Audit Team and the Management Team with regard to the effectiveness of the external audit process.

3. Financial reporting (including Annual Report and Accounts 2017)

a. reviewed the annual financial results and the preliminary results announcement for 2017 released in March 2018 and the interim results for 2018 released in July 2018, including evaluating the going concern and viability statements;

b. received and considered, as part of the review of the annual financial statements and interim results reports from the external auditor in respect of their review of the annual financial statements and interim results, the audit plan for the year and the results of the annual audit;

c. the external audit 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; and

d. oversaw the continued development of the Group's viability statement taking into account the Group's three-year plan and the principal risks and uncertainties impacting the Group.

4. Risk and Internal Audit

a. considered the effectiveness and independence of the internal audit arrangements and agreed the annual Risk and Internal Audit plan. Consideration included compliance with both internal standards and external regulatory requirements, plus engagement with external consultants on specialist areas as appropriate. This exercise included a review of linkages to the Group's principal risks and uncertainties and the results of a benchmarking exercise versus best practice professional guidelines; and

b. received and considered regular reports from the Risk and Internal Audit Team with regard to the control environment of the Group and evaluated the resourcing, role and independence of the Risk and Internal Audit Team.

5. Governance (including whistleblowing arrangements and tax strategy)

a. reviewed the effectiveness of the Group's whistleblowing and fraud policy arrangements, including logs to track actions associated with any fraud related suspicions or incidents;

b. reviewed the Audit & Risk Committee's composition and confirmed that as a whole it has the competence relevant to the sectors in which LSL operates and that at least one member of the Audit & Risk Committee has recent and relevant financial experience to ensure that it is able to fulfill its responsibilities effectively;

c. reviewed the Audit & Risk Committee's terms of reference and the Group's Auditor Independence Policy to ensure compliance with the 2018 Code and Guidance on Board Effectiveness, in addition to carrying out an annual review of the Audit & Risk Committee's performance; and

d. reviewed and approved the Group's tax strategy for recommendation to the Board for adoption.

Annual Report and Accounts 2018

The Audit & Risk Committee has considered this Report, including the Financial Statements in the context of fairness, balance and understandability. This included a review of LSL's fair value assessment of its equity assets which is detailed in the significant issues in financial reporting 2018 summary below.

Following its evaluation, the Audit & Risk Committee has reported to the Board that the Annual Report and Accounts 2018 when taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess LSL's position and the Group's business performance, model and strategy.

The Audit & Risk Committee also ensured that the Report provides an explanation of the basis on which LSL generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of LSL.

The Audit & Risk Committee's assessment of this Report was on the basis that:

a. the description of the business is consistent with the Audit & Risk Committee's own understanding;

b. the risks reflect the issues that concerned the Audit & Risk Committee;

c. appropriate weight has been given to the 'good and bad' news;

d. the discussion of performance properly reflects the ‘story’ of the year; and

e. that there is a clear and well-articulated link between all areas of disclosure.

The review also considered the Group’s CSR Statement (including the environmental disclosures).

Significant issues considered in relation to the Financial Statements

During the year the Audit & Risk Committee, the Management Team and 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 issues in financial reporting for 2018	How the Audit & Risk Committee addressed these issues
Provision for PI Costs relating to valuation services	Misstatements that occur in relation to the PI Costs provision would affect the PI Costs provision balance sheet account as well as exceptional costs and administrative costs accounts. This is an area of significant judgement and estimation and provides scope for Management bias. The Group has historically experienced a high level of claims relating to the 2004 to 2008 high risk lending period, and valuations work undertaken during this period continues to result in claims being made against the Group, albeit at a significantly reduced level. 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. During 2018, the Management Team continued to undertake detailed reviews on a case-by-case basis of all notifications and claims relating to this period, in addition to any developments arising from cases received in previous years. The review has also included an assessment of the claims and notifications on a selective case-by-case basis by specialist external legal counsel. Given the materiality of the PI Costs provision, the Board receives details of these reviews at each meeting, including the status of existing claims and the number and nature of any new claims. In addition to this, the Audit & Risk Committee reviewed the accounting policies relating to the PI Costs provisions to ensure that they were consistent on a fair and reasonable basis. The Audit & Risk Committee received reports from the Risk and Internal Audit Team following the completion of its reviews of underlying PI claims records during the year.
Revenue recognition (including lapse provision)	There is potential for material misstatement within revenue, particularly in relation to revenue being overstated at the year-end due to cut-off errors. Misstatements that occur in relation to revenue recognition would affect the revenue accounts and also potentially the lapse provision. Revenue recognition is an area of judgement and a misstatement could be material to the Group although the nature of the revenue recognised in the Group is not considered complex. Revenue is recognised when control of a good or service transfers to the customer. The Management Team applies judgement in determining when this control is passed to a customer, i.e. at a point in time (e.g. Financial Services, Residential Exchange, Surveying and Valuation services) or over time (e.g. management services). The Group sells a number of different products and services and operates in multiple locations throughout the UK. Certain Financial Services businesses sell pure protection products which are cancellable without a notice period, and if cancelled within a set period require that a portion of the commission earned must be repaid. The lapse provision is recognised as a reduction in revenue and includes estimation uncertainty. As such it is possible that Management bias could be used to influence the amount of revenue that is reported. The lapse provision is reviewed as part of the Audit & Risk Committee meetings. The businesses acquired in 2018 may have previously followed different accounting policies to the Group. This is also a factor in the risk assessment. LSL’s Risk and Internal Audit Team performed financial control audits as part of their assurance plan across all key subsidiaries which includes focus on the revenue cycle, with findings reported to the Audit & Risk Committee. Balance sheet reviews, which included carrying amounts driven by the revenue cycle, are also conducted by the Group Finance function.

Significant issues in financial reporting for 2018	How the Audit & Risk Committee addressed these issues
Acquisition accounting (including contingent and deferred consideration liabilities)	Misstatements that occur in relation to this risk would affect the deferred and contingent consideration provisions. The Audit & Risk Committee has reviewed the treatment of earn-out and other contingent consideration. The Group is acquisitive, and these acquisitions frequently include earn-out arrangements in respect of key management as well as bespoke purchase contracts. There is a risk that the valuation of contingent consideration liabilities is not performed in accordance with accounting standards. These balances are calculated with reference to specific management judgements. These include expected exit date and future cash-flows which have a degree of estimation uncertainty.
Impairment/inappropriate valuation of goodwill and intangible assets and financial assets	Misstatements that occur in relation to impairment of financial assets and intangibles would affect goodwill, intangibles balance sheet accounts and impairment expense accounts. On an annual basis, the Management Team undertake reviews of goodwill to determine whether impairment is required. The Management Team will assess the net assets, current profitability, discount factor and value in use of each cash generating unit in order to do this. There is a level of estimation uncertainty inherent in the impairment review, including the Group forecasts used and the discount rate applied. The Management Team provided the Audit & Risk Committee with a paper supporting the review of goodwill to assess whether any impairment is required. Based on the work performed, the Audit & Risk Committee was able to conclude that no impairment was necessary to the goodwill or intangible assets as at 31st December 2018. Further information is provided in the Notes to the Financial Statements.

Other Financial Statement matters considered by the Audit & Risk Committee	How the Audit & Risk Committee addressed these matters
Client monies with regard to the Lettings businesses	The Group holds client monies in 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 amounts held in these accounts. The Group does have a responsibility to ensure that the money held in the client accounts is accounted for accurately 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). Finance teams provide oversight of the integrity of client account operations and the Risk and Internal Audit Team perform regular client account audits, the findings of which are reported to the Audit & Risk Committee.
Financial assets	The Group holds minority shareholdings in VEM, eProp Services plc, NBC Property Master, Global Property Ventures and Yopa. The Group disposed of warrants for shares in ZPG plc in 2018. The Audit & Risk Committee has considered the fair value of these holdings for inclusion in the Group's balance sheet. The Audit & Risk Committee spent considerable time discussing the appropriate valuation to be placed on Yopa. As a relatively new and untraded company, which in accordance with its business plan is currently loss making and will remain so for the foreseeable future, this is a highly judgemental area. In determining the fair value of the equity asset and the amount of impairment required, the Audit & Risk Committee gave consideration to a number of factors, including an estimate of valuation prepared by Management as well as indications of an intention to invest from a number of third parties. The assessment (as detailed in Notes 2 and 17 to the Group Financial Statements was carried out by Management using level three techniques in accordance with IFRS 13. Following which, the Audit & Risk Committee accepted Management's recommendation that the asset be reduced in value from £20m to £7.8m (as disclosed in Note 17 to the Group Financial Statements), a reduction of 61%. The fair value impairment of £12.2m has been recognised through the Statement of Other Comprehensive Income. It should be noted that the valuation remains highly judgemental and subjective in nature, and that a further impairment is possible, should Yopa fail to meet its revised business plan, or if current fund raising plans do not proceed as expected. Accordingly, it will be kept under close review.

Other Financial Statement matters considered by the Audit & Risk Committee	How the Audit & Risk Committee addressed these matters
Treatment of exceptional items	The Group has historically categorised a number of items as exceptional, which are excluded from the underlying profit measure included in the Financial Statements. Exceptional items are an area of focus for the FRC who considered these in their thematic reviews of alternative performance measures published in November 2017. The classification of items presented as exceptional has an impact on KPIs within the Financial Statements, such as underlying operating profit. The Audit & Risk Committee has, in line with FRC guidance, continued to review the Group's accounting policy with regard to the classification of items as exceptional and ensured that Management's assessment of the exceptional costs and gains reported in the Financial Statements are in line with Group policy, namely they are material in size and nature and are non–recurring. In 2018, costs in relation to three matters have been disclosed as exceptional, these being the non-recurring transition and integration costs for the contract to supply surveying and valuation services to Lloyds Bank plc, the non-recurring and material exceptional costs relating to the planned restructuring costs incurred following the acquisition of Personal Touch Financial Services as well as the branch/centre closures. After careful consideration, the Audit & Risk Committee agreed that these items were material and non-recurring in nature and that it was appropriate to categorise them as exceptional within the 2018 Financial Statements.
Acquisition accounting including identification of intangible assets acquired in business combinations	In 2018 the Group acquired new businesses and Management undertook an exercise to measure the consideration, and the fair value of the assets which were acquired, including separately identifiable intangible assets.
New accounting policies	New IFRS standards specifically IFRS 15: Revenue from Contracts with Customers and IFRS 9: Financial Instruments were adopted as of 1st January 2018 and were fully considered by the Audit & Risk Committee. In addition, the planned implementation and impact on the Financial Statements of IFRS 16: Leases which will be adopted as at 1st January 2019 has been fully considered by the Committee.
Misstatement due to fraud and error	The Management Team has primary responsibility to prevent and detect fraud. The Management Team has put in place and has oversight of a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. There are also whistleblowing arrangements to enable staff to, in confidence, raise concerns about possible improprieties in matters of financial reporting, or other matters, with the objective of ensuring that arrangements are in place for proportionate and independent investigation of such matters, and appropriate follow up action. The Management Team submitted regular reports and updates to the Audit & Risk Committee on the Group's fraud prevention and whistleblowing arrangements, including details of any instances of any actual or suspected fraud related circumstances.
Going concern	The Management Team prepared detailed papers for consideration by the Audit & Risk Committee on the ability of the Group to continue as a going concern. This considered the likely future profitability of the Group, a forecast of future cash-flows, the impact of banking covenants, liquidity of investments and joint ventures and the ability of the Group to re-finance any loans (the Group's facility is due to mature in May 2022) where necessary. The key judgements, assumptions and estimates underpinning this review were discussed and considered. Following the review, the Audit & Risk Committee was able to conclude that the adoption of the going concern principle was justified for the foreseeable future.
Viability statement	The Management Team also provided the Audit & Risk Committee with a paper on the financial viability of the Group, which was determined over a three year period, using assumptions consistent with the period of the Group's strategic plan. This paper included a review of the principal risks and uncertainties, 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 included a significant downturn in the residential property market, a data breach and the potential change to regulations, and also took into account the Group's ability to re-finance its facility, which is due to mature in May 2022. The key judgements, assumptions and modelling underpinning the review were discussed and considered. Following the review, the Audit & Risk Committee was able to approve the statement and recommend its adoption by the Board.
Taxation	The Audit & Risk Committee has received reports from the Management Team on the tax provisions recorded in the Financial Statements and assessed the appropriateness of the balances held. LSL's tax strategy, which was first published in 2017 and updated in 2018, has also been reviewed by the Audit & Risk Committee.

Auditor appointment

Taking into consideration the audit effectiveness review (described above in the External Auditor section), the Audit & Risk Committee, acting on behalf of the Board, has concluded that Ernst & Young is effective, independent and objective, and based on this conclusion, the Board has resolved to recommend to Shareholders the re-appointment of Ernst & Young as external auditor at the 2019 AGM and to seek authority for the Directors to agree the external auditor's remuneration.

Auditor Independence Policy

To guard against the objectivity and independence of the external auditor being compromised, the Audit & Risk Committee has adopted a policy under which any non-audit related services provided by the external auditor must be approved by the Audit & Risk Committee or be within a pre-approved category and a pre-approved fee limit (this is contained in the Auditor Independence Policy).

The Audit & Risk Committee is kept regularly informed of the fees paid to the auditor in all capacities. The Auditor Independence Policy, which takes into account relevant ethical guidance regarding the provision of non-audit services by external audit firms, was reviewed during 2018. During 2018 this policy complied with the 2016 Code and the FRC's Guidance on Audit Committees and was reviewed to ensure compliance with the 2018 Code.

The Auditor Independence Policy, which was in place during 2018 provided that the following categories of fee need pre-approval from the Audit & Risk Committee:

a. any fee for specific non-audit services which exceed £25,000; and
b. any fee which has a contingent element.

In addition, the policy provided that the total annual fees for non-audit work allocated to the external auditor shall not exceed the average audit fee paid during the preceding three years (consecutive).

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 from the Company Secretary and LSL's website (lslps.co.uk).

Auditor fees

The split between audit and non-audit fees for 2018 appears at Note 9 to the Financial Statements. Non-audit fees of £9,000 (2017: £8,000) were incurred in the year. Audit fees of £352,000 (2017: £275,600) were incurred in the year. This is in line with the provisions of the Auditor Independence Policy. The non-audit fees related to other assurance 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 on-going evaluation and is regularly reviewed. It was developed in 2016 and 2017 to ensure compliance with the guidance set out in the September 2014 FRC *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting* and has been reviewed more recently to ensure compliance with the 2018 Code and FRC Guidance on Board Effectiveness.

The arrangements in place for 2018 sought to identify, evaluate and manage significant risks faced by LSL, including assessments by the Board and the Executive Committee of risk appetite levels and measures to define levels of existing risk in relation to this appetite. Identification of appetite tolerance levels has proven to be a valuable framework to support key business decisions during the course of the financial year. For areas considered outside tolerance, remedial steps are identified to bring risk areas within appetite. The system aims 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. During 2017, the framework was extended to the main subsidiary businesses which now maintain their own appetite measures which continue to be a focus of development for the Group, demonstrating increasing levels of maturity in 2018.

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 a Group risk framework policy, 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 and is regularly reviewed by the Board and the Audit & Risk Committee and continues to be in place up to the date of this Report. Further details of LSL's risk management arrangements are contained in the Principal Risk and Uncertainties section of this Report.

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

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, the Head of Risk and Internal Audit and the Group Financial Controller;

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

c. the documentation and monitoring of risks are recorded and managed through risk appetite measures which are prepared in accordance with defined Group criteria, and undergo regular reviews and scrutiny by subsidiary boards, divisional governance committees and the Head of Risk and Internal Audit;

d. the Executive Committee, Board and Audit & Risk Committee routinely identifies, reviews, and evaluates the principal risks and uncertainties which may impact the Group as part of the planning and reporting cycle to ensure that such risks are identified, monitored and mitigated, in addition to carrying out specific risk assessments as part of its decision making processes;

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 Principal Risks and Uncertainties section of this Report); and

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

LSL has in place a mature Group-wide risk appetite statement and risk framework which will continue to evolve in line with best practice during 2019 with a particular focus on subsidiary risk management arrangements.

The risk framework includes the following:

a. risk framework policy;

b. determination of risk appetite and management or mitigation of risks in line with risk appetite tolerances, at both Group and subsidiary levels;

c. assessment of prospects and viability;

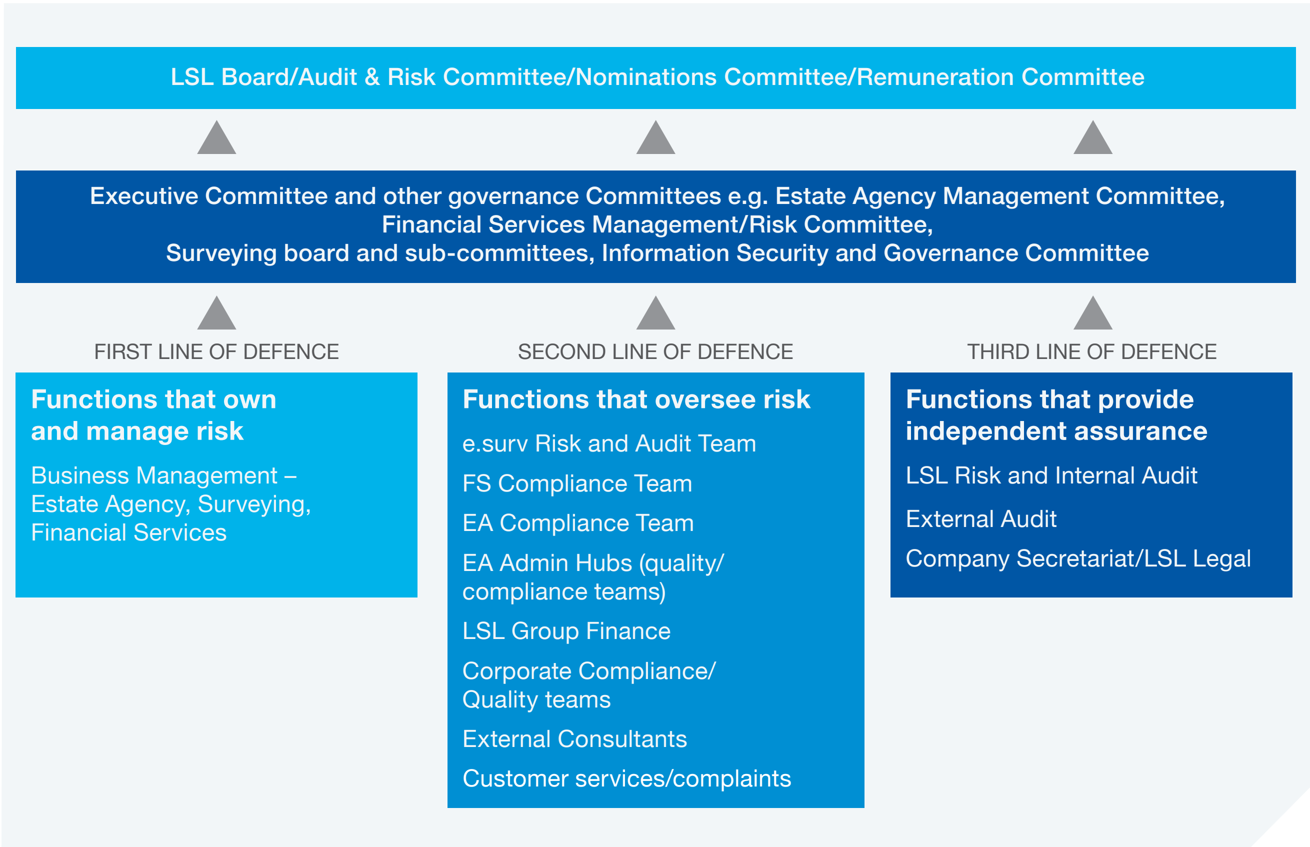
d. review of the effectiveness of the risk management and internal control systems; and

e. going concern confirmation (for LSL's going concern disclosure please refer to the Report of the Directors in this Report).

Further details of LSL's assessment and evaluation of principal risks and uncertainties together with details of key mitigation initiatives are set out in the Principal Risks and Uncertainties section of this Report.

The Group also 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.

LSL operates a 'three lines of defence' structure (see diagram below) to facilitate effective oversight of Group operations. The risk framework includes delegated authority levels and functional reporting lines and accountability. LSL also operates a budgeting and financial reporting system to compare 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, with centralisation of several payment functions.



Three lines of defence diagram

In addition, LSL has established the FSMC and the 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 the Group's information security arrangements (Information Security and Governance Committee (ISGC)) and other business operations, for example, the Estate Agency Management Committee and Surveying Valuation Controls Board. The Audit & Risk Committee and/or the Board receives regular reports from the ISGC, FSMC and FSRC along with updates from the Group's Executive Committee, whose focus also includes the monitoring of key performance indicators in relation to LSL's customers (Including consumers and key lender clients).

During 2018 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 kept under review by the Audit & Risk Committee and has been reviewed by the Board during 2018 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 & Risk 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 Audit & Risk Committee influenced improvements to the control environment, in particular: steps to enhance the Estate Agency Compliance team (by the appointment of the Estate Agency Risk and Governance Director); restructure the Financial Services Compliance team (following on from the acquisition of Personal Touch Financial Services into the Group); improvements to IT infrastructure capability; enhanced oversight of the Group's investment, associates and joint ventures; and identification of improvements arising from the subsidiary risk questionnaire exercise.

The Audit & Risk Committee recognises the importance of the effectiveness of second-line functions and invites relevant personnel to present on how thematic risk areas are managed. Furthermore, a formal assessment of the Risk and Internal Audit Team, including linkages with Group risk areas, has renewed focus on ensuring the independence of this function and delivery of the audit cycle continues to be prioritised.

The principal risks and uncertainties facing LSL together with details of key mitigation initiatives are set out in the Principal Risks and Uncertainties section of this Report.

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

David Stewart
Chairman of the Audit & Risk Committee
5th March 2019

Directors’ Remuneration Report

Annual Statement

Dear Shareholder

This Directors’ Remuneration Report is divided into the following three sections:

- **Annual Statement:** summarising remuneration for and explaining major decisions made during 2018 as well as explaining the operation of the Policy for 2019;
- **Directors’ Remuneration Policy (Policy):** summarising the Policy which was approved by Shareholders at the 2017 AGM; and
- **Annual Report on Remuneration:** setting out details of the remuneration earned by the Directors in the year ended 31st December 2018 and how the Policy will be implemented during 2019.

The Policy was approved by 99.78% of Shareholders who submitted proxy votes at the 2017 AGM. The Remuneration Committee considers that the Policy continues to support the Group’s strategy and therefore no changes are proposed for 2019. The Policy is subject to triennial approval and will therefore be submitted for Shareholder approval at the 2020 AGM.

The Annual Statement and Annual Report on Remuneration are subject to an annual Shareholder advisory vote at the 2019 AGM.

Summary of LSL’s performance in the year and incentive payments to Executive Directors

The Group’s financial performance during 2018 has been strong, especially taking into account the difficult market conditions and continued national and global political uncertainty as well as the issues surrounding Brexit. Additionally the Group has during the year benefitted from the completion of a number of strategic self-help initiatives including: e.surv securing the Lloyds Bank plc group surveying and valuations services contract, the acquisition of two mortgage brokers; Personal Touch Financial Services and of RSC New Homes and the strategic investment in and partnership created with a digital mortgage marketplace business, Mortgage Gym.

The bonus scheme in 2018 was based 80% on LSL’s financial performance and 20% on individually agreed non-financial measures and the bonus scheme was subject to a cap of 100% of basic salary. The 2018 annual bonus awards for the Executive Directors reflect good performance against the financial performance targets as well as the successful delivery of the above mentioned strategic initiatives.

Based on LSL’s financial and operational performance in 2018, the Executive Directors earned an annual bonus award of between 31.4% and 62.7% of basic salary in respect of the financial performance element of the bonus scheme reflecting strong operational performance in the financial year and 13.8% and 17.1% of basic salary for performance against their individual non-financial measures. These non-financial measures have been important in driving forward and delivering strategic initiatives during the year.

Ian Crabb’s (Group Chief Executive Officer) and Adam Castleton’s (Group Chief Financial Officer) 2016 LTIP awards will not vest in 2019. This is because, despite LSL’s financial and operational performance in 2018, neither the challenging EPS performance target nor the TSR target (both measured over three years to 31st December 2018) have been met.

Further details of performance against the targets set for the annual bonus and LTIP awards are set out in the Annual Report on Remuneration.

Summary of key decisions in the year

During the second half of 2018 the Remuneration Committee has carefully considered the appropriate implementation of the Policy in 2019 and has made two specific decisions that we have consulted with our Shareholders about and that I would like to take some time to explain the background to.

1. Group Chief Executive Officer’s basic salary increase:

The Remuneration Committee has reviewed the Group Chief Executive Officer‘s basic salary and awarded an increase of 9% with effect from 1st January 2019. This increases his basic salary from £412,000 to £449,000 per annum.

In increasing the Group Chief Executive Officer’s basic salary the Remuneration Committee has taken into account his personal performance as well as that of the Group and the increased complexity of the role. The Group Chief Executive Officer has led and delivered significant developments in our businesses (which I refer to above) not only during 2018 but over several years and these have resulted in a strengthening and diversity of the Group’s business providing us with a platform for continued growth.

Further, not only has the Group Chief Executive Officer delivered a strong platform for growth his leadership of the Management Team has also delivered strong financial results over the last year, outperforming a number of our competitors. The Remuneration Committee wished to acknowledge this very strong performance both on a personal and Group level as well as the increased complexity of the role. The Remuneration Committee is also comfortable that the resulting basic salary is also aligned closer to LSL’s industry peers.

In arriving at the decision, the Remuneration Committee reviewed the impact on both variable pay opportunity and the overall total remuneration package and is comfortable that the resultant overall remuneration package is positioned appropriately. We have consulted with our largest Shareholders who have broadly confirmed their support for the increase in light of the increased complexity of the role. I also want to reassure our Shareholders that the Remuneration Committee is not considering any further increases to the Group Chief Executive Office above the workforce average for the remainder of this and the next Policy period unless there are exceptional circumstances. Additionally the Remuneration Committee has also confirmed that the basic pay increases for LSL's two other Executive Directors will be increased by 1.5% in 2019, in line with the average for our non-commission based workforce.

2. Changes to EPS target range for 2019 LTIP awards:

The Remuneration Committee's aim is to set an EPS target range for LTIP awards that are both realistic and achievable for threshold vesting while providing stretching targets for maximum vesting that significantly exceed Shareholders' expectations.

Despite delivering growth in a challenging market, LSL's LTIP awards did not vest in 2017 and 2018 and will not vest in 2019 due to the challenging performance conditions not being satisfied. Therefore all awards have either lapsed or will lapse. The targets that were set were very ambitious and the Committee considers that, with hindsight, a zero pay out for all three awards is a harsh outcome for Management. There is no desire to change the past targets. However, we must reflect this recent experience in considering our approach going forwards.

The adjusted and market aligned target range for the 2019 awards will help to ensure that in future the awards are motivational, whilst ensuring that vesting is aligned with the delivery of Shareholder value.

Taking this into account, together with market expectations for the upcoming three year performance period, the Remuneration Committee has reviewed the EPS growth range and set this at 5% to 12% CAGR for the 2019 LTIP awards. The Remuneration Committee has consulted with our largest Shareholders and taken on board their feedback in setting this range, which the Remuneration Committee considers remains challenging.

The Remuneration Committee has considered and concluded that no other changes are required in relation to the implementation of the Policy in 2019, which results in the following decisions:

a. basic salaries for our two other Executive Directors will increase by 1.5% with effect from 1st January 2019. This increase is in line with the average for our non-commission based workforce;
b. the annual bonus continues to work well and will remain capped at 100% of salary for all three Executive Directors. The measures for the annual bonus will remain the same as in 2018, being Group Underlying Operating Profit (80% of the award) and individually agreed non-financial measures (20% of the award);
c. the grant value of the LTIP awards will remain unchanged from 2018 at 125% of salary for all three Executive Directors; and
d. the mix of performance measures for the LTIP awards to be made in 2019 will also remain the same as in 2018, being adjusted EPS (70% of the award), with the adjusted range as explained above, and relative TSR (30% of the award). The relative TSR group is consistent with the comparison group used in 2018, and comprises companies that operate in similar business and sectors to LSL and as such it reflects the relative performance of LSL to its peers.

Non Executive Director fees

During 2018 the Remuneration Committee also reviewed the annual fee of the LSL Chairman, and the LSL Board (excluding the Non Executive Directors) reviewed the fees of the Non Executive Directors. The fee levels for these roles had not been reviewed or increased for a number of years and increases have been approved effective from 1st September 2018 taking into account the time commitment and responsibilities of each of the Non Executive Directors (including the Chairman).

All employee plans

LSL operates a number of all employee share plans, as detailed within our Remuneration Policy on page 84. The Remuneration Committee reviewed the various share plans during the year and approved a change that provides employees acquiring Shares under the all employee SIP/BAYE plan to free matching shares. Effective from July 2018 one matching share has been awarded for every five partnership Shares purchased within the SIP/BAYE plan. The Remuneration Committee is keen to encourage Group employees to share in the Group's success through the holding of Shares and is supportive of changes that will promote employee participation in the Group's employee share plans. The Remuneration Committee is also pleased to report that since the introduction of matching shares there has been an increased level of participation in the scheme across the Group.

Corporate Governance and Reporting Regulations

During 2018 the Remuneration Committee reviewed and discussed how it will implement the changes required by the 2018 Code, related guidance on Board Effectiveness and The Companies (Miscellaneous Reporting) Regulations 2018 (2018 Regulations).

2018 Regulations

Whilst the 2018 Regulations do not apply to LSL until 1st January 2019 and will therefore require inclusion in our 2019 Remuneration Report, the Remuneration Committee has chosen to adopt certain disclosure earlier by inclusion in this Report, including the Group Chief Executive Officer’s pay ratio.

2018 Code

I also wish to take this opportunity to explain our progress toward compliance with the new UK Corporate Governance Code (2018):

- The Remuneration Committee’s terms of reference has been updated with effect from 1st January 2019 to update its role and responsibilities which includes setting the remuneration of the Executive Directors and of the senior Management Teams (including the Company Secretary). As a result, the Remuneration Committee’s remit as at 31st December 2018, included all LSL Executive Directors and 20 additional senior Management roles;
- The Remuneration Committee has historically reviewed and approved any significant changes in elements of LSL’s pay policy for employees in the Group, (for example changes in employee pension arrangements and any grants made under the LSL share plans). In line with the 2018 Code the Remuneration Committee has updated its terms of reference with effect from 1st January 2019, to ensure it now also has formal oversight of the Group’s workforce remuneration and related employee policies;
- Matters such as clarity, simplicity, risk, predictability, proportionality and culture already form part of the Remuneration Committee’s considerations and will in future be specifically included as part of its formal review and decision making process;
- LSL already has in place a two year post vesting holding period for all our LTIP awards to Executive Directors and will during 2019 consider the operation of an annual bonus deferral as part of the Policy review in addition to a review of post-employment shareholding requirements. The Remuneration Committee believes that the LTIP post-vesting holding period already provides some post-employment alignment;
- The Remuneration Committee has kept up to date with new and updated remuneration guidance from investors and proxy voting agencies and considered the impact of this on the operation of the Policy. The Remuneration Committee has engaged this year with investors regarding the specific matters I mention above and will do so again in 2019 as we review the Policy and prepare for the Policy to be submitted to a binding Shareholder vote at the 2020 AGM; and
- LSL already has in place clawback and malus provisions and these will be reviewed and if necessary updated further during 2019 to ensure compliance with the 2018 Code.

As set out in our Corporate Governance Report compliance with the 2018 Code in respect of workforce engagement is being considered and this will take into account existing arrangements in addition to the introduction of new measures to ensure compliance with the 2018 Code during 2019. The Remuneration Committee will also be considering in the coming months with support from the Group’s HR team, how to most effectively engage with Group employees to explain the alignment of our Executive Directors’ remuneration to the wider Group policies. More information regarding this will be provided in Annual Report and Accounts 2019.

In line with the new 2018 Regulations, I confirm that no discretion has been exercised by the Remuneration Committee during 2018 and that LSL’s remuneration arrangements remain in line with the Policy approved by Shareholders at the 2017 AGM.

Conclusion

The Remuneration Committee believes that LSL’s remuneration arrangements for the Executive Directors and senior Management are aligned to LSL’s strategic goals and incorporate the Group’s key performance indicators. Further, the Committee is comfortable that the remuneration outcomes for 2018 are aligned to performance and the Remuneration Committee believes that the Policy continues to promote the long-term success of LSL and incentivises the delivery of strong yet sustainable financial results with the creation of Shareholder value.

Accordingly the Remuneration Committee trusts that Shareholders will support the resolution to approve LSL’s remuneration arrangements at the 2019 AGM. In the event that Shareholders have any questions or observations then I will be pleased to hear from you directly and will be available at the 2019 AGM or I can be contacted via the Company Secretary’s office (please see details in Shareholder Information on page 192).

Bill Shannon
Chairman of the Remuneration Committee
5th March 2019

Directors' Remuneration Policy (Policy)

Introduction and overview

When setting the Executive Directors' and senior Managers' remuneration, the Remuneration Committee seeks to ensure that all individuals are provided with appropriate profit based incentives and an element of pay relating to non-financial performance measures, in order to encourage enhanced performance, and to ensure that individuals are, in a fair and responsible manner, rewarded for their contributions to the success of the Group.

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

Consideration of Shareholder views

Each year the Remuneration Committee considers Shareholder feedback received in relation to LSL's Annual Report and Accounts, including the Directors' Remuneration Report, at a meeting following publication of the Annual Report and Accounts and the completion of the AGM. This feedback, plus any additional feedback received during any meetings or consultations with Shareholders from time to time, is then considered as part of LSL's review of the Policy and its annual implementation review. In addition, the Remuneration Committee engages directly with significant Shareholders and their representative bodies in respect of any proposed changes to the Policy and, as appropriate, changes to the implementation of the Policy. Details of votes cast for and against the resolution to approve the previous 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 of this 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 any annual basic salary increases for the Executive Directors and senior Managers and is cognisant of the Group's overall employment arrangements when reviewing and implementing the Policy.

Policy detail by remuneration element

Element of remuneration arrangements	How this component supports LSL strategies	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 comparison 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 basic salary levels are set out in the Annual Report on Remuneration.	• Not applicable.

Element of remuneration arrangements	How this component supports LSL strategies	Operation	Maximum	Performance metrics and period
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 relevant financial year. • The Remuneration Committee has the discretion to adjust the annual bonus payment due if the Remuneration Committee considers it is not reflective of the underlying performance of LSL. • Where the Group Chief Executive Officer's maximum bonus opportunity is increased above 100% of basic salary, a portion of the annual bonus will be deferred in Shares, with the balance being paid in cash. • Not pensionable. • Bonus awards are subject to clawback and malus applicable for six years from payment of the bonus or vesting of deferred bonus in circumstances of: material misstatement of financial results, error, inaccurate or misleading information in determining a performance condition or any other matter determining the vesting of an award, breach of relevant regulations, an act or omission during vesting period to the significant detriment of customers, or an act or omission leading to gross misconduct. Recovery can be made through scaling back of existing awards, reduction of future awards including under the LTIP and requesting repayment as cash sum.	• Maximum opportunity: - Group Chief Executive Officer capped at 125% of basic salary*; and - Other Executive Directors capped 100% of basic salary. * Maximum opportunity will not be increased above 100% of basic salary without significant Shareholder consultation.	• Performance period of one year. • Performance metrics: - A maximum of 30% of the award will be determined by non-financial measures and a minimum of 70% by financial measures; and - Not more than 20% of the financial measures will pay out at threshold.

Element of remuneration arrangements	How this component supports LSL strategies	Operation	Maximum	Performance metrics and period
LTIP awards (approved by Shareholders at the 2017 AGM)	• Aligned to key performance indicators of the Group that drive the strategies and performance of the businesses.	• 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. • The Remuneration Committee will have the discretion to adjust the LTIP vesting outcome if it considers that it is not reflective of the underlying performance of LSL. • Discretion for the Remuneration Committee to provide for dividend equivalents to accrue from the date of award to the vesting date or, if applicable, to the end of any post vesting holding period. • LTIP awards are subject to clawback and malus applicable for six years from vesting in circumstances of: material misstatement of financial results, error, inaccurate or misleading information in determining a performance condition or any other matter determining the vesting of an award, breach of relevant regulations, act or omission during vesting period to the significant detriment of customers, act or omission leading to gross misconduct. Recovery can be made through scaling back of existing awards, reduction of future awards including under the annual bonus and deferred annual bonus plan and requesting repayment as cash sum.	• Normal maximum limit of 125% of basic salary with grants of up to 200% of basic salary being made in exceptional circumstances.* * Award value will not be increased above 100% of basic salary without significant Shareholder consultation. Note: Award levels increased to 125% of salary for 2018 awards and subsequent years following significant Shareholder consultation which was completed during 2017 (see 2017 Annual Report on Remuneration).	• Performance period: normally three years. • As and when LTIP awards are made in excess of 100% of basic salary then two year post vesting holding periods will apply to those awards in their entirety. • At least 30% of the award will be determined by TSR performance with the remainder by other financial metrics. • 25% vests at threshold for all parts of the LTIP.

Element of remuneration arrangements	How this component supports LSL strategies	Operation	Maximum	Performance metrics and period
All-employee share schemes: SAYE, SIP/ BAYE and CSOP	• Encourages long-term shareholding in LSL.	• Invitations made by the Remuneration Committee under the approved SAYE, SIP/BAYE and CSOP.	• As per HMRC limits.	None.
Executive Share ownership guidelines	• To provide alignment between Executive Directors and Shareholders.	• Executive Directors are required to build and maintain a minimum shareholding equivalent to 150% of basic salary over a period of five years from the date of appointment through the retention of vested share award and/or through open market purchases. Executive Directors are expected to retain all vested long-term incentive awards (subject to any sales necessary to meet tax liability on vesting or exercise) until the guideline is met.	• Minimum of 150% of basic salary – no maximum.	None.
Benefits	• Provides insured benefits to support the Executive Directors and their family during periods of ill health, accident or death. • Access to car allowance to facilitate travel.	• Includes car allowance, life assurance and private medical insurance. Other benefits may be provided where appropriate. • Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.	• At cost.	None.
Pension	• Provides modest retirement benefits. • Opportunity for Executive Directors to contribute to their own retirement plan.	• Defined contribution. • HMRC approved arrangement.	• Executives are offered a pension in accordance with auto enrolment minimums. The Remuneration Committee may use its discretion on the appointment of a new Executive Director to recommend a 5% match of basic salary.	None.
Chairman and 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. • Any reasonable business related expenses can be reimbursed (including tax thereon if determined to be a taxable benefit).	• There is no prescribed maximum annual fee increase, although there is a total fee cap of £750,000 which is contained in LSL's Articles of Association. • Decisions on fee levels are 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.

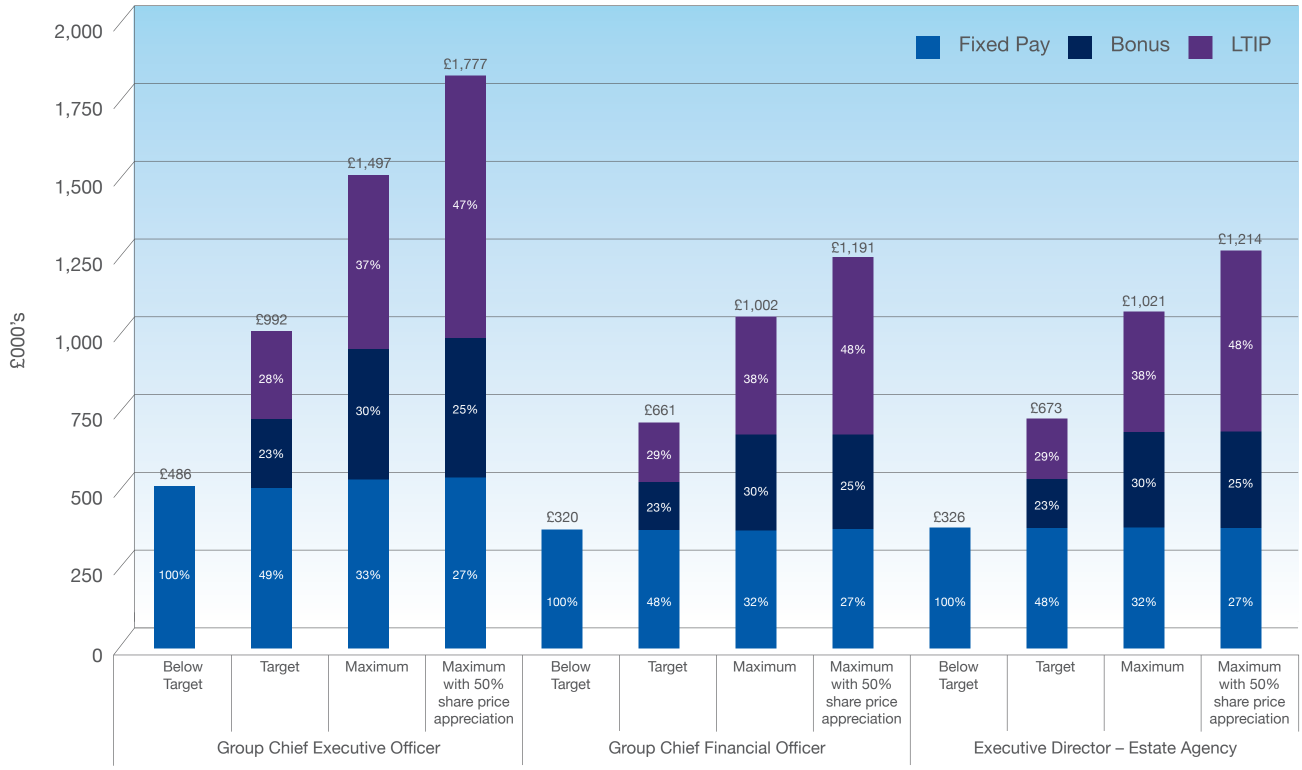
Notes to the Remuneration Policy summary:

1. A description of how LSL will operate the Policy in the year ahead is detailed in the Annual Report on Remuneration.
2. The following differences exist between LSL's Policy for the remuneration of Executive Directors and senior Managers as set out in the table and its approach to the payment of LSL employees generally:
   a. a lower level of maximum annual bonus (or no bonus) opportunity may apply to employees;
   b. participation in the LTIP scheme is limited to the Executive Directors and certain selected Senior Managers. All employees are eligible to participate in LSL's employee share schemes: save as you earn (SAYE), share incentive plan/buy as you earn (SIP/BAYE); and company share ownership plan (CSOP) upon invitation;
   c. benefits (including benefits in kind and salary sacrifice arrangements) 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 employees, private medical insurance; and
   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. Senior employees are offered the opportunity to join the enhanced scheme after one years' service; this enables a 5% match of basic salary. The Remuneration Committee may use its discretion to recommend a 5% match of basic salary on appointment and where the individual has reached his/her annual or life time allowances a cash equivalent may be offered.

   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 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 adjusted 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 an independent advisor whilst LSL's EPS growth is derived from the audited Financial Statements.
5. The Remuneration Committee operates the LTIP scheme in accordance with the plan rules, the Listing Rules of the UKLA, and the Remuneration Committee terms of reference which are consistent with market practice; this retains discretion over a number of areas relating to the operation and administration of the LTIP scheme. The Remuneration Committee has the discretion under the plan rules, in certain circumstances, to grant and/or settle an award in cash. In practice this will only be used in exceptional circumstances.
6. The LTIP awards vest after three years and for grants made in 2018 and subsequent years a two year post vesting holding period applies.
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 is given to LSL to honour any commitments entered into with current or former Executive 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 this and previous Directors' 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 for financial year 2019)

The chart below shows how the composition of each of the remuneration packages, as applicable for each of the Executive Directors holding office, varies at different levels of performance under the Policy set out above; both as a percentage of total remuneration opportunity and as a total value. In line with the new Reporting Regulations the graph also includes an indication of the maximum remuneration under a scenario of 50% share price appreciation over the three year performance period of the LTIP award:



Notes to the reward scenarios:

1. The 'below target' performance scenario comprises the fixed elements of remuneration only, including:
   a. basic salary is as applicable from 1st January 2019, or on appointment;
   b. pension is as per the Policy; and
   c. estimated benefits use the value reported for the previous financial year.
2. The target level of bonus is assumed to be 50% of the maximum bonus opportunity (100% of basic salary), and the on-target level of LTIP vesting is assumed to be 50% of the face value, assuming a normal grant level (125% of basic salary). These values are included in addition to the components/values of minimum remuneration.
3. The maximum remuneration assumes full bonus pay-out (100% of basic salary) and the full face value of the LTIP (125% of basic salary), in addition to fixed components of remuneration.
4. No share price growth has been factored into the calculations in the Threshold, Target and Maximum calculations.
5. 50% share price growth over the three year performance period of the LTIP award has been used for the "Maximum with 50% share price appreciation" scenario.
6. The assumptions noted for 'on-target' performance in the graph above are provided for illustration purposes only.

Approach to recruitment and promotions

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

Basic salary will 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 skills, expertise and performance has been proven and sustained. The annual bonus potential will be limited to 125% of basic salary for the Group Chief Executive Officer and 100% of basic salary for other Executive Directors and grants under the LTIP will be limited to 125% of basic salary or 200% of basic salary in exceptional circumstances. Depending on the timing of the appointment, the Remuneration Committee may deem it appropriate to set different annual bonus performance metrics to the existing Executive Directors for the first performance year of appointment. 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 will seek to ensure, where possible, that these awards are 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 the Group 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 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 as detailed below:

Director	Commencement of service contract	Notice period (from Executive Director/LSL)
Ian Crabb Group Chief Executive Officer	9th September 2013	Nine months
Adam Castleton Group Chief Financial Officer	2nd November 2015	Nine months
Helen Buck Executive Director – Estate Agency	2nd February 2017	Nine 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 basic 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	Nine 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' basic salary and benefits.

The Remuneration Committee may pay reasonable outplacement and legal fees where appropriate, and may pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of LSL.

Subject to the performance conditions being met, 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 payment date.

Any share-based entitlements granted to an Executive Director under LSL's share plans will be determined based on the relevant share plan rules. However, in certain prescribed circumstances under the LTIP scheme 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 for good leavers will vest at the original specified vesting date. Awards to Executive Directors, who are not good leavers, lapse immediately on cessation. 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:

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

Subject to Board approval and any conditions stipulated by the Board, Executive Directors may accept appropriate outside commercial non executive director appointments provided that the aggregate commitment is compatible with their duties as an LSL Executive Director.

Non Executive Directors

LSL's policy is to appoint Non Executive Directors with a breadth of qualifications, skills and experience relevant to LSL's businesses and strategy. Appointments are made by the Board upon the recommendations and advice of the Nominations Committee. For further details on the role and responsibilities of the Nominations Committee and how it discharged its duties in 2018, see the Corporate Governance Report included in this Report.

Non Executive Directors, including the Chairman, have letters of appointment which set out their duties and responsibilities. The Non Executive Directors, including the Chairman are not eligible to participate in incentive arrangements or receive pension provision. The following table shows details of the terms of appointment of LSL's Non Executive Directors. Further details relating to the Non Executive Directors appointments can be found in the Corporate Governance Report included in this Report.

Director	Date original term commenced	Date current term commenced	Expiry date of current term
Kumsal Bayazit Besson[1] Independent Non Executive Director	1st September 2015	1st September 2018	30th April 2019
Simon Embley Chairman	1st January 2015	1st January 2018	31st December 2020
Darrell Evans[2] Independent Non Executive Director	28th February 2019	-	27th February 2022
Bill Shannon Deputy Chairman and Senior Independent Director	7th January 2014	7th January 2017	6th January 2020
David Stewart Independent Non Executive Director	1st May 2015	1st May 2018	30th April 2021

Notes:

[1] LSL announced on 29th January 2019 that Kumsal Bayazit Besson is retiring from the Board and its Committees with effect from the 2019 AGM.

[2] Darrell Evans was appointed to the Board and its Committees, including the Remuneration Committee for a term of three years with effect from 28th February 2019.

Annual Report on Remuneration

Implementation of the Policy for the year ending 31st December 2019

This section of the Directors' Remuneration Report sets out how the Policy will be implemented for the financial year ending 31st December 2019.

Basic salary

The Remuneration Committee has reviewed the Group Chief Executive Officer's basic salary and has awarded an increase of 9% with effect from 1st January 2019 and this increases his basic salary from £412,000 to £449,000 per annum. In increasing the basic salary the Remuneration Committee has sought to recognise the following:

- the extremely strong personal performance of the Group Chief Executive Officer and the strengthening of the business during the last two years with the delivery of key strategic initiatives, including securing the Lloyds Bank plc group surveying and valuation services contract, completing the acquisition of two mortgage brokers; Personal Touch Financial Services and RSC New Homes, and the delivery of key strategic investment in a digital mortgage marketplace business Mortgage Gym, which provides longer term growth opportunities and diversity of business going forward in a potentially volatile marketplace;

- the increased complexity of the business and responsibility of the Group Chief Executive Officer, as a result of the initiatives and acquisitions/investments referenced above; and
- the consistent performance of the Group over the last three years in challenging and difficult market conditions while outperforming a number of key competitors and industry peers.

The resulting basic salary is considered competitive against LSL's key specific industry peers and recognises the Group Chief Executive Officer's and the Group's strong performance, in addition to the increased complexity of the role.

The increased basic salary was subject to consultation with LSL's largest Shareholders who broadly confirmed their support. The Remuneration Committee does not anticipate at this time making any further basic salary increases for the Group Chief Executive Officer in excess of the workforce average for the remainder of this and the next Policy period unless there are exceptional circumstances.

The 2019 basic salary increases for the two other Executive Directors are in line with the average increase of non-commission earning Group employees, which is also in line with LSL's implementation of the Policy in previous years.

Basic salary levels as at 1st January 2019 for the Executive Directors are set out below:

Director	Role	2019 (£)	% increase from 1st January 2019	2018 (£)
Ian Crabb	Group Chief Executive Officer	449,000	9.0%	412,000
Adam Castleton	Group Chief Financial Officer	303,000	1.5%	298,500
Helen Buck	Executive Director - Estate Agency	309,000	1.5%	304,500

Annual bonus for 2019

The Remuneration Committee will operate an annual bonus scheme for Executive Directors during 2019 that is broadly similar to that operated in 2018. The maximum bonus continues to be capped at 100% of basic salary. There will be a sliding scale of 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 non-financial measures for the 2019 bonus scheme will include objectives based on the Executive Directors' delivery of key strategic initiatives in each of LSL's three business segments; Estate Agency, Financial Services, Surveying and Valuation Services. Full disclosure of these targets will be provided in the Annual Report and Accounts 2019.

The Remuneration Committee is satisfied that these are challenging and demanding, reflect LSL's on-going business expectations and have a clear link to LSL's strategy. The Group Underlying Operating Profit targets require LSL's performance to be significantly better than budget for full pay-out.

Long-Term Incentive Plan (LTIP) 2019 awards

The award levels and performance conditions for the forthcoming LTIP awards remain unchanged from 2018 and will also remain subject to EPS growth targets for 70% of the award and relative TSR for the remaining 30%.

The Remuneration Committee has reviewed the EPS growth range set for 2018 and is lowering this from the 2018 range of 7.5% to 13% CAGR to 5% to 12% CAGR for the 2019 LTIP awards. LSL has consulted with its significant Shareholders and taken on board their feedback in setting this new range, which the Remuneration Committee has determined is appropriate and challenging for the reasons set out below.

The Remuneration Committee's aim is to set an EPS target range that is realistic and achievable for threshold vesting while providing stretching targets for maximum vesting that significantly exceed analysts' expectations.

Despite delivering growth in a challenging market, LSL's LTIP awards did not vest in 2017 and 2018 and will not vest in 2019 due to the challenging performance conditions not being satisfied. Therefore all awards have either lapsed or will lapse. The targets that were set were very ambitious and the Remuneration Committee considers that, with hindsight, a zero pay-out for all three awards was determined to be a harsh outcome for Management. The adjusted and market aligned target range for the 2019 awards will help to ensure that the awards are motivational, whilst still ensuring that vesting is only achieved for delivering Shareholder value.

Awards to be granted in 2019 to the Executive Directors will therefore be made over Shares with a value at the date of grant of 125% of basic salary. Performance will be measured over a period of three financial years commencing 1st January 2019 as follows:

1. 25% of the EPS part of the award will vest for adjusted basic EPS CAGR 5% increasing pro-rata to full vesting of this part of the award for adjusted basic EPS CAGR of 12% over the performance period; and
2. 25% of the TSR part of the award will vest if LSL's TSR is equal to the TSR of the median peer group company increasing pro-rata to full vesting of this part of the award for upper quartile performance or above, as measured against the constituents of the comparator group (as listed below). For any 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.

Additionally the awards will be subject to a two year post vesting holding period, following the three year vesting period.

TSR comparator group

The peer group comprises the following 21 companies that are operating in similar or related sectors and is the same as that applied to the 2018 awards except for ZPG plc (now ZPG Limited) which delisted during 2018:

- Barratt Developments plc
- Bellway plc
- Belvoir Lettings plc
- Bovis Homes Group plc
- Countryside Properties plc
- Countrywide plc
- Crest Nicholson Holdings plc
- Foxtons Group plc
- Grainger plc
- Howden Joinery Group plc
- Hunters Property plc
- M Winkworth plc
- McCarthy & Stone plc
- Mortgage Advice Bureau (Holdings) plc
- Paragon Banking Group plc
- Purplebricks Group plc
- Redrow plc
- Rightmove plc
- St Modwen Properties plc
- The Property Franchise Group plc
- Travis Perkins plc

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

LSL operates a money purchase pension scheme which provides employer contributions equal to 5% of basic salary for senior professional and management level roles joining the business and all other employees are offered a pension in line with auto enrolment minimums. A relatively small proportion of LSL's current workforce received higher pension contributions as part of their previous employment terms and these have been protected upon transfer into the Group.

LSL's Executive Directors are entitled to pension contributions in line with the management population, with Ian Crabb, Group Chief Executive Officer electing to participate in the scheme and receiving 5% contributions since he was appointed in September 2013. Since April 2018, as approved by the LSL Remuneration Committee, this pension contribution has been paid partly as a cash allowance and taxed appropriately to the extent that the Group Chief Executive Officer has reached his annual pension allowance. Adam Castleton, Group Chief Financial Officer and Helen Buck, Executive Director - Estate Agency have elected not to join the pension scheme and received no additional compensation in lieu of this.

Non Executive Directors

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

Director	Note	From 1st September 2018 (£)	To 31st August 2018 (£)
Kumsal Bayazit Besson Independent Non Executive Director	1	44,000	40,000
Simon Embley Chairman		137,500	130,000
Darrell Evans Independent Non Executive Director	2	44,000	
Bill Shannon Deputy Chairman and Senior Independent Director	3	78,000	70,000
David Stewart Independent Non Executive Director	4	50,000	45,000

As set out in the Remuneration Committee Chairman's Annual Statement, the Remuneration Committee in respect of the Chairman and the Board excluding the Non Executive Directors, in respect of the Non Executive Directors, reviewed fee levels during 2018. The fee levels for these roles had not been reviewed or increased for a number of years and were increased with effect from 1st September 2018 taking into account the time commitment, experience and responsibility of the roles as well as fee levels in comparable companies.

Notes to summary of fees for the Non Executive Directors:

1. Kumsal Bayazit Besson is retiring from the Board and its Committees with effect from the 2019 AGM.
2. Darrell Evans was appointed to the Board and its Committees on 28th February 2019 and his fee is paid for his role as a Non Executive Director.
3. Bill Shannon's fee is paid for his role as a Non Executive Director (£44,000) and his additional responsibilities as Deputy Chairman and Senior Independent Director (£22,000), Chairman of the Nominations Committee (£6,000) and Chairman of the Remuneration Committee (£6,000).
4. David Stewart's fee is paid for his role as a Non Executive Director (£44,000) and his additional responsibility as Chairman of the Audit & Risk Committee (£6,000).

Directors' remuneration payable in 2018 - audited information

Directors' remuneration

The remuneration of the Directors for 2018 was as follows:

	Notes		Basic salary or fees (£)	Benefits[3] (£)	Annual bonus[4] (£)	Share awards[5] (£)	Pension contributions[6] (£)	Total (£)
Chairman								
Simon Embley		**2018**	**132,500**	**-**	**-**	**-**	**-**	**132,500**
		2017	130,000	-	-	-	-	130,000
Executive Directors								
Helen Buck		**2018**	**304,500**	**16,526**	**137,550**	**-**	**-**	**458,576**
	1	2017	273,846	15,132	220,550	-	-	509,528
Adam Castleton		**2018**	**298,500**	**16,754**	**234,905**	**-**	**-**	**550,159**
		2017	294,000	16,701	279,300	-	-	590,001
Ian Crabb		**2018**	**412,000**	**15,000**	**328,962**	**-**	**18,667**	**774,629**
		2017	406,000	15,000	393,820	-	20,300	835,120
Adrian Gill		**2018**	**-**	**-**	**-**	**-**	**-**	**-**
	2	2017	3,288	541	-	-	-	3,829
Non Executive Directors								
Kumsal Bayazit Besson		**2018**	**41,333**	**-**	**-**	**-**	**-**	**41,333**
		2017	40,000	-	-	-	-	40,000
Helen Buck	1	**2018**	**-**	**-**	**-**	**-**	**-**	**-**
		2017	15,833	-	-	-	-	15,833
Bill Shannon		**2018**	**72,667**	**-**	**-**	**-**	**-**	**72,667**
		2017	70,000	-	-	-	-	70,000
David Stewart		**2018**	**46,667**	**-**	**-**	**-**	**-**	**46,667**
		2017	45,000	-	-	-	-	45,000
Total		**2018**	**1,308,167**	**48,280**	**701,417**	**-**	**18,667**	**2,076,531**
		2017	1,277,967	47,374	893,670	-	20,300	2,239,311

Notes to Directors' remuneration table:

1. Helen Buck was appointed to the Board as an Executive Director on 2nd February 2017, prior to this date she was a Non Executive Director. Helen Buck's remuneration includes £12,500 in respect of additional responsibilities prior to Helen's appointment as an Executive Director.
2. Adrian Gill stepped down from the Board on 4th January 2017. The payments received by Adrian in 2017 related to basic salary and benefits for the period from 1st January 2017 to 4th January 2017.
3. Benefits comprise private medical cover and company car or car allowance.
4. LSL's performance in 2018 results in the Executive Directors earning an annual bonus of between 45.2% and 79.8% of their basic salary in relation to the financial and non-financial performance element of the scheme. See page 93 for further details. LSL's performance in 2017 resulted in the Executive Directors at the time, earning an annual bonus of between 80.2% and 97% of their basic salary.
5. The Adjusted EPS and TSR performance conditions for the 2016 LTIP have not been met and there is therefore no vesting of these awards.
6. Ian Crabb receives a 5% of basic salary pension contribution paid partly as a cash allowance to the extent he has reached his annual pension allowance.

Annual bonus

Annual bonus payments 2018 – audited information

Set out in the table below is a summary of the Executive Directors' bonus scheme for 2018:

Financial performance measures	Group Underlying Operating Profit Scale from threshold (12.5% to 100%)				Estate Agency Underlying Operating Profit Scale from threshold (12.5% to 100%)				Total payment under financial element % of basic salary
Director	Weighting	Threshold	Maximum	Achievement	Weighting	Threshold	Maximum	Achievement	
Ian Crabb	80%	£32.844m	£37.128m	£35.896m (Resulting in 62.7% of salary payable to Ian Crabb and Adam Castleton, and 31.4% of salary for Helen Buck.)	Specific to Helen Buck only				62.7%
Adam Castleton	80%	£32.844m	£37.128m						62.7%
Helen Buck	40%	£32.844m	£37.128m		40%	£12.920m	£16.720m	£12.40m (0% achievement)	31.4%

As a result of strategic decisions made by the Board early in 2018 the Remuneration Committee reweighted the different elements of Helen Buck's annual bonus for 2018 to reflect her increased focus on Group priorities including a key strategic project that would deliver value for the Group. This has resulted in a larger proportion of the bonus being weighted to Group metrics, compared to 2017.

The Group Operating Profit range for 2018 is very similar to that set for 2017 reflecting the continuation of extremely difficult and volatile market conditions particularly in the Estate Agency business. LSL's Underlying Operating Profit for 2018 is lower than 2017 but nevertheless is viewed as an extremely strong performance in the circumstances and against market expectations.

The Estate Agency Underlying Operating Profit range was lower than that set for 2017 reflecting the specific market challenges for this part of our business and again is seen as equally challenging to that set for 2017.

Given the difficult market conditions the Remuneration Committee is comfortable that not only was the 2018 target range as challenging as that set for 2017 but that the bonuses earned for 2018 are reflective of the overall performance of the Group. On this basis the Remuneration Committee was comfortable that discretion was not required to adjust the formula-driven outturn.

Non-financial measures/strategic goals

Detailed below is a summary of the non-financial measures which were in place for Ian Crabb (Group Chief Executive Officer), Adam Castleton (Group Chief Financial Officer) and Helen Buck (Executive Director – Estate Agency) in respect of their 2018 annual bonus. The Remuneration Committee applies its judgement to determine the extent of any pay-out where goals are partially achieved during the year.

Executive Director	Weighting	Specific measures	Achievement	Total payment under the non-financial element % of basic salary
Ian Crabb Group Chief Executive Officer	20% for metric a. 5% for each remaining metric.	**Group measures** a. Define and gain support for Group strategy from the Board and Shareholders, measured through Share price performance and analyst ratings. b. Deliver appropriate customer outcomes measured through file reviews of product sales. c. Effective management of regulatory risk by ensuring appropriate governance structures are put in place, new projects are implemented and risks are identified and managed. **Estate Agency measures** d. Maintaining Estate Agency market share without major impact on fees. e. Operational initiatives to structure the business segment appropriately for 2019. f. Delivery of infrastructure projects to support the required estate agency business structure in 2019. g. Maintaining Financial Services market share in Estate Agency core businesses. h. Delivery of planned lettings books acquisition programme. i. Delivery of enhanced Net Promoter Score. **Surveying measures** j. Broadly maintain market share in the Surveying business. k. Surveying Strategic Execution measured through the success of winning new business. l. Surveying business operational performance measured through surveyor productivity gains and surveyor retention. m. Surveying Innovation measured through the success of e.surv desktop (remote valuation) product. n. Preparation for major surveying contact renewals in 2019. **Financial Services measures** o. Deliver planned operational and financial benefits of acquisition of Personal Touch Financial Services. p. Implementation of operational change within Financial Services business. q. Identification of investment and collaboration opportunities in innovative technology solutions within Financial Services.	These measures were assessed by the Remuneration Committee against criteria agreed at the beginning of the financial year. The 2018 assessment by the Remuneration Committee determined that the majority of these measures were achieved in full (measures; a, b, c, f, i, j, k, n, o, p and q) with a small number being achieved in part or not achieved in the timescales required (measures; d, e, h, g, l and m). This resulted in 85.5% of the measures being achieved.	17.1%

Executive Director	Weighting	Specific measures	Achievement	Total payment under the non-financial element % of basic salary
Adam Castleton Group Chief Financial Officer	20% for metric a. 5% for metric b, c, d and h. 10% for metric e, f and j. 15% for metric g and i.	**Group measures** a. Define and gain support for Group strategy from the Board and Shareholders, measured through Share price performance and analyst ratings. b. Deliver appropriate customer outcomes measured through file reviews of product sales. c. Effective management of regulatory risk by ensuring appropriate governance structures are put in place, new projects are implemented and risks are identified and managed. d. Internal Audit findings to be in-line with expected performance as measured by the Audit & Risk Committee. **Estate Agency measures** e. Operational initiatives to structure the business segment appropriately for 2019. f. Delivery of infrastructure projects to support the required Estate Agency business structure in 2019. g. Delivery of planned lettings books acquisition programme. h. Delivery of enhanced Net Promoter Score. **Surveying measures** i. Surveying Strategic Execution measured through the success of winning new business. **Financial Services measures** j. Implementation of operational change within Financial Services business.	These measures were assessed by the Remuneration Committee against criteria agreed at the beginning of the financial year. The 2018 assessment by the Remuneration Committee determined that the majority of these measures were achieved in full (measures; a, b, c, f, h, i and j) with a small number being achieved in part or not achieved in the timescales required (measures; d, e and g). This resulted in 79.75% of the measures being achieved.	15.95%

Executive Director	Weighting	Specific measures	Achievement	Total payment under the non-financial element % of basic salary
Helen Buck Executive Director – Estate Agency	20% for metric a. 5% for metric b, c and i. 10% for metric d and g. 15% for metric e, f and h.	**Group measures** a. Define and gain support for Group strategy from the Board and Shareholders, measured through Share price performance and analyst ratings. b. Deliver appropriate customer outcomes measured through file reviews of product sales. c. Effective management of regulatory risk by ensuring appropriate governance structures are put in place, new projects are implemented and risks are identified and managed. **Estate Agency measures** d. Maintaining Estate Agency market share without major impact on fees. e. Operational initiatives to structure the business segment appropriately for 2019. f. Delivery of infrastructure projects to support the required Estate Agency business structure in 2019. g. Maintaining Financial Services market share in the Estate Agency core businesses. h. Delivery of planned lettings books acquisition programme. i. Delivery of enhanced Net Promoter Score.	These measures were assessed by the Remuneration Committee against criteria agreed at the beginning of the financial year. The 2018 assessment by the Remuneration Committee determined that the majority of these measures were achieved in full (measures; a, b, c, f and i) with a small number being achieved in part or not achieved in the timescales required (measures; d, e, h and g). This resulted in 69.00% of the measures being achieved.	13.8%

The Remuneration Committee is satisfied that these non-financial measures were challenging and demanding, reflective of LSL's on-going business expectations and have a clear link to LSL's strategies. The financial performance element of the scheme requires LSL's performance to be significantly better than budget for full pay-out.

Share awards vesting

Details of LTIP awards vesting in relation to the period ending 31st December 2018 are as follows:

2016 LTIP awards (nil cost options)

Executive Director	Date of grant (three year vesting)	Number of Shares under award	Face value at grant date[1] (100% of salary)	Earnings per Share (EPS) target	TSR target	Actual adjusted EPS growth (70% of the award)[2]	Actual relative TSR (30% of the award)[2]	Expected vesting % in 2019	Expected total vesting value
Ian Crabb Group Chief Executive Officer	31st March 2016	140,105	£400,000	25% of EPS part vesting for adjusted EPS growth of 7.5% p.a. increasing in a straight line to 100% vesting for adjusted EPS growth of 17.5% p.a.	35% of TSR part vesting for median ranking increasing to 100% vesting for upper quartile or above ranking	-4.91% p.a	Position 118 out of 182	0.0%	£0.0
Adam Castleton Group Chief Financial Officer	31st March 2016	101,576	£289,999					0.0%	£0.0

Notes to 2016 LTIP awards:

1. Based on the number of Shares granted multiplied by the three day average Share price (285.5 pence) immediately prior to the grant date.
2. Three year performance period ending 31st December 2018.

Share awards granted during 2018

Details of LTIP (nil cost option) awards granted in 2018 are as follows:

Executive Director	Date of grant (three year vesting)	Number of Shares under award	Face value at grant date[1] (125% of basic salary)	Percentage of award vesting at threshold performance	Maximum percentage of face value that could vest	Adjusted EPS growth (70% of the award)	Relative TSR (30% of the award) against bespoke group of 22 companies[2]	Performance period
Ian Crabb Group Chief Executive Officer	29th March 2018	234,624	£515,000	25%	100%	Threshold vesting: 7.5% p.a. growth. Maximum vesting: 13.0% p.a. growth. Straight line vesting in between.	Threshold vesting: median TSR. Maximum vesting: upper quartile TSR. Straight line vesting in between.	Three years to 31st December 2020.
Adam Castleton Group Chief Financial Officer	29th March 2018	169,988	£373,124					
Helen Buck Executive Director – Estate Agency	29th March 2018	173,405	£380,624					

Notes to 2018 LTIP awards:

1. Face value is calculated using the three day average share price (219.5 pence) prior to the grant date.
2. TSR peer group is detailed in the section on implementation of Policy for 2019 with the removal of ZPG plc which has since delisted.
3. The 2018 LTIP awards made to the Company's Executive Directors; Ian Crabb, Adam Castleton and Helen Buck, are subject to a two year post-vesting holding period.

External appointments

None of the Executive Directors hold any other non executive directorships of any other companies other than to represent the majority or minority interests of the Group.

Payments to past directors

No payments have been made to past directors.

Payments for loss of office

No payments have been made to directors for loss of office.

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 (pence)	Exercise price (pence)	As at 1st January 2018	Awards granted during year	Awards lapsed during year	Awards exercised during year	Awards vested during year	As at 31st December 2018	Exercise period
Ian Crabb Group Chief Executive Officer	LTIP	23rd September 2013	479.00	Nil	49,228	-	-	-	-	49,228*	23rd September 2016 to 23rd September 2023
	LTIP	16th April 2015	364.00	Nil	101,648	-	101,648	-	-	0	16th April 2018 to 16th April 2025
	LTIP	31st March 2016	285.50	Nil	140,105	-	-	-	-	140,105	31st March 2019 to 31st March 2026
	LTIP	30th March 2017	209.50	Nil	193,794	-	-	-	-	193,794	30th March 2020 to 30th March 2027
	SAYE	1st June 2017	232.75	215.00	2,511	-	-	-	-	2,511	1st June 2020 to 30th November 2020
	LTIP	29th March 2018	219.50	Nil	-	234,624	-	-	-	234,624	29th March 2021 to 29th March 2028
	SAYE	1st June 2018	249.00	245.00	-	1,469	-	-	-	1,469	1st June 2021 to 30th November 2021
Simon Embley Chairman	JSOP	1st June 2010	271.00	280.00	83,928	-	-	-	-	83,928*	1st June 2013 to 1st June 2020
	CSOP	11th June 2010	240.00	240.00	12,500	-	-	-	-	12,500*	11th June 2013 to 11th June 2020
	LTIP	2nd April 2012	275.00	Nil	58,333	-	-	-	-	58,333*	2nd April 2015 to 2nd April 2022
Adam Castleton Group Chief Financial Officer	LTIP	1st December 2015	306.00	Nil	94,771	-	94,771	-	-	0	1st December 2018 to 1st December 2025
	LTIP	31st March 2016	285.50	Nil	101,576	-	-	-	-	101,576	31st March 2019 to 31st March 2026
	LTIP	30th March 2017	209.50	Nil	140,334	-	-	-	-	140,334	30th March 2020 to 30th March 2027
	SAYE	1st June 2017	232.75	215.00	2,511	-	-	-	-	2,511	1st June 2020 to 30th November 2020
	LTIP	29th March 2018	219.50	Nil	-	169,988	-	-	-	169,988	29th March 2021 to 29th March 2028
	SAYE	1st June 2018	249.00	245.00	-	1,469	-	-	-	1,469	1st June 2021 to 30th November 2021
Helen Buck Executive Director – Estate Agency	LTIP	30th March 2017	209.50	Nil	143,198	-	-	-	-	143,198	30th March 2020 to 30th March 2027
	SAYE	1st June 2017	232.75	215.00	2,511	-	-	-	-	2,511	1st June 2020 to 30th November 2020
	LTIP	29th March 2018	219.50	Nil	-	173,405	-	-	-	173,405	29th March 2021 to 29th March 2028
	SAYE	1st June 2018	249.00	245.00	-	1,469	-	-	-	1,469	1st June 2021 to 30th November 2021

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

Notes to outstanding share awards:

1. All of the above are scheme interests. Details of long-term incentive awards granted in 2018 are presented in a separate paragraph while details of previous outstanding awards are presented in the previous year's Directors' Remuneration Report and are included in Note 13 to the Financial Statements.
2. The Ordinary Share mid-market price ranged from 215.5 pence to 295 pence and averaged 262.67 pence during 2018. The Share price on 31st December 2018 was 219.5 pence compared to 278.00 pence on 2nd January 2018.
3. Simon Embley's share awards have been pro-rated to reflect his change of role to Non Executive Chairman on 1st January 2015.
4. The LTIP awards granted to the Executive Directors in 2018 are subject to the two year post vesting holding period.

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 (Number of Shares)		Share Awards (Number of Shares)		Total (Number of Shares)	Shareholding guideline	Executive Director Shareholding[1]
Director	31st December 2018	31st December 2017	Unvested (Number of Shares)	Vested but unexercised (Number of Shares)	31st December 2018	(% of basic salary)	(% of basic salary)
Kumsal Bayazit Besson Non Executive Director	-	-	-	-	-	-	N/A
Helen Buck[2] Executive Director – Estate Agency	1,156	371	320,583	-	1,156	150	0.8
Adam Castleton[3] Group Chief Financial Officer	2,107	1,285	415,878	-	2,107	150	1.5
Ian Crabb[4] Group Chief Executive Officer	59,659	58,774	572,503	49,228	108,887	150	58.0
Simon Embley Chairman	6,777,291	6,101,367	-	154,761	6,932,052	-	N/A
Bill Shannon Deputy Chairman and Senior Independent Director	24,248	23,274	-	-	24,248	-	N/A
David Stewart Non Executive Director	-	-	-	-	-	-	N/A

Notes on Directors' interest in Shares:

1. Under the Policy, Executive Directors are required to build and maintain a shareholding equivalent to 150% of annual basic salary over a period of five years from appointment through the retention of vested share awards and/or through open market purchases. The shareholding is calculated based on Shares owned and vested unexercised awards at 31st December 2018, share price at 31st December 2018 of 219.5 pence per Share and the Executive Director's basic salary at 31st December 2018. The Remuneration Committee notes that neither Adam Castleton nor Helen Buck have reached the fifth anniversary of their appointment and that Ian Crabb has been with LSL for five years and has not reached his shareholding guideline. The Remuneration Committee also notes that since Ian Crabb was appointed as Group Chief Executive Officer in 2013 only one of the three LTIP awards granted has vested and then only in part. There has therefore been very limited opportunity for Ian Crabb to acquire Shares from incentive award vesting. In December 2017 Ian Crabb acquired Shares in the open market with his own funds and has committed to make a further voluntary purchase of LSL Shares using 33.3% of his net of tax 2018 bonus. The Remuneration Committee will review the share ownership guidelines as part of the Policy review in 2019 together with the remuneration mechanisms for acquiring Shares.
2. Helen Buck was appointed as Executive Director – Estate Agency on 2nd February 2017 and she has purchased Shares as a participant in LSL's SIP/BAYE since 4th July 2017. The Shares specified in the table were purchased by the Trust at the prevailing market value.
3. Adam Castleton was appointed to the Board on 2nd November 2015 and he has purchased Shares as a participant in LSL's SIP/BAYE since 1st June 2016. The Shares specified in the table were purchased by the Trust at the prevailing market value.
4. Ian Crabb was appointed to the Board on 9th September 2013 and he has purchased Shares as a participant in LSL's SIP/BAYE since 1st November 2013. The Shares were purchased by the Trust at the prevailing market value. Ian Crabb has also purchased Shares in the market towards his shareholding guideline and will make further purchases during the course of 2019 using 33.3% of his net of tax 2018 bonus.

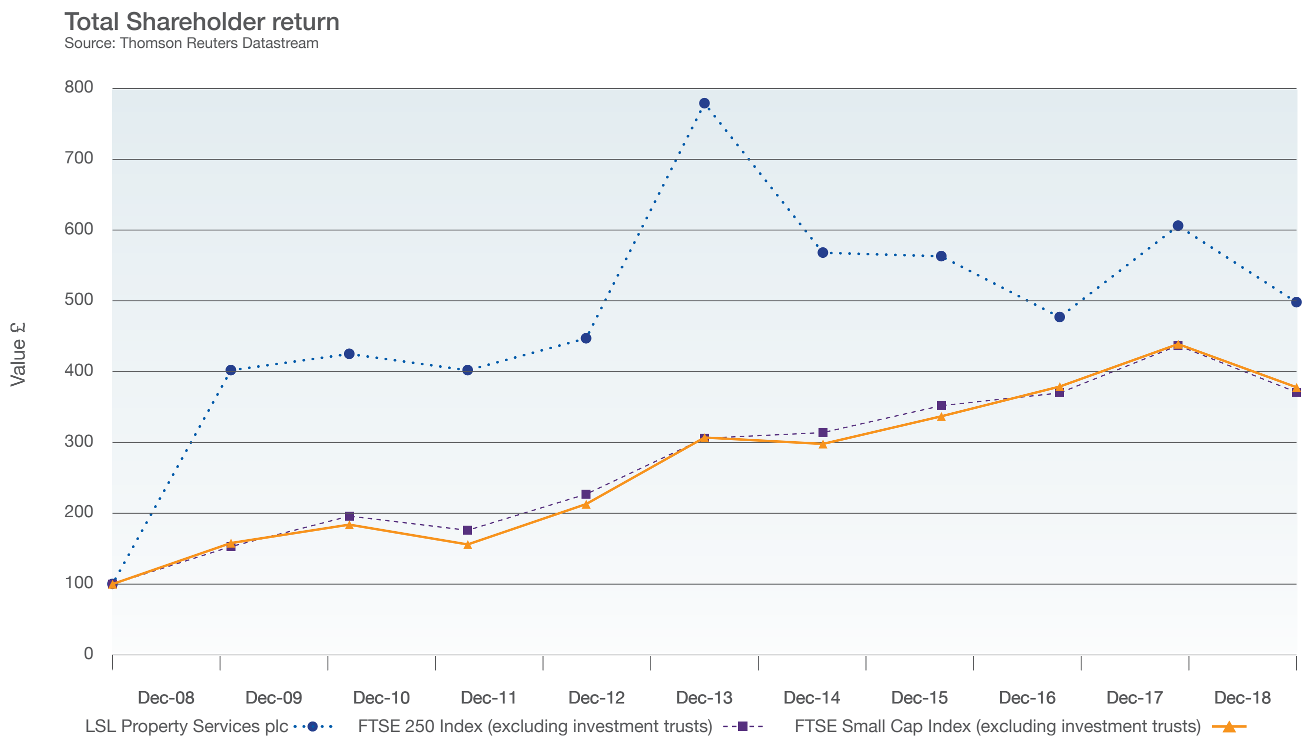
All of the interests detailed above are beneficial. Apart from the interests disclosed above no Directors held interests at any time in the year in the Share capital of any other LSL company.

There have been no changes in the interests of any Director between 1st January 2019 and the date of this Report other than the purchases of Shares by Ian Crabb (220 Shares), Adam Castleton (220 Shares) and Helen Buck (220 Shares) as participants of LSL's SIP/BAYE 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.

Performance graph and table

The following graph shows the value, up to the 31st December 2018, 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 31st December 2008. 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.



Group Chief Executive Officer's total remuneration

The total remuneration figures for the role of Group Chief Executive Officer during each of the last ten 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 based on three year performance periods ending in/just after the relevant year. The annual bonus pay-out 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**	**2016**	**2017**	**2018**
Total remuneration	£373,754	£517,716	£308,747	£525,018	£500,862[1]	£119,522	£571,500	£852,869	£499,000	£835,120	£774,629
Annual bonus	100%	97.5%	9.6%	60%	91.7%	N/A	54%	93.3%	16%	97%	79.8%
LTIP vesting	N/A	N/A	N/A	55%	0%	N/A	N/A	66.81%	0%	0%	0%

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 as Group Chief Executive Officer to 9th September 2013 when he ceased being Group Chief Executive Officer and became Deputy Chairman on 9th September 2013, prior to becoming Non Executive 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 years ending 31st December 2017 and 2018, compared to that of the total remuneration for all employees of the Group for each of these elements of pay.

	Basic salary change	Benefits change	Bonus change[2]
Group Chief Executive Officer	+1.5%	Nil	-16.5%
All employees[1]	+1.5%	Nil	-38.8%
Average number of employees[1]	156		

Notes on percentage change in Group Chief Executive Officer's remuneration:

1. Refers to a subset of employees who received an annual bonus.
2. The bonus change for Ian Crabb represents a decrease from £393,820 (97% of salary) in 2017 to £328,962 (79.8% of salary) in 2018, reflecting the performance of the Group in both years.

Group Chief Executive Officer to Employee Pay Ratio (The Companies (Miscellaneous Reporting) Regulations 2018) (2018 Reporting Regulations)

In line with 2018 Reporting Regulations the table below discloses the ratio between LSL's Group Chief Executive Officer's remuneration and the wider LSL workforce in 2018. The Remuneration Committee recognises that whilst the new regulations do not apply to LSL's reporting until 1st January 2019 (requiring reporting in the Annual Report and Accounts 2019), LSL has chosen early adoption with respect to this aspect of the 2018 Reporting Regulations, which is in line with the recommendations from a number of Shareholder representatives and proxy-voting bodies.

Financial Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2018	Option A	42.4 : 1	30.3 : 1	18.2 : 1

Disclosure of employee data used to calculate the ratios;

	25th percentile	Median	75th percentile
Total pay and benefits of employees	£18,277	£25,600	£42,590
Basic salary of employees	£15,269	£19,368	£26,390

LSL has chosen Option A (which provides a comparison of the Group's full time equivalent total remuneration for all UK employees against the LSL Group Chief Executive Officer for the 2018 financial year) as the most appropriate methodology to report the ratios, in line with the recommendation from the UK Governments Department for Business, Energy and Industrial Strategy and a number of Shareholder representatives and proxy-voting bodies. This is also considered the most statistically accurate methodology.

The ratio above includes all UK based employees who were employed in any part of the LSL Group as at 31st December 2018. The employee remuneration data includes the full time equivalent data in respect of; basic pay, bonus, commission, taxable benefits, share-based remuneration and pension benefits, so as to provide a comparable figure to the LSL Group Chief Executive Officer's single figure total remuneration which is reported in the Directors' Remuneration table on page 92.

In calculating the bonus and commission elements for employees LSL has used the bonus and commission paid to employees during 2018. In some instances employees receive bonus or commission payments in arrears, however due to a number of these elements (for example year end annual bonuses) not being finalised at the time of writing, this Report was written with these elements having not been reapportioned to the relevant financial year. In line with the legislation LSL discloses this variation in methodology; however it considers that this approach provides a similar outcome to if 2018 year-end bonuses had been included.

As at 31st December 2018 LSL employed over 5,000 employees in a wide variety of different roles within its various businesses. The reward policies and practices for our employees follows those set for the Executive Directors, as detailed on page 81 of this Report. The Remuneration Committee also has responsibility for setting the remuneration of the senior Management Teams within the LSL Group and reviews and monitors the Group's wider remuneration policies and practices.

The Remuneration Committee believes the remuneration and ratio presented above is representative of the Group Chief Executive Officer's responsibilities and contribution to the Group. The Remuneration Committee will closely monitor any changes in the ratio during 2019 and will provide appropriate commentary on any change in the Annual Report and Accounts 2019.

Relative importance of spend on pay

The following table shows LSL's actual spend on pay (for all employees) relative to dividends paid and profit earned:

	2018 (£m)	2017 (£m)	Change (%)
Staff costs [1]	203.1	186.3	9.0
Dividends (excluding any special dividend)	11.2	11.6	(3.5)
Profit after tax	17.9	33.4	(46.4)
Adjusted profit after tax [2]	27.9	29.1	(4.1)

1 See Note 13 to the Financial Statements for calculation of staff costs.

2 See Note 10 to the Financial Statements.

Statement of Shareholder voting

The Directors' Annual Statement and Report on Remuneration and for the financial year ending 31st December 2017 was presented to Shareholders at the 2018 AGM which was held on 26th April 2018. The voting outcomes were as follows:

	Annual Statement and Annual Report on Remuneration		Directors' Remuneration Policy, effective from 1st January 2017	
Votes cast in favour	88,954,098	99.98%	81,542,452	99.78%
Votes cast against	18,097	0.02%	181,004	0.22%
Total votes cast	88,972,195	100%	81,723,456	100%
Total votes withheld	21,220	-	8,034	-

Remuneration Committee

Role and membership

Details of the Remuneration Committee's composition and responsibilities are set out in the Corporate Governance Report at page 62 of this Report. During 2018 the Remuneration Committee was chaired by Bill Shannon and its other members were Kumsal Bayazit Besson and David Stewart. Kumsal Bayazit Besson will retire from the Remuneration Committee at the 2019 AGM and Darrell Evans joined the Remuneration Committee on 28th February 2019. The terms of reference of the Remuneration Committee are available from the Company Secretary or LSL's website.

Committee's advisers

The Remuneration Committee took independent advice during the year from Korn Ferry on matters relating to Executive Director and senior Managers' remuneration. No other services are provided to the Group by Korn Ferry. Korn Ferry were selected and appointed by the Remuneration Committee and provided advice to the Remuneration Committee in relation to the assessment of TSR performance for the LTIP and benchmarking of the Executive Director roles. Korn Ferry also provided advice to the Remuneration Committee in relation to the Shareholder consultation and the disclosures required in this Report. Their fees (which are based on an hourly rate) charged for 2018 were £25,235 (ex VAT). Korn Ferry are signatories to the Remuneration Consultants' Code of Conduct and have confirmed to the Remuneration Committee that it adheres in all respects to the terms of this code. The Remuneration Committee considers their advice 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
5th March 2019

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Independent Auditor’s Report

for the year ended 31st December 2018

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

Opinion

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 31 December 2018 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.

We have audited the financial statements of LSL Property Services plc, which comprise:

Group	Parent company
Group Income Statement	Parent company Balance Sheet as at 31 December 2018
Group Statement of Comprehensive Income	Parent company Statement of Cash-Flows
Group Balance Sheet as at 31 December 2018	Parent company Statement of Changes in Equity
Group Statement of Cash-Flows	Related notes 1 to 19 to the parent company financial statements including a summary of significant accounting policies
Group Statement of Changes in Equity	
Related notes 1 to 36 to the Group financial statements, including a summary of significant accounting policies.	

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.

Basis for opinion

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

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 27 to 34 that describe the principal risks and explain how they are being managed or mitigated;
- the directors’ confirmation set out on page 29 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 directors’ statement set out on page 50 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;

- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 27 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.

Overview of our audit approach

Key audit matters	• Inappropriate recognition of revenue (including valuation of lapse provision) • Inappropriate valuation of professional indemnity provision • Inappropriate valuation of goodwill • Inappropriate valuation of contingent consideration liabilities • Inappropriate valuation of equity investment in Yopa Property Ltd ('Yopa')
Audit scope	• We performed an audit of the complete financial information of seven components and audit procedures on specific balances for a further five components. • The components where we performed full or specific audit procedures accounted for 92% of profit before tax, 97% of revenue and 99% of total assets.
Materiality	• Overall Group materiality of £1.2m which represents 5% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inappropriate recognition of revenue (including valuation of lapse provision). *Refer to the Audit & Risk Committee Report (page 65); Accounting policies (page 127); and Note 3 of the Group financial statements.* The Group has reported revenues of £324.6m (2017: £311.5m). We focused on revenue recognition because there could be bias or error in the timing of transactions. There is also judgement in the measurement of the value of commission income that will be clawed back. We identified the following specific risk of fraud and error in respect of improper revenue recognition given the nature of the Group's services as follows: • Inappropriate cut-off of revenue at period end; • Inappropriate measurement of the reduction to revenue recorded for expected clawback of commissions on lapsed insurance policies. There is no change in risk profile in the current year.	At each full scope audit location with material revenue streams: • We performed walkthroughs of each significant class of revenue transactions and assessed the design effectiveness of key controls; • We performed cut off testing on transactions above a testing threshold falling either side of the Balance Sheet date; • We performed other substantive, transactional testing and data analysis procedures to assess the recognition of revenue throughout the year. We performed testing over full populations of transactions using data analysis. Data analysis includes the assessment of the revenue transaction flow. At each full scope audit location that has a significant revenue stream (six components), we performed the audit procedures set out above which covered 87% of the Group's revenue. We also performed the walkthrough and cut off testing procedures above, as specified procedures at two components which covered a further 10% of the Group's revenue. For the lapse provision estimate we performed the following at each full scope and specific scope location: • We tested the underlying calculations for arithmetical accuracy; • We tested the integrity of the data which underpinned management's assumptions; • We reviewed key contractual terms, confirming management's assessment of the point of recognition of revenue; We also performed review procedures in seven locations which covered a further 3% of the Group's revenue. This consisted of analytical procedures over material movements in the Income Statement and Balance Sheet	Based on the work we performed, we did not identify any evidence of material misstatement in the revenue recognised in the year nor in the valuation of the provision for lapsed policies at 31 December 2018.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of professional indemnity provision *Refer to the Audit & Risk Committee Report (page 65); Accounting policies (page 126); and Note 24 of the Group financial statements.* We focused on this area due to the size of the balance of £12.4m (2017: £15.9m) and the sensitivity of the valuation to judgements and estimation made by management. In particular, the Group has historically experienced a high level of claims relating to survey valuation work performed during the 2004 to 2008 period, this work continues to result in claims being made against the Group. In the current year, a release of the provision has generated a £2.2m gain recognised in the Income Statement as an exceptional item. There is no change in risk profile in the current year	We performed the following procedures across one full scope and two specific scope locations providing full coverage of the professional indemnity provision: • We performed walkthroughs of each element of the provision and assessed the design effectiveness of key controls; • We re-performed management's calculations, with reference to source documentation. This includes testing the completeness of the database used to track claims as well as the accuracy of the data included; • We compared these calculations to our expectations which are based on changes in the profile of claims and the settlements in the year, investigating and corroborating any variances above our testing threshold; • We corroborated to third party evidence, 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 considered the current level of claims and the historic profile of claims to corroborate management's assumptions relating to how the level of claims will change over time, thereby assessing if the range of possible outcomes is within acceptable limits; • We traced a sample of payments for settled claims to bank statements and compared 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 regarding material claims, to understand the current legal assessment of each case; • We reviewed the disclosures in respect of the nature and movements of the provision included within the Financial Statements for completeness and compliance with IAS 37. In addition, we reviewed the disclosure required by IAS 1 of the sensitivity of the carrying amount of the provision to changes in key estimates.	Based on our procedures we believe that the estimate for Professional Indemnity liabilities is stated in accordance with IAS 37 and the estimate is within an acceptable range. We have concluded that the provision release of £2.2m recorded as an exceptional item is appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inappropriate valuation of goodwill *Refer to the Audit & Risk Committee Report (page 65); Accounting policies (page 123); and Note 15 of the Group financial statements.* The carrying value of goodwill on the Group Balance Sheet is £159.7m (2017: £151.9m). The Director's assessment of the 'value in use' of the Group's Cash Generating Units ("CGUs") involves judgement about the future performance of the business and the discount rates applied to future cash flow forecasts. We focused on this area in 2018 due to the increase in estimation uncertainty in forecasts given the present condition of the housing market. There is no change in the overall risk profile of this matter.	We challenged management's assumptions used in its models for assessing the recoverability of the carrying value of goodwill. We focused on the appropriateness of the CGU identification, the methodology applied to estimate the value in use, discount rates and forecast cash flows. Specifically: • We have assessed that the CGUs identified are the lowest level at which management monitors Goodwill; • We tested the methodology applied in the value in use calculation as compared to the requirements of IAS 36, Impairment of Assets, and the mathematical accuracy of management's model; • We obtained an understanding of, and assessed the basis for, key underlying assumptions for the three year forecasts; • We confirmed that the cash flow forecasts used in the valuation are consistent with information presented to the Board and have evaluated the appropriateness of the use of these forecasts in light of the historical accuracy of management's forecasts; • For the four CGUs with the largest Goodwill balances or the lowest headroom, we challenged management on its cash flow forecasts and the implied growth rates for 2019 and beyond by considering evidence available that supported or contradicted these assumptions; • The discount rates and long-term growth rates applied within the model were assessed by an EY business valuation specialist, including comparison to economic and industry forecasts where appropriate; • For all CGUs, we performed sensitivity analyses by stress testing key assumptions in the model with downside scenarios to understand the parameters that, should they arise, could lead to a different conclusion in respect of the carrying value of goodwill. We considered the appropriateness of the related disclosures provided in Note 15 of the Group financial statements.	Based on the results of our work, we agree with management's conclusion that no impairment of goodwill is required at 31 December 2018. Because for one CGU, a reasonably possible change in assumptions would result in an impairment, disclosure of this sensitivity been made in Note 15 of the Group financial statements. We are satisfied that this is appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inappropriate valuation of contingent consideration liabilities *Refer to the Audit & Risk Committee Report (page 65); Accounting policies (page 123); and Note 23 of the Group financial statements.* The Group Balance Sheet contains a £15.0m (2017: £9.1m) provision for contingent consideration that arose from acquisitions in previous periods. We have focused on this because it is subject to estimation uncertainty. There is no change in the risk profile of contingent consideration in the current year.	We have performed the following procedures across four full scope locations that have contingent consideration balances that are above our testing threshold: • We have confirmed that the cash flow forecasts used in the measurement of the liability are consistent with information presented to the Board and have evaluated the appropriateness of the use of these forecasts in light of the historical accuracy of management's forecasts; • We tested the methodology applied in the calculations and the mathematical accuracy of management's model; • We traced a sample of settlement payments made in the year to bank statements, to confirm that the relevant earn out obligations had been extinguished; • We confirmed the appropriateness of the discount rate used in calculating the liability by considering the risks of the cash flows and management's application of IFRS 13.	Based on the results of our work, we conclude that the contingent consideration liabilities are calculated appropriately.
Inappropriate valuation of the Group's investment in Yopa Property Ltd ('Yopa') *Refer to the Audit & Risk Committee Report (page 65); Accounting policies (page 126); and Note 17 of the Group financial statements.* The Group holds a 14.7% equity stake in Yopa. This is measured at fair value, which is subject to estimation uncertainty. We focused on this because of the estimation uncertainty. In 2018, the Group wrote the asset down to £7.8m from £20.0m. In light of recent trading and general market conditions, this estimate contains a higher degree of subjectivity, therefore we have presented this as a key audit matter in 2018.	In order to assess the valuation of the investment as at 31 December 2018: • We obtained the management accounts and cash flow projections produced by Yopa; • We discussed the current financial performance of Yopa with LSL management including the status of fundraising activities; • We discussed the valuation methodology adopted by management with EY business valuation specialists; • We considered the appropriateness of the related disclosures provided in Note 17 of the Group financial statements;	We conclude that the equity investment in Yopa has been appropriately valued at 31 December 2018 and that the £12.2m write down has been appropriately presented in Other Comprehensive Income.

These key audit matters are consistent with those identified in the prior year with the exception of the inappropriate valuation of the Group's investment in Yopa which has been included in this report. This is because of the level of judgement required in assessing the impairment.

An overview of 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 28 reporting components of the Group, we selected 20 components which represent the principal business units within the Group.

Of the 20 components selected, we performed an audit of the complete financial information of seven components ("full scope components") which were selected based on their size or risk characteristics.

For a further five 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.

Of the remaining eight reporting components, audit procedures were undertaken as set out in Note 2 below 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.

	2018				2017		
Reporting components	**Number**	**% Group profit before tax**	**% Group revenue**	See note	Number	% Group adjusted profit before tax	% Group revenue
Full scope	**7**	**69.8**	**86.7**		6	70.6	90
Specific scope	**5**	**21.6**	**10.0**	1	5	17.3	7
Full and specific scope coverage	**12**	**91.4**	**96.7**		11	87.9	97
Remaining components	**8**	**8.6**	**3.3**	2	7	12.1	3
Total	**20**	**100**	**100**		18	100	100

Notes

1. 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 risks for the Group audit.
2. Of the remaining eight reporting components that together represent 8.6% of the group's adjusted profit before tax, none are individually greater than 4% of the Group's adjusted profit before tax. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year

One component, acquired in 2016, has been designated as full scope in 2018 (2017: specific scope) on the basis that its contribution to Group profit before tax has now increased above the threshold which would warrant inclusion within the full scope category.

Involvement with component teams

All work performed for the purposes of the audit was undertaken by the Group audit team. The Senior Statutory Auditor visited all full scope component locations during the year.

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 £1.2 million (2017: £1.6 million), which is 5% (2017: 5%) of profit before tax (2017: profit before tax, excluding the gain on disposal of investment in GPEA). We believe that profit before tax provides us with the most relevant measure of recurring Group profitability.

We determined materiality for the parent company to be £1.1 million (2017: £1.2 million), which is 1% (2017: 1%) of total equity.

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% (2017: 50%) of our planning materiality, namely £0.6m (2017: £0.8m). 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 £1.2m (2016: £1.6m).

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 £0.1m to £0.4m (2017: £0.1m to £0.4m).

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 £0.1m (2017: £0.1m), 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.

Other information

The other information comprises the information included in the annual report as set out on the Financial highlights pages and pages 2 to 103, other than the financial statements and our auditor's report thereon.

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

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** set out on page 51 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** set out on page 65 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** set out on page 53 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 47, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the UK.
- We understood how the Group is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit & Risk Committee.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Legal Counsel, Group management, Internal Audit, subsidiary Management at all full and specific scope components; and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2016.

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

Other matters we are required to address

We were reappointed by the company on 26 April 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 18 years, covering the years ending 31 December 2001 to 31 December 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

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

5 March 2019

Notes:

1. The maintenance and integrity of the LSL Property Services plc web site 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 web site.
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 2018

	Note	2018 £'000	2017 £'000
Group Revenue	3	**324,640**	311,540
Employee and subcontractor costs	13	**(203,095)**	(186,307)
Establishment costs		**(20,614)**	(19,057)
Depreciation on property, plant and equipment	16	**(5,674)**	(5,216)
Other operating costs		**(60,211)**	(66,269)
Total operating expenses		**(289,594)**	(276,849)
Other operating income	3	**557**	555
Gain on sale of property, plant and equipment		**34**	668
Income from joint ventures and associates	18	**259**	1,583
Group Underlying Operating Profit		**35,896**	37,497
Share-based payments	13	**(349)**	(47)
Amortisation of intangible assets	15	**(5,301)**	(4,083)
Exceptional gains	7	**2,188**	9,337
Exceptional costs	7	**(5,234)**	–
Contingent consideration	23	**(1,783)**	(654)
Group operating profit	5	**25,417**	42,050
Finance costs	6	**(2,333)**	(1,952)
Net financial costs		**(2,333)**	(1,952)
Profit before tax		**23,084**	40,098
Taxation charge	14	**(5,201)**	(6,686)
Profit for the year		**17,883**	33,412
Attributable to			
– Owners of the parent		**17,883**	33,414
– Non-controlling interest		**–**	(2)
Earnings per Share expressed in pence per Share:			
Basic	10	**17.4**	32.6
Diluted	10	**17.3**	32.4

Group Statement of Comprehensive Income

for the year ended 31st December 2018

	Note	2018 £'000	2017 £'000
Profit for the year		**17,883**	33,412
Items not to be reclassified to profit and loss in subsequent periods:			
Revaluation of financial assets not recycled through income statement	17	**(12,200)**	–
		(12,200)	–
Items to be reclassified to profit and loss in subsequent periods:			
Reclassification adjustments for disposal of financial assets	17	**–**	(5,593)
Income tax effect	14	**–**	951
Revaluation of financial assets recycled through income statement	17	**–**	1,885
Income tax effect	14	**–**	(320)
		–	(3,077)
Net other comprehensive (loss):		**(12,200)**	(3,077)
Total other comprehensive (loss) for the year, net of tax		**(12,200)**	(3,077)
Total comprehensive income for the year, net of tax		**5,683**	30,335
Attributable to			
– Owners of the parent		**5,683**	30,337
– Non-controlling interest		**–**	(2)

Group Balance Sheet

as at 31st December 2018

Company no 05114014

	Note	2018 £'000	2017 £'000
Non-current assets			
Goodwill	15	**159,723**	151,901
Other intangible assets	15	**31,960**	29,729
Property, plant and equipment	16	**16,866**	17,763
Financial assets	17	**11,566**	25,282
Investments in joint ventures and associates	18	**13,230**	9,556
Contract assets	19	**959**	–
Total non-current assets		**234,304**	234,231
Current assets			
Trade and other receivables	20	**38,650**	31,357
Contract assets	19	**262**	–
Cash and cash equivalents	21	**2,405**	–
Total current assets		**41,317**	31,357
Total assets		**275,621**	265,588
Current liabilities			
Financial liabilities	23	**(10,455)**	(6,454)
Trade and other payables	22	**(63,980)**	(53,418)
Current tax liabilities	14	**(2,688)**	(3,662)
Provisions for liabilities	24	**(6,616)**	(2,850)
Total current liabilities		**(83,739)**	(66,384)
Non-current liabilities			
Financial liabilities	23	**(41,156)**	(34,654)
Deferred tax liability	14	**(2,189)**	(2,698)
Provisions for liabilities	24	**(5,944)**	(13,276)
Total non-current liabilities		**(49,289)**	(50,628)
Total Liabilities		**(133,028)**	(117,012)
Net assets		**142,593**	148,576
Equity			
Share capital	26	**208**	208
Share premium account	27	**5,629**	5,629
Share-based payment reserve	27	**4,129**	3,802
Shares held by EBT	2,27	**(5,261)**	(5,317)
Fair value reserve	27	**(11,727)**	494
Retained earnings		**149,615**	143,578
Equity attributable to owners of parent		**142,593**	148,394
Non-controlling interests		**–**	182
Total equity		**142,593**	148,576

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

Ian Crabb
Group Chief Executive Officer
5th March 2019

Adam Castleton
Group Chief Financial Officer
5th March 2019

Group Statement of Cash-Flows

for the year ended 31st December 2018

	Note	2018 £'000	2017 £'000
Profit before tax		**23,084**	40,098
Adjustments for:			
Exceptional operating items and contingent consideration	7	**4,829**	(7,640)
Depreciation of tangible assets	16	**5,674**	5,216
Amortisation of intangible assets	15	**5,301**	4,083
Share-based payments	13	**349**	47
(Profit) on disposal of fixed assets	8	**(34)**	(668)
(Profit) from joint ventures	18	**(259)**	(1,583)
Finance costs	6	**2,333**	1,952
Dividend income/rebates received via non-cash consideration		**–**	(1,503)
Realisation of non-cash consideration received for operating activities		**1,529**	–
Operating cash-flows before movements in working capital		**42,806**	40,002
Movements in working capital			
(Increase)/decrease in trade and other receivables		**(3,815)**	1,695
(Decrease)/increase in trade and other payables		**(111)**	5,261
Decrease in provisions		**(3,608)**	(5,440)
		(7,534)	1,516
Cash generated from operations		**35,272**	41,518
Interest paid		**(1,359)**	(1,268)
Income taxes paid		**(6,875)**	(11,113)
Exceptional costs paid		**(3,310)**	–
Net cash generated from operating activities		**23,728**	29,137
Cash-flows used in investing activities			
Cash acquired on purchase of subsidiary undertaking	29	**6,944**	–
Acquisitions of subsidiaries and other businesses	29	**(7,732)**	–
Payment of contingent consideration		**(1,392)**	(2,175)
Investment in joint ventures and associates	18	**(4,100)**	–
Investment in financial assets	17	**(13)**	(20,315)
Cash received on sale of financial assets	17	**–**	3,024
Purchase of property, plant and equipment and intangible assets	15,16	**(5,877)**	(5,489)
Proceeds from sale of property, plant and equipment	16	**156**	1,457
Net cash (expended) on investing activities		**(12,014)**	(23,498)
Cash-flows used in financing activities			
Drawdown of loans	12	**4,521**	9,723
Refinance costs		**(250)**	–
Repayment of loan notes	23	**(2,000)**	–
Payment of deferred consideration		**–**	(4,790)
Proceeds from exercise of share options		**20**	–
Dividends paid	11	**(11,600)**	(10,572)
Net cash expended in financing activities		**(9,309)**	(5,639)
Net increase in cash and cash equivalents		**2,405**	–
Cash and cash equivalents at the end of the year		**2,405**	–

Group Statement of Changes in Equity

for the year ended 31st December 2018

Year ended 31st December 2018

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Shares held by EBT[1] £'000	Fair value reserve £'000	Retained earnings £'000	Total equity £'000	Non-controlling interest £'000	Total £'000
At 1st January 2018	**208**	**5,629**	**3,802**	**(5,317)**	**494**	**143,578**	**148,394**	**182**	**148,576**
Adjustment on initial application of IFRS 15	–	–	–	–	–	(434)	(434)	–	(434)
Adjustment on initial application of IFRS 9	–	–	–	–	(21)	21	–	–	–
Revised opening balance	**208**	**5,629**	**3,802**	**(5,317)**	**473**	**143,165**	**147,960**	**182**	**148,142**
Other comprehensive income for the year									
Revaluation of financial assets	–	–	–	–	(12,200)	–	(12,200)	–	(12,200)
Profit for the year	–	–	–	–	–	17,883	17,883	–	17,883
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(12,200)**	**17,883**	**5,683**	**–**	**5,683**
Exercise of options	–	–	(22)	56	–	(15)	19	–	19
Share-based payments	–	–	349	–	–	–	349	–	349
Acquisition of minority interest	–	–	–	–	–	182	182	(182)	–
Dividend payment	–	–	–	–	–	(11,600)	(11,600)	–	(11,600)
At 31st December 2018	**208**	**5,629**	**4,129**	**(5,261)**	**(11,727)**	**149,615**	**142,593**	**–**	**142,593**

During the year ended 31st December 2018, the Trust acquired nil LSL Shares. During the period 15,966 share options were exercised relating to LSL's various share option schemes resulting in the Shares being sold by the Trust. LSL received £20,000 on exercise of these options.

[1] Treasury shares have been renamed to Shares held by EBT.

Year ended 31st December 2017

	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 2017	**208**	**5,629**	**4,303**	**(5,368)**	**3,571**	**120,239**	**128,582**	**184**	**128,766**
Disposal of financial assets (net of tax)	–	–	–	–	(4,642)	–	(4,642)	–	(4,642)
Revaluation of financial assets (net of tax)	–	–	–	–	1,565	–	1,565	–	1,565
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**(3,077)**	**–**	**(3,077)**	**–**	**(3,077)**
Profit for the year	–	–	–	–	–	33,414	33,414	(2)	33,412
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(3,077)**	**33,414**	**30,337**	**(2)**	**30,335**
Exercise of options	–	–	(46)	51	–	(5)	–	–	–
Share-based payments	–	–	(455)	–	–	502	47	–	47
Dividend payment	–	–	–	–	–	(10,572)	(10,572)	–	(10,572)
At 31st December 2017	**208**	**5,629**	**3,802**	**(5,317)**	**494**	**143,578**	**148,394**	**182**	**148,576**

During the year ended 31st December 2017, the Trust acquired nil LSL Shares. During the period 14,661 share options were exercised relating to LSL's various share option schemes resulting in the Shares being sold by the Trust. LSL received nil on exercise of these options.

Notes to the Group Financial Statements

for the year ended 31st December 2018

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

The Group Financial Statements of LSL and its subsidiaries for the year ended 31st December 2018 were authorised for issue by the Board of Directors on 5th March 2019 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 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 (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

2. Accounting policies

Basis of preparation of financial information

The consolidated Financial Statements of the Group have been prepared in accordance with the International FInancial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Group Financial Statements have been prepared on a going concern basis and on a historical cost basis, except for certain debt and equity financial assets that have been measured at fair value.

The accounting policies which follow set out those significant policies which apply in preparing the Financial Statements for the year ended 31st December 2018. The Group's Financial Statements are presented in pound sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

New standards and interpretations

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The new standard introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The impact of applying IFRS 15 to the Group's Financial Statement has been reviewed by revenue stream. In doing so, the Management Team have identified revenue relating to management services and rent collection has been affected by the timing difference on revenue recognition. Revenue from management services was previously recognised upfront and is now recognised over time. Rent collection services has now been identified as a separate performance obligation from management services and is recognised at a point in time (upon rental collection).

Revenue arising from Residential Sales, Surveying and Valuation Services, Lettings, Asset Management and Financial Services is recognised on completion of the service being provided.

Transition

The Group has adopted IFRS 15 using the cumulative catch up method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1st January 2018) for all contracts. Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

2. Accounting policies (continued)

The following table summarises the impact, of transition to IFRS 15 on retained earnings and non-controlling interest at 1st January 2018.

	Impact of adopting IFRS 15 at 1st January 2018 £'000
Retained earnings	
Management services	388
Rent collection	146
Deferred tax asset	(100)
Impact at 1st January 2018	**434**

The impact of adopting IFRS 15 on the Group's Financial Statements as at 31st December 2018, is a deferral in revenue of £241,000.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1st January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

IFRS 9 also replaces the "incurred loss" model in IAS 39 with the "expected credit loss" model that applies to trade and other receivables.

i. Classification of financial assets

As permitted by IFRS 9 the Group has chosen to not restate prior periods. The Group has made the irrevocable election to recognise the change in fair value of all investments other than ZPG Limited through OCI rather than profit and loss. This election was made because the gains or losses arising from the change in fair value of these investments are not directly linked to the trading of the Group. Changes in the fair value of ZPG Limited will be recognised through the profit and loss.

For all other financial assets and liabilities held by the Group the measurement category has not changed under IFRS 9.

ii. Impairment of financial assets

The chosen method of recognising the expected credit loss across the Group is the simplified approach allowing a provision matrix to be used, which is based on the expected credit life of trade receivables and historic default rates. From applying this model there is no material impact to the consolidated Group Financial Statements, due to the short-term nature of Group's trade receivables.

Judgements and estimates

The preparation of financial information in conformity with IFRS as adopted by the European Union, requires the Management Team 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.

- **Judgements**

Areas of judgement that have the most significant effect on the amounts recognised in the consolidated Financial Statements are:

Intangible assets

The recognition of intangible assets, both on acquisition and those internally generated, is an area of judgement. The Management Team seek to identify any assets that meet the criteria of an intangible asset, namely that it is separately identifiable, the Group has power over the asset and future economic benefits will be derived from the asset. Judgement was exercised to determine that customer relationships for RSC New Homes did not meet the criteria per IAS 38 for recognition of a separate intangible asset.

2. Accounting policies (continued)

Valuation of financial assets
The Group owns non-controlling interests in four unlisted entities Yopa, eProp Services, Vibrant Energy Matters and NBC Property Master, in addition to a convertible loan note which is held in Global Property Ventures. In accordance with the accounting standards, these investments are held at fair value and significant judgement is required in assessing this. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value of equity financial assets that are not traded in the open market are valued in accordance with Level 3 of the fair value hierarchy and the Management Team use all relevant and up to date information (including cash-flow forecasts and financial statements) to arrive at their judgement. Where appropriate a range of potential outcomes is considered in reaching a conclusion. Further details of the methodology used are disclosed in Note 17 to these Financial Statements. A sensitivity calculation which shows the impact of changes in assumption is shown in Note 31.

Deferred tax
The Group recognises deferred tax assets on all applicable temporary differences where it is probable that future taxable profits will be available for utilisation. This requires the Management Team to make judgements and assumptions regarding the amount of deferred tax that can be recognised based on the magnitude and likelihood of future taxable profits. Deferred tax liabilities are provided for in full.

Exceptional items
The Group recognises certain items as exceptional where, in the judgement of the Directors, they are required to be disclosed separately due to them being material in size and unusual in nature. This is reviewed in accordance to IAS 1.

- **Estimates**

The key assumptions affected by future uncertainty that have significant risks of causing material adjustment to the carrying value of assets and liabilities within the next financial year are:

Professional Indemnity (PI) claims
Details of the assumptions applied to PI claims areas are disclosed in Notes 7 and 24 to these Financial Statements. A sensitivity calculation which illustrates the impact of different assumptions on the required PI Costs provision is included in Note 24.

Lapse Provision
Certain subsidiaries sell life assurance products which are cancellable without a notice period, and if cancelled within a set period require that a portion of the commission earned must be repaid. The lapse provision is recognised as a reduction in revenue which is based on historic lapses which have occurred.

Valuations in acquisitions
The measurement of intangible assets other than goodwill on a business combination involves the estimation of future cash-flows and other inputs relevant to the valuation model being applied. Brands are valued using the royalty relief method. The internally generated software from the acquisition of Personal Touch Financial Services was valued using a discounted cash-flow model.

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 cash-flows and choosing a suitable discount rate (see Note 15 to the Group Financial Statements).

Contingent consideration
The Group has acquired a number of businesses over recent 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 23 to these Financial Statements. A sensitivity calculation which shows the impact of changes in assumption is shown in Note 31 to these Financial Statements.

Income tax
The Group will pay income taxes based on the tax computations of the subsidiary entities. While the outcome of these tax computations cannot be determined with certainty until the completion of subsidiary accounts, the Management Team's estimates of income taxes are used to determine the tax charges and provisions carried by the Group.

2. Accounting policies (continued)

Basis of consolidation
The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31st December 2018.

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 entity and has the ability to affect those returns through its power over the entity. Specifically, the Group controls an entity if, and only if, the Group has:

- power over the entity (i.e. existing rights that give it the current ability to direct the relevant activities of the entity);
- exposure, or rights, to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect its returns.

A change in the ownership interest of a subsidiary, without a 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.

Non-GAAP measures/Alternative Performance Measures (APM)
In the analysis of the Group's financial performance, LSL reports a number of APMs that are designed to assist with the understanding of the underlying performance of the Group. The Group seeks to present a measure of underlying performance which is not impacted by the inconsistency in profile of exceptional gains and exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments. These measures are not defined under IFRS and, as a result, do not comply with Generally Accepted Accounting Practice (known as non-GAAP measures) and may not be directly comparable with other companies' non-GAAP measures. They are not designed to be a substitute for any of the IFRS measures of performance. The principal APMs used within the consolidated Financial Statements and the location of the reconciliations to equivalent IFRS measures are:

– Group Underlying Operating Profit (reconciled in Note 5 to these Financial Statements)

– Adjusted basic EPS (reconciled in Note 10 to these Financial Statements)

– Adjusted diluted EPS (reconciled in Note 10 to these Financial Statements)

– Group Adjusted EBITDA (reconciled in Note 5 to these Financial Statements)

The amortisation of intangible assets fluctuates due to irregular investments and unknown timing of acquisitions. These costs are not representative of the underlying costs of the business, and are therefore excluded from adjusted earnings.

The Directors consider that these adjusted measures give a better and more consistent indication of the Group's underlying performance; these measures form part of management's internal financial review and are contained within the monthly management information reports reviewed by the Board.

Interest in joint ventures and associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture or associate 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 or associate since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is not tested for impairment individually.

2. Accounting policies (continued)

The income statement reflects the Group's share of the results of operations of the joint venture or associate. In addition, when there has been a change recognised directly in the equity of the joint venture or associate, 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 or associate are eliminated to the extent of the interest in the joint venture or associate.

The aggregate of the Group's share of profit or loss of a joint venture or associate is shown on the face of the income statement within Group operating profit, and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture or associate.

The Financial Statements of the associate or 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 or associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate 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 or associate and its carrying value.

Upon loss of joint control and significant influence over the joint venture or associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate 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.

Business combinations

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 at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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.

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 the income statement.

Intangible assets

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination is their fair value at their date of initial recognition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

2. Accounting policies (continued)

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.

The useful lives of intangible assets are assessed as either finite or indefinite.

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.

A summary of the policies applied to the Group's intangible assets is, as follows:

Customer contracts:	
Residential Sales customer contracts	– three to ten years
Surveying and Valuation Services customer contracts	– between three and five years
Lettings contracts	– five years
Order book:	
Estate Agency pipeline	– three months
Surveying and Valuation Services pipeline	– one week
Estate Agency register	– 12 months
Others:	
Franchise agreements	– ten years
In-house software	– between three and five years

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 asset's 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 50 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 assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Dividends

Equity dividends are recognised when they become legally payable. In the case of interim dividends to Shareholders, this is when paid. In the case of final dividends, this is when approved by Shareholders at each 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 OCI or equity, if it relates to items that are charged or credited in the current or prior periods to OCI 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 are given in Note 10 to these Financial Statements).

Shares held by EBT

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 Trust 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 ESOT and Trust 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 of all 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.

The subsequent measurement of financial assets depends on their classification.

2. Accounting policies (continued)

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

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under 'IAS 32 Financial Instruments: Presentation' and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets designated at fair value through profit and loss
Gains and losses arising from the changes in the fair value of equity investments are recognised through the profit and loss.

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

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 businesses and 30 days in the Surveying and Valuation Services business.

IFRS 9 replaces the incurred loss model in IAS 39 with the expected credit loss model that applies to trade and receivables. The chosen method of recognising the expected credit loss across Group is the simplified approach allowing a provision matrix to be used, which is based on the expected life of trade receivables and historic default rates.

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

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

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.

Revenue recognition
From 1st January 2018 IFRS 15 replaced IAS 18 and IAS 11 which provided separate revenue recognition models for goods and services and for construction contracts. This standard is based on a single model that distinguishes between promises to a customer that is satisfied at a point in time and those that are satisfied over time.

Revenue is recognised when control of a good or service transfers to a customer. The notion of control has replaced the notion of risks and rewards. The focus of IAS 18 and 11 was on risk and rewards with control (that is, managerial control) as an aspect of risk and rewards. IFRS 15 focuses on control although risk and rewards is still an indicator of control.

2. Accounting policies (continued)

Prior comparatives reported under IAS 18

Rendering of services
Revenue from the exchange fees in the Residential Sales business is recognised by reference to the legal exchange date of the housing transaction. Revenue from the supply of Surveying and Valuation Services are recognised upon the completion of the professional survey or valuation by the surveyor. Revenue from Lettings, Asset Management and conveyancing services 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/re-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.

Current reported under IFRS 15

Rendering of services
Revenue from the exchange fees in the Residential Sales business is recognised by reference to the legal exchange date of the housing transaction. Revenue from the supply of Surveying and Valuation Services are recognised upon the completion of the professional survey or valuation by the surveyor, and therefore at a point in time. Revenue from Lettings, Asset Management and conveyancing services is recognised on completion of the service being provided, and therefore at a point in time. Management services relating to Lettings and Asset Management are recognised over time using the time basis approach. The costs incurred from obtaining a contract and payable to the customer are capitalised and amortised into revenue over the contract term.

Financial Services income
Revenue from mortgage procuration fees is recognised by reference to the completion date of the mortgage/re-mortgage on the housing transaction. Revenue from policy sales is recognised at point in time by reference to the date that the policy is accepted by the insurer. The lapse provision is recognised as a reduction in revenue which is based on historic lapses which have occurred. Lapse provisions are recorded within trade and other payables.

Interest income
Revenue is recognised at a point in time 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 at a point in time on a straight line basis over the lease term.

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

Trade receivables generally have four to seven day payment terms in the Estate Agency businesses and 30 days in the Surveying and Valuation Services business. Obligations for refunds are recognised within the lapse provision.

Exceptional items
An exceptional item is considered to be non-recurring and unusual in nature. These items are presented within their relevant income statement category, but highlighted separately on the face of the Income Statement. Items that management consider to fall into this category are also disclosed within a Note to the Financial Statements (see Note 7 to the Group Financial Statements).

2. Accounting policies (continued)

Due to the nature and expected infrequency of these items, separate presentation helps provide a better indication of the Group's underlying business performance. This allows 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

IFRS 16 "Leases" was issued in January 2016 to replace IAS 17 "Leases" and has been endorsed by the EU. The standard is effective for accounting periods beginning on or after 1st January 2019 and will be adopted by the Group on 1st January 2019.

IFRS 16 is expected to have an impact on the amounts recognised in the Group's Financial Statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the Income Statement, rent expenses will be replaced by depreciation and interest expense. This will result in a decrease in operating expenses and an increase in finance costs. The standard will also impact a number of statutory measures such as operating profit and cash generated from operations, and APMs used by the Group.

All of the Group's leases are currently accounted for as operating leases (see Note 25), and the most significant leases, by value, are those for properties.

The standard permits either a full retrospective or a modified retrospective approach for the adoption, LSL intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1st January 2019 and the comparatives will not be restated.

LSL currently intends to apply the following practical expedients allowed under IFRS 16:

- The right of use asset will be measured at an amount equal to the lease liability at adoption, and initial direct costs incurred when obtaining leases will be excluded from this measurement.
- Lease items with low value will not be recognised as right-of-use assets or lease liabilities. Instead, such leases will be treated in a similar way to operating leases under IAS 17, with the lease expense recognised on a straight line basis, or other systematic basis, over the lease term.
- Short-term leases will not be recognised as right-of-use assets or lease liabilities, and treated in a similar way to operating leases under IAS 17, with the lease expense recognised on a straight line basis, or other systematic basis, over the lease term.
- A single discount rate will be applied to a portfolio of leases with similar characteristics.

The Management Team are continuing to assess the impact of the accounting changes that will arise under IFRS 16.

3. Revenue

The nature and effect of initially applying IFRS 15 on the Group's Financial Statements are disclosed in Note 2 to these Financial Statements.

Disaggregation of revenue

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

	2018						
	Residential Sales exchange £'000	Lettings £'000	Financial Services £'000	Asset Management £'000	Surveying and Valuation Services £'000	Other £'000	Total £'000
Timing of revenue recognition	**69,854**	**76,576**	**87,427**	**5,463**	**69,798**	**15,522**	**324,640**
Services transferred at a point in time	69,854	40,696	87,427	3,906	69,798	15,522	287,203
Services transferred over time	–	35,880	–	1,557	–	–	37,437
Total revenue from contracts with customers	**69,854**	**76,576**	**87,427**	**5,463**	**69,798**	**15,522**	**324,640**

	2018 £'000	2017[1] £'000
Revenue from services	**324,640**	311,540
Operating revenue	**324,640**	311,540
Rental income	**557**	555
Other operating income	**557**	555
Total revenue	**325,197**	312,095

Note:

1 The Group has initially applied IFRS 15 as at 1st January 2018. Under the transition methods chosen, comparative information is not restated.

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 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, PRIMIS, Embrace Financial Services, First2Protect, Mortgages First, Insurance First Brokers, Linear Financial Services, Personal Touch Financial Services and RSC New Homes. The Financial Services revenue included within the Estate Agency Division includes two mortgage and insurance distribution networks providing products and services for sale via financial intermediaries. A significant proportion of the results of the Financial Services business are inextricably linked to the Estate Agency business. They have therefore been aggregated with those of the Estate Agency and Related Services segment.
- The Surveying and Valuation Services segment provides a valuations and professional surveying service of residential properties to various lenders and individual customers.

Each reportable segment has various products and services and the revenue from these products and services are disclosed on pages 19 to 23 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)

Reportable segments

The following table presents revenue and profit information regarding the Group's reportable segments for the financial year ended 31st December 2018 and financial year ended 31st December 2017 respectively.

To reflect the increased importance of LSL's Financial Services businesses, the LSL Board has decided to update the Group segmental reporting effective from 1st January 2019. From 1st January 2019 LSL will report three segments: Estate Agency; Financial Services; and Surveying and Valuation Services. The Financial Services segment will incorporate all LSL's Financial Services businesses. The Estate Agency segment will primarily incorporate the results from the Estate Agency branch networks (Your Move, Reeds Rains, LSLi and Marsh & Parsons) and Asset Management. The Surveying and Valuation Services segment is unchanged.

Year ended 31st December 2018

	Estate Agency and Related Services £'000	Surveying and Valuation Services £'000	Unallocated £'000	Total £'000
Income Statement information				
Segmental revenue	254,842	69,798	–	**324,640**
Segmental result:				
– before exceptional costs, contingent consideration, amortisation and share-based payments	20,568	20,426	(5,098)	**35,896**
– after exceptional costs, contingent consideration, amortisation and share-based payments	11,601	19,022	(5,206)	**25,417**
Finance costs				**(2,333)**
Profit before tax				**23,084**
Taxation				**(5,201)**
Profit for the year				**17,883**

	Estate Agency and Related Services £'000	Surveying and Valuation Services £'000	Unallocated £'000	Total £'000
Balance sheet information				
Segment assets – intangible	179,512	12,171	–	**191,683**
Segment assets – other	68,443	11,659	3,836	**83,938**
Total segment assets	247,955	23,830	3,836	**275,621**
Total segment liabilities	(64,889)	(27,828)	(40,311)	**(133,028)**
Net assets/(liabilities)	**183,066**	**(3,998)**	**(36,475)**	142,593
Other segment items				
Capital expenditure including intangible assets	4,738	1,282	–	**6,020**
Depreciation	(5,420)	(254)	–	**(5,674)**
Amortisation of intangible assets	(4,897)	(404)	–	**(5,301)**
Exceptional costs	(1,994)	(3,240)	–	**(5,234)**
Exceptional gains	–	2,188	–	**2,188**
Share of results of joint venture	259	–	–	**259**
PI Costs provision	–	(12,430)	–	**(12,430)**
Onerous leases provision	(130)	–	–	**(130)**
Share-based payment	(294)	53	(108)	**(349)**

Unallocated net liabilities comprise plant and equipment (£15,000), other assets (£3,822,000), accruals (£922,000), deferred and current tax liabilities (£4,890,000), RCF (£34,500,000).

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

Year ended 31st December 2017

	Estate Agency and Related Services £'000	Surveying and Valuation Services £'000	Unallocated £'000	Total £'000
Income Statement information				
Segmental revenue	247,410	64,130	–	**311,540**
Segmental result:				
– before exceptional costs, contingent consideration, amortisation and share-based payments	26,942	18,877	(8,322)	**37,497**
– after exceptional costs, contingent consideration, amortisation and share-based payments	22,124	22,466	(2,540)	**42,050**
Finance costs				**(1,952)**
Profit before tax				**40,098**
Taxation				**(6,686)**
Profit for the year				**33,412**

	Estate Agency and Related Services £'000	Surveying and Valuation Services £'000	Unallocated £'000	Total £'000
Balance sheet information				
Segment assets – intangible	169,113	12,517	–	**181,630**
Segment assets – other	75,453	7,305	1,200	**83,958**
Total segment assets	244,566	19,822	1,200	**265,588**
Total segment liabilities	(49,851)	(25,794)	(41,367)	**(117,012)**
Net assets/(liabilities)	**194,715**	**(5,972)**	**(40,167)**	**148,576**
Other segment items				
Capital expenditure including intangible assets	5,177	312	–	**5,489**
Depreciation	(5,036)	(180)	–	**(5,216)**
Amortisation of intangible assets	(4,013)	(70)	–	**(4,083)**
Share of results of joint venture	1,583	–	–	**1,583**
PI Costs provision	–	(15,916)	–	**(15,916)**
Onerous leases provision	(210)	–	–	**(210)**
Share-based payment	(152)	(85)	190	**(47)**

Unallocated net liabilities comprise plant and equipment (£9,000), other assets (£1,191,000), accruals (£3,028,000), financial liabilities (£4,979,000), deferred and current tax liabilities (£6,360,000), RCF (£27,000,000).

5. APMs (Adjusted performance measures)

In addition to the various performance measures defined under IFRS, the Group reports a number of alternative performance measures that are designed to assist with the understanding of the underlying performance of the Group. The Group seeks to present a measure of underlying performance which is not impacted by the inconsistency in profile of exceptional gains and exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments. Share-based payments are excluded from the underlying performance due to the fluctuations that can impact the charge, such as lapses and the level of annual grants. The four adjusted measures reported by the Group are:

- Group Underlying Operating Profit
- Adjusted basic EPS
- Adjusted diluted EPS
- Group Adjusted EBITDA

The amortisation of intangible assets is not representative of the underlying costs of the business, and is therefore excluded from adjusted earnings.

The Directors consider that these adjusted measures shown above give a better and more consistent indication of the Group's underlying performance. These measures form part of the Management Team's internal financial review and are contained within the monthly management information reports reviewed by the Board.

The calculations of adjusted basic and adjusted diluted EPS are given in Note 10 to the condensed consolidated Group Financial Statements and a reconciliation of Group Underlying Operating Profit is shown below:

	Note	**2018 £'000**	2017 £'000
Group operating profit	4	**25,417**	42,050
Share-based payments		**349**	47
Amortisation of intangible assets		**5,301**	4,083
Exceptional gains	7	**(2,188)**	(9,337)
Exceptional costs	7	**5,234**	–
Contingent consideration charge	23	**1,783**	654
Group Underlying Operating Profit		**35,896**	37,497
Depreciation on property, plant and equipment	16	**5,674**	5,216
Group Adjusted EBITDA		**41,570**	42,713

6. Finance costs

	2018 £'000	2017 £'000
Interest on RCF	**1,359**	1,268
Unwinding of discount on professional indemnity provision	**42**	200
Unwinding of discount on deferred consideration	**116**	–
Unwinding of discount on contingent consideration	**816**	484
	2,333	1,952

7. Exceptional items

	2018 £'000	2017 £'000
Exceptional costs:		
Transition costs relating to surveying contracts	3,241	–
Branch/centre closure and restructuring costs including redundancy costs	1,993	–
	5,234	–
Exceptional gains:		
Gain on disposal of financial assets	–	(5,593)
Exceptional gain in relation to historic PI costs	(2,188)	(3,744)
	(2,188)	(9,337)

Exceptional costs

There were £5.2m of exceptional costs in the year (2017: nil), the majority of which were in relation to initial non-recurring transition and integration costs for the contract to supply surveying and valuation services to Lloyds Bank plc (£3.2m).

In the Estate Agency Division there were £2.0m (2017: nil) of non-recurring and material exceptional costs relating to the planned restructuring costs incurred following the acquisition of Personal Touch Financial Services as well as branch/centre closures.

Provision for professional indemnity (PI) claims and insurance claim notification

In 2018 the Group continued to make positive progress in settling historic PI claims and there has been a release of £2.2m.

8. Profit before tax

Profit before tax is stated after charging:

	2018 £'000	2017 £'000
Auditor's remuneration (see Note 9 to the Group Financial Statements)	379	346
Operating lease rentals:		
Land and buildings	11,391	10,855
Plant and machinery	4,404	4,277
(Gain) on sale of property, plant and equipment and financial assets	(34)	(668)

9. Auditor's remuneration

The remuneration of the auditors is further analysed as follows:

	2018 £'000	2017 £'000
Audit of the Financial Statements	55	49
Audit of subsidiaries	297	227
Audit of the Financial Statements of the prior period	–	45
Total audit	352	321
Audit related assurance services (interim results review fee)	18	17
Other assurance services	9	8
Tax advisory services	–	–
	379	346

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.

	Profit after tax £'000	**Weighted average number of Shares**	**2018 Per Share amount Pence**	Profit after tax £'000	Weighted average number of Shares	2017 Per Share amount Pence
Basic EPS	**17,883**	**102,653,447**	**17.4**	33,414	102,640,363	32.6
Effect of dilutive share options		**839,935**			635,058	
Diluted EPS	**17,883**	**103,493,382**	**17.3**	33,414	103,275,421	32.4

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:

	2018 £'000	2017 £'000
Group operating profit before contingent consideration, exceptional items, share-based payments and amortisation (excluding non-controlling interest):	**35,896**	37,497
Net finance costs (excluding exceptional and contingent consideration items)	**(1,401)**	(1,468)
Normalised taxation	**(6,554)**	(6,936)
Adjusted profit after tax[1] before exceptional items, share-based payments and amortisation	**27,941**	29,093

Adjusted basic and diluted EPS

	Adjusted profit after tax[1] £'000	**Weighted average number of Shares**	**2018 Per Share amount Pence**	Adjusted profit after tax[1] £'000	Weighted average number of Shares	2017 Per Share amount Pence
Adjusted basic EPS	**27,941**	**102,653,447**	**27.2**	29,093	102,640,363	28.3
Effect of dilutive share options		**839,935**			635,058	
Adjusted diluted EPS	**27,941**	**103,493,382**	**27.0**	29,093	103,275,421	28.2

Note

1 This represents adjusted profit after tax attributable to equity holders of the parent. The normalised tax rate in 2018 is 19% (2017: 19.25%).

11. Dividends paid and proposed

	2018 £'000	2017 £'000
Declared and paid during the year:		
Equity dividends on Ordinary Shares:		
2016 Final: 6.3 pence per Share		6,466
2017 Interim: 4.0 pence per Share		4,106
2017 Final: 7.3 pence per Share	**7,493**	
2018 Interim: 4.0 pence per Share	**4,107**	
	11,600	10,572
Dividends on Ordinary Shares proposed (not recognised as a liability as at 31st December):		
Equity dividends on Ordinary Shares:		
Dividend: 6.9 pence per Share (2017: 7.3 pence per Share)	**7,083**	7,493

12. Cash-flow from financing activities

	At 1st January 2018 £'000	Cash–flow £'000	Acquisitions £'000	Foreign exchange £'000	Unwind £'000	**At 31st December 2018 £'000**
Long-term liabilities	27,000	7,500	–	–	–	**34,500**
Short-term liabilities	3,050	(2,979)	1,887	–	115	**2,073**
	30,050	**4,521**	**1,887**	**–**	**115**	**36,573**

Long-term liabilities
The bank loan totalling £34.5m (2017: £27.0m) is secured via cross guarantees issued from all of the Group's subsidiaries excluding the following subsidiaries: Lending Solutions Limited, Homefast Property Services, Linear (Linear Mortgage Network and Linear Financial Services), Templeton LPA, Barnwoods, Chancellors Associates, Group First, Personal Touch Financial Services and RSC New Homes (see Note 23 to the Group Financial Statements).

Short-term liabilities
The overdraft totalling £nil (2017: £3.0m) is secured via cross guarantees issued from all of the Group's subsidiaries excluding the following subsidiaries: Homefast Property Services, Linear (Linear Mortgage Network and Linear Financial Services), Templeton LPA and Chancellors Associates (see Note 23 to the Group Financial Statements).

Short-term liabilities as includes deferred consideration (see Note 23 to the Group Financial Statements).

13. Directors and employees

Remuneration of Directors

	2018 £'000	2017 £'000
Directors' remuneration (short-term benefits)[1]	**2,057**	2,177
Contributions to money purchase pensions schemes (post-employment benefits)	**19**	20
Share-based payments charge on current incentive schemes	**449**	298
	2,547	2,495

Note:

1 Included within this amount is accrued bonuses of £723,000 (2017: £852,000).

The number of Directors who were members of Group money purchase pension schemes during the year totalled 1 (2017: 1). During the year the Directors exercised nil CSOP options (2017: nil), nil JSOP options (2017: nil), and nil SAYE options (2017: nil).

Employee numbers and costs

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

	2018 £'000	2017 £'000
Wages and salaries	**178,407**	163,692
Social security costs	**18,490**	17,043
Pension costs	**4,398**	2,411
Total employee costs	**201,295**	183,146
Subcontractor costs	**1,800**	3,161
Total employee and subcontractor costs[1]	**203,095**	186,307
Share-based payment expense (see below)	**349**	47

Note:

1 The total employee and subcontractor costs exclude employees redundancy costs of £0.7m (2017: £nil), which have been shown under Exceptional costs (see Note 7 to the Group Financial Statements).

13. Directors and employees (continued)

The monthly FTE staff numbers (including Directors) during the year averaged 4,763 (2017: 4,515).

	2018	2017
Estate Agency and Related Services	4,039	3,909
Surveying and Valuation Services	724	606
	4,763	4,515

Share-based payments

The Remuneration Policy on pages 81 to 85 of the Directors' Remuneration Report details the policies in relation to share-based payments, which includes details on the Remuneration Committee's discretion to adjust the LTIP vesting outcomes if it considers that it is not reflective of the underlying performance of LSL.

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 2018 vesting conditions

30% of the options vest based on the TSR of LSL as compared to a comparator group of 22 companies in similar or related sectors 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, 25% 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 equal to or over (≥) 13.0 p.a. – 100% vest;
- if growth is 7.5% p.a. – 25% vest;
- straight line vesting between 7.5% p.a. and 13.0% p.a.; and
- if growth is below 7.5% p.a. – no options vest.

LTIP 2017 vesting conditions

30% of the options vest based on the TSR of LSL as compared to a comparator group of 23 companies in similar or related sectors 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, 25% 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 equal to or over (≥) 12.5% p.a. – 100% vest;
- if growth is 7.5% p.a. – 25% vest;
- straight line vesting between 7.5% p.a. and 12.5% p.a.; and
- if growth is below 7.5% p.a. – no options vest.

13. Directors and employees (continued)

LTIP 2016 vesting conditions

The LTIP 2016 awards will not vest in 2019 as neither the EPS performance target nor the TSR target (both measured over three years to 31st December 2018) have been met.

	2018 Weighted average exercise price £	2018 Number	2017 Weighted average exercise price £	2017 Number
Outstanding at 1st January	–	1,528,435	–	1,568,744
Granted during the year	–	995,378	–	810,016
Exercised during the year	–	(6,262)	–	(14,661)
Lapsed during the year	–	(592,897)	–	(835,664)
Outstanding at 31st December	–	1,924,654	–	1,528,435

There were 119,260 options exercisable at the end of the year (2017: 129,020). The weighted average remaining contractual life is 1.69 years (2017: 1.67 years). The weighted average fair value of options granted during the year was £2.18 (2017: £1.81). The weighted average share price of options at the date of their exercise was £2.81 (2017: £2.15).

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.

There were 129,464 options (2017: 129,464) exercisable at the end of the year which relate to the 2010 scheme which vested in 2013. Given that the scheme has vested, the weighted average remaining contractual life is nil (2017: nil), participants can exercise their options up until 2020 and have therefore two years (2017: three years) remaining until their option lapses. No options were exercised or lapsed during the year (2017: 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.

	2018 Weighted average exercise price £	2018 Number	2017 Weighted average exercise price £	2017 Number
Outstanding at 1st January	3.67	1,268,718	3.60	1,396,424
Granted during the year	–	–	–	–
Exercised during the year	2.07	(7,751)	–	–
Lapsed during the year	2.72	(94,641)	2.84	(127,706)
Outstanding at 31st December	2.29	1,166,326	3.67	1,268,718

There were 883,357 options exercisable at the end of the year (2017: 758,106). The average market value at the date of exercise was £2.85 (2017: £nil).

The weighted average fair value of options granted during the year was £nil (2017: £nil). The weighted average remaining contractual life is 0.06 years (2017: 0.34 years).

13. Directors and employees (continued)

SAYE (save-as-you-earn) scheme
The Group has offered options under the SAYE scheme in each of 2011 to 2014, 2016 to 2018 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.

	2018		2017	
	Weighted average exercise price £	**Number**	Weighted average exercise price £	Number
Outstanding at 1st January	**2.35**	**792,705**	3.17	669,696
Granted during the year	**2.45**	**466,415**	2.15	498,893
Exercised	**2.15**	**(1,953)**	–	–
Lapsed during the year due to employees withdrawal	**2.40**	**(190,048)**	3.54	(375,884)
Outstanding at 31st December	**2.39**	**1,067,119**	2.35	792,705

The weighted average fair value of options granted during the year was £1.28 (2017: £1.05) and the weighted average remaining contractual life was 1.40 years (2017: 1.84 years). The average market value at the date of exercise was £2.46 (2017: £nil).

There were nil (2017: 907) options exercisable at the end of the year.

BAYE (buy-as-you-earn) scheme
The matching shares element of the SIP/BAYE was introduced and provides participants with one matching share for every five partnership shares purchased. The matching shares are allocated from Ordinary Shares held by the Trust for the benefit of SIP/BAYE participants. The maximum saving under the scheme would be automatically capped at £150 per month (as per HMRC limits).

	2018 Weighted average exercise price £	**Number**
Outstanding at 1st January	**–**	–
Granted during the year	**2.5**	78,000
Exercised	**–**	–
Lapsed during the year due to employees withdrawal	**–**	–
Outstanding at 31st December	**2.5**	78,000

There were nil options exercisable at the end of the year.

Equity-settled transactions
The assumptions used in the estimation of the fair value of equity settled options were as follows:

	LTIP 2018
Option pricing model used	Black Scholes
Weighted average Share price at grant date (£)	**2.50**
Exercise price (£)	**–**
Expected life of options (years)	**3**
Expected volatility (%)	**100**
Expected dividend yield (%)	**4.53**
Risk free interest rate (%)	**1.11**

13. Directors and employees (continued)

	LTIP 2017	CSOP 2017
Option pricing model used	Black Scholes	Black Scholes
Weighted average Share price at grant date (£)	2.10	2.09
Exercise price (£)	–	2.15
Expected life of options (years)	3	3
Expected volatility (%)	100	100
Expected dividend yield (%)	4.93	4.93
Risk free interest rate (%)	0.56	0.56

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

	2018 £'000	2017 £'000
Share-based payment expensed during the year	**349**	47

A charge of £107,000 (2017: credit £224,000) 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.

14. Taxation

(a) Tax on profit on ordinary activities

The major components of income tax charge in the Group Income Statements are:

	2018 £'000	2017 £'000
UK corporation tax – current year	**5,931**	7,537
– adjustment in respect of prior years	**(205)**	(345)
	5,726	7,192
Deferred tax:		
Origination and reversal of temporary differences	**(322)**	(442)
Adjustment in respect of prior year	**(203)**	(64)
Total deferred tax (credit)	**(525)**	(506)
Total tax charge in the Income Statement	**5,201**	6,686

The UK corporation tax rate reduced to 20% with effect from 1st April 2015 and 19% with effect from 1st April 2017. A future UK corporation tax of 17% has been enacted and is effective from 1st April 2020, and this is the rate at which deferred tax has been provided (2017: 17%). Corporation tax is recognised at the headline UK corporation tax rate of 19% (2017: 19.25%).

The effective rate of tax for the year was 22.5% (2017: 16.7%). The effective tax rate for 2018 is higher than the headline UK tax rate for a number of reasons, but the most significant are non-deductible costs in relation to contingent consideration and the depreciation of assets which do not qualify for capital allowances.

Deferred tax credited directly to other comprehensive income is £0.0m (2017: £0.6m). Income tax credited directly to the share-based payment reserve is £0.0m (2017: £0.0m).

14. Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed in the profit and loss account is higher (2017: lower) than the standard UK corporation tax rate, because of the following factors:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	23,084	40,098
Tax calculated at UK standard rate of corporation tax rate of 19% (2017: 19.25%)	4,386	7,719
Non-deductible expenditure/(non-taxable income) from joint ventures and associates	56	(153)
Other income not taxable	–	(369)
Other disallowable expenses	550	627
Impact of movement in contingent consideration charged/(credited) to the Income Statement	494	251
Capital gains (lower than)/in excess of accounting profit	–	(1,053)
Share-based payment relief	73	15
Impact of rate change on deferred tax	50	58
Prior period adjustment – current tax	(205)	(345)
Prior period adjustment – deferred tax	(203)	(64)
Total taxation charge	5,201	6,686

The major component of the disallowable expenditure is a permanent disallowance of depreciation on assets which do not qualify for capital allowances. This is a recurring adjustment and the tax impact in the year is £421,000. Another significant adjustment is the impact of deferred and contingent consideration, which is a non-deductible expense within the Income Statement. The tax impact of this movement in deferred and contingent consideration is £494,000.

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

	2018 £'000	2017 £'000
Unrecognised deferred tax asset relating to:		
Losses	2,906	3,083
	2,906	3,083

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.

(d) Deferred tax

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

	2018 £'000	2017 £'000
Net deferred tax liability at 1st January	2,698	3,801
Adjustment on initial application of IFRS 15	(101)	–
Deferred tax liability recognised directly in other comprehensive income	20	354
Deferred tax (credit) in Income Statement for the year (Note 14a to these Financial Statements)	(525)	(506)
Deferred tax on disposals	–	(951)
Deferred tax liability arising on acquisitions and business combinations	97	–
Net deferred tax liability at 31st December	2,189	2,698

14. Taxation (continued)

Analysed as:

	2018 £'000	2017 £'000
Accelerated capital allowances	(1,426)	(960)
Deferred tax liability on separately identifiable intangible assets on business combinations	4,364	3,865
Deferred tax on financial assets	97	101
Deferred tax on share options	(153)	(182)
Other short-term temporary differences	(175)	(126)
Trading losses recognised	(518)	–
	2,189	2,698

Deferred tax credit/(expense) in Income Statement relates to the following:

	2018 £'000	2017 £'000
Intangible assets recognised on business combinations	531	403
Accelerated capital allowance	205	332
Deferred tax on share options	(10)	58
Other temporary differences	(78)	(287)
Trading losses recognised	(123)	–
	525	506

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.

15. Intangible assets

Goodwill

	2018 £'000	2017 £'000
Cost		
At 1st January	151,901	151,901
Arising on acquisitions during the year	7,822	–
At 31st December	159,723	151,901

15. Intangible assets (continued)

	2018 £'000	2017 £'000
Carrying amount of goodwill by cash generating unit (CGU)		
Estate Agency and Related Services companies		
Marsh & Parsons	**40,307**	40,307
Your Move	**41,897**	41,636
Group First	**13,913**	13,913
Reeds Rains	**16,763**	16,678
LSLi	**22,512**	22,512
RSC New Homes	**7,128**	–
Advance Mortgage Funding	**2,604**	2,604
First Complete	**3,998**	3,998
Personal Touch Financial Services	**348**	–
Templeton LPA	**336**	336
Others	**348**	348
	150,154	142,332
Surveying and Valuation Services company		
e.surv	**9,569**	9,569
	9,569	9,569
Total	**159,723**	151,901

Impairment of goodwill and other intangibles with indefinite useful lives

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

	2018 £'000	2017 £'000
Estate Agency and Related Services companies		
Marsh & Parsons	**11,724**	11,724
Your Move	**2,510**	2,510
Group First	**396**	396
Reeds Rains	**1,241**	1,241
LSLi	**1,675**	1,675
Advance Mortgage Funding	**180**	180
RSC New Homes	**43**	–
	17,769	17,726
Surveying and Valuation Services company		
e.surv	**1,305**	1,305
	1,305	1,305
Total	**19,074**	19,031

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).
  - Group First.

15. Intangible assets (continued)

- Reeds Rains.
- LSLi, which includes Intercounty, Frosts, JNP, Goodfellows, Davis Tate, Lauristons, Lawlors, Hawes & Co and Thomas Morris.
- Advance Mortgage Funding which includes BDS.
- Templeton LPA.
- St Trinity.
- First Complete.
- RSC New Homes.
- Personal Touch Financial Services.

- Surveying and Valuation Services company
  - e.surv.

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 cash-flow projections based on financial budgets approved by the Board and in the three year plan. The discount rate applied to cash-flow projections is 9.8% (2017: 10.3%) and cash-flows beyond the three year plan are extrapolated using a 1.8% growth rate (2017: 1.5%).

Surveying and Valuation Services company
The recoverable amount of the Surveying and Valuation Services company is also determined on a value-in-use basis using cash-flow projections based on financial budgets approved by the Board and in the three year plan. The discount rate applied to the cash-flow projections is 9.8% (2017: 10.3%). The growth rate used to extrapolate the cash-flows of the Surveying and Valuation Services company beyond the three year plan is 1.8% (2017: 1.5%).

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.
- Performance in the market.

Discount rates reflect the Management Team'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 17.0%) of 9.8%; external advice has been sought for certain elements of the source data. This is the benchmark used by the Management Team to assess operating performance and to evaluate future acquisition proposals.

Performance in the market reflects how the Management Team believes the business will perform over the three year period and is used to calculate the value-in-use of the CGUs.

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
The Management Team has undertaken sensitivity analysis to determine the effect of changes in assumptions on the 2018 impairment reviews. The key assumptions driving the carrying values are the discount rate applied to the cash-flow forecasts and the long-term growth rate applied. Marsh & Parsons has limited headroom (£2.4m) and in this instance a reasonable possible change in either of these assumptions could lead to impairment. A reduction in the long-term growth rate from 1.8% to 1.4%, or an increase to the discount factor applied from 9.84% to 10.20% would lead to an impairment. However, given the conservative cash-flows used in this impairment assessment and the moderate growth rate of 1.8% (market range of 1.4% to 3.3%) as well as the resilient performance of the CGU in a challenging market place during 2018 the Management Team is confident in the conclusion that no impairment is required as at 31st December 2018.

15. Intangible assets (continued)

Other intangible assets

As at 31st December 2018

	Brand names £'000	Lettings contracts £'000	Order book £'000	Other[1] £'000	Total £'000
Cost					
At 1st January 2018	19,222	15,954	–	8,379	43,555
Additions	–	–	–	1,139	1,139
Arising on acquisition during the year	43	1,817	228	4,305	6,393
At 31st December 2018	**19,265**	**17,771**	**228**	**13,823**	**51,087**
Aggregate amortisation and impairment					
At 1st January 2018	191	9,090	–	4,545	13,826
Charge for the year	–	2,628	228	2,445	5,301
At 31st December 2018	**191**	**11,718**	**228**	**6,990**	**19,127**
Carrying amount					
At 31st December 2018	**19,074**	**6,053**	**–**	**6,833**	**31,960**

As at 31st December 2017

	Brand names £'000	Lettings contracts £'000	Other[1] £'000	Total £'000
Cost				
At 1st January 2017	19,222	15,954	7,816	42,992
Additions	–	–	563	563
Arising on acquisition during the year	–	–	–	–
Disposals	–	–	–	–
At 31st December 2017	**19,222**	**15,954**	**8,379**	**43,555**
Aggregate amortisation and impairment				
At 1st January 2017	191	6,242	3,310	9,743
Charge for the year	–	2,848	1,235	4,083
Disposals	–	–	–	–
At 31st December 2017	**191**	**9,090**	**4,545**	**13,826**
Carrying amount				
At 31st December 2017	**19,031**	**6,864**	**3,834**	**29,729**

Note:

1 Other relates to in-house software and Estate Agency franchise agreements.

15. 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 both 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;
- Advance Mortgage Funding and BDS intermediary networks which were 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;
- Thomas Morris, a network of residential sales and lettings agencies which was acquired in February 2015;
- Group First, a financial services group which was acquired in 2016; and
- RSC New Homes, a financial services company which was acquired in 2018.

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.

16. Property, plant and equipment

As at 31st December 2018

	Freehold land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost					
At 1st January 2018	2,497	8,325	96	27,441	**38,359**
Additions	–	714	–	4,218	**4,932**
Acquisitions during the year	–	23	–	138	**161**
Disposals	(130)	(64)	(81)	(151)	**(426)**
At 31st December 2018	**2,367**	**8,998**	**15**	**31,646**	**43,026**
Depreciation and impairment					
At 1st January 2018	311	3,340	70	16,875	**20,596**
Charge for the year	47	911	–	4,716	**5,674**
Accelerated depreciation	–	–	–	109	**109**
Disposals	–	(64)	(56)	(99)	**(219)**
At 31st December 2018	**358**	**4,187**	**14**	**21,601**	**26,160**
Carrying amount					
At 31st December 2018	**2,009**	**4,811**	**1**	**10,045**	**16,866**

In 2018 assets with a book value of £207,000 were disposed in the year. This includes a leasehold property with a book value totalling £130,000 which was sold for net proceeds of £168,000 resulting in a profit on disposal of £38,000.

As at 31st December 2017

	Freehold land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost					
At 1st January 2017	2,497	9,196	96	27,774	39,563
Additions	–	493	–	4,433	4,926
Disposals	–	(1,364)	–	(4,766)	(6,130)
At 31st December 2017	**2,497**	**8,325**	**96**	**27,441**	**38,359**
Depreciation and impairment					
At 1st January 2017	300	3,094	63	17,264	20,721
Charge for the year	11	820	7	4,378	5,216
Disposals	–	(574)	–	(4,767)	(5,341)
At 31st December 2017	**311**	**3,340**	**70**	**16,875**	**20,596**
Carrying amount					
At 31st December 2017	**2,186**	**4,985**	**26**	**10,566**	**17,763**

In 2017 assets with a book value of £789,000 were disposed in the year. This includes leasehold property with a book value totalling £772,000 which was sold for net proceeds of £1,440,000 resulting in a profit on disposal of £668,000.

During 2017 the Management Team reviewed fully depreciated fixtures, fittings and computer equipment and judged that these should be derecognised.

17. Financial assets

Equity financial assets

	2018 £'000	2017 £'000
Unquoted shares at fair value	**11,566**	23,753
Quoted shares at fair value	**–**	1,529
	11,566	25,282
Opening balance	**25,282**	4,603
Additions	**13**	24,534
Disposals	**(2,266)**	(5,740)
Fair value adjustment recorded through Income Statement	**737**	–
Fair value adjustment recorded through OCI	**(12,200)**	1,885
Closing balance	**11,566**	25,282

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 31 to the Group Financial Statements).

ZPG Limited (ZPG)
Financial assets include warrants in ZPG. These warrants have been issued pursuant to terms agreed with ZPG relating to the provision of portal services to LSL's Estate Agency businesses. The Directors consider the best estimate of the fair value of LSL's warrants to be the share price and therefore valued using level 2 valuation techniques. In June 2018, the warrants were revalued to £2,266,000, recognising a gain of £737,000. These warrants were fully disposed in October 2018. In line with IFRS 9 (see Note 2 to the Group Financial Statements) the Group made the election to recognise the gain or loss in changes to the fair value of ZPG through the profit and loss. For this transition the modified retrospective approach was chosen, and therefore the current reserve balance relating to ZPG (£21,000) was transferred into the opening retained earnings balance.

Vibrant Energy Matters Limited (VEM)
The carrying value of the Group's investment in VEM at 31st December 2018 has been assessed as £722,000 (31st December 2017: £722,000).

NBC Property Master Limited
In June 2018, LSL subscribed for a further 1,230 ordinary shares in NBC Property Master Limited for a consideration of £13,000. The carrying value of the Group's investment at 31st December 2018 has been assessed as £78,000 (31st December 2017: £65,000).

Global Property Ventures Limited
The carrying value of the Group's investment in Global Property Ventures Limited at 31st December 2018 has been assessed as £250,000 (31st December 2017: £250,000).

eProp Services plc
The carrying value of the Group's investment in eProp Services plc at 31st December 2018 has been assessed as £2,716,000 (31st December 2017: £2,716,000).

Yopa Property Limited (Yopa)
The carrying value of the Group's investment in Yopa at 31st December 2018 has been assessed as £7,800,000 (31st December 2017: £20,000,000). The fair value of the Group's investment in Yopa has been assessed by using level 3 valuation techniques. This has led to the recognition of a fair value impairment of £12,200,000 which has been recognised in the Statement of Other Comprehensive Income.

18. Investments in joint ventures and associates

	2018 £'000	2017 £'000
Investment in joint ventures and associates	**13,230**	9,556
Investment in joint ventures		
Opening balance	**9,556**	8,762
Equity accounted profit	**101**	794
Closing balance	**9,657**	9,556

Along with two other entities, the Group holds an equal share of 33.33% (2017: 33.33%) interest in TM Group, a joint venture whose principal activity is to provide searches. The principal place of business of TM Group is the United Kingdom.

The Group also has a 50% (2017: 50%) interest in LMS, a joint venture whose principal activity is to provide conveyancing panel management 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 ended are as follows:

	2018 £'000	2017 £'000
Share of the joint ventures' balance sheets:		
Non-current assets	**9,031**	7,098
Current assets	**4,584**	5,968
Current liabilities	**(3,958)**	(3,510)
Share of net assets	**9,657**	9,556

	2018 £'000	2017 £'000
Share of the joint ventures' results:		
Revenue	**30,194**	35,549
Operating expenses	**(30,077)**	(34,572)
Operating profit	**117**	977
Finance income	**8**	7
Profit before tax	**125**	984
Taxation	**(24)**	(190)
Profit after tax	**101**	794
Shareholder service charge	**685**	789
Income from joint ventures	**786**	1,583

Non-current assets include £5,008,000 (2017: £5,008,000) in respect of goodwill arising on the acquisition of shares in LMS. The shareholder service charge received was from TM Group.

	2018 £'000
Investment in associate	**3,573**
Opening balance	–
Acquisitions	**4,100**
Equity accounted loss	**(527)**
Closing balance	**3,573**

In July 2018 the Group acquired 33.85% holding in Mortgage Gym, a digital mortgage business, for cash consideration of £4,000,000, a further investment of £100,000 was made in September 2018 increasing LSL's holding to 34.69%.

18. Investments in joint ventures and associates (continued)

The share of the assets, liabilities, income and expenses of the associate at 31st December and for the years then ended are as follows:

	2018 £'000
Share of the associates' balance sheets:	
Non-current assets	3,186
Current assets	523
Current liabilities	(136)
Share of net assets	3,573

	2018 £'000
Share of the associates' results:	
Revenue	27
Operating expenses	(678)
Operating (loss)	(651)
(Loss) before tax	(651)
Taxation	124
(Loss) after tax	(527)
(Loss) from associate	(527)

19. Contract assets

	2018 £'000
Non-current contract asset	959
Current contract asset	262
	1,221

In accordance with IFRS 15 £1.2m of costs relating to the reimbursement of costs associated with the award of material surveying contract with Lloyds Bank plc has been recognised as a contract asset. This reimbursement will be amortised over the term of the contract. The amount of amortisation recognised in the Income Statement in 2018 is £90,000.

20. Trade and other receivables

	2018 £'000	2017 £'000
Current		
Trade receivables	24,123	19,029
Prepayments	13,852	11,604
Other debtors	675	724
	38,650	31,357

Trade receivables are non-interest-bearing and are generally on 4-30 day terms depending on the services to which they relate.

As at 31st December 2018, trade receivables with a nominal value of £3,020,000 (2017: £2,166,000) were impaired and fully provided for.

20. Trade and other receivables (continued)

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2018 £'000	2017 £'000
At 1st January	**2,166**	2,546
Provision for expected credit losses	**1,161**	468
Amounts written off	**(307)**	(848)
At 31st December	**3,020**	2,166

The chosen method of recognising the expected credit loss across the Group is the simplified approach allowing a provision matrix to be used, which is based on the expected life of trade receivables, historic default rates and forward looking information.

The provision for expected credit losses has increased following the acquisition of Personal Touch Financial Services and RSC New Homes (see Note 29 to the Group Financial Statements).

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

The expected credit loss rate applied ranges from 1% (Neither past due nor impaired) to 42% (> 120 days).

	Total £'000	Neither past due nor impaired £'000	<30 days £'000	30–60 days £'000	60 – 90 Days £'000	90 – 120 days £'000	> 120 days £'000
2018	**24,123**	**14,750**	**5,837**	**1,825**	**752**	**481**	**478**

			Past due but not impaired	
	Total £'000	Neither past due nor impaired £'000	0–90 days £'000	>90 days £'000
2017[1]	19,029	12,770	5,959	300

Note:

1 The Group has initially applied IFRS 9 as at 1st January 2018 and has not restated comparatives.

21. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash and cash equivalents	**2,405**	–

Cash at bank earns interest at floating rates based on daily bank overnight deposit rates.

22. Trade and other payables

	2018 £'000	2017 £'000
Current		
Trade payables	**12,819**	6,009
Other taxes and social security payable	**12,193**	10,364
Other payables	**1,512**	686
Accruals	**37,456**	36,359
	63,890	53,418

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.

23. Financial liabilities

	2018 £'000	2017 £'000
Current		
Overdraft	–	2,978
2% unsecured loan notes	–	2,000
Deferred consideration	1,999	71
Contingent consideration	8,457	1,405
	10,455	6,454
Non-current		
Bank loans – RCF	34,500	27,000
2% unsecured loan notes	–	–
Deferred consideration	75	–
Contingent consideration	6,581	7,654
	41,156	34,654

Bank loans – RCF and overdraft

A £100.0m loan facility which was due to expire in May 2020 was extended in January 2018 and now expires in May 2022. Loan refinance costs were incurred in June 2013 which have been capitalised and are being amortised over the life of the original loan facility.

The bank loan totalling £34.5m (2017: £27.0m) and overdraft totalling £nil (2017: £3.0m) are secured via cross guarantees issued from all of the Group's subsidiaries excluding the following subsidiaries, Lending Solutions Limited, Homefast Property Services, Linear (Linear Mortgage Network and Linear Financial Services), Templeton LPA, Barnwoods, Chancellors Associates, Group First, Personal Touch Financial Services, and RSC New Homes.

The utilisation of the RCF may vary each month as long as this does not exceed the maximum £100.0m facility (2017: £100.0m). The Group's overdraft is also secured on the same facility, and the combined overdraft and RCF cannot exceed £100.0m (2017: £100.0m). The banking facility is repayable when funds permit on or by May 2022.

Interest and fees payable on the RCF amounted to £1.4m (2017: £1.3m). The interest rate applicable to the facility is LIBOR plus a margin rate; the margin rate is linked to the leverage ratio of the Group and the margin rate is reviewed at six monthly intervals.

12% and 2% unsecured loan notes

A variation of the 2011 loan notes, issued as part satisfaction of the consideration of Marsh & Parsons, was agreed on the retirement of Peter Rollings in March 2016. The total principal amount of the 2011 Loan Note was paid but at a reduced rate of interest of 2%. The first instalment was paid in July 2016, with the final payment of £2m being paid in March 2018.

Deferred consideration liability

	2018 £'000	2017 £'000
Deferred consideration		
RSC New Homes	9	–
Personal Touch Financial Services	1,990	–
LSLi	75	71
	2,074	71

Charge on contingent consideration

	2018 £'000	2017 £'000
Charge on contingent consideration	1,783	654

23. Financial liabilities (continued)

The exceptional contingent consideration charge recognised in the year relates to both new and previous acquisitions, primarily a charge of £53,000 in LSLi, charge of £1,805,000 in Mortgage First, charge of £2,000 in LMS, and credit of £79,000 in RSC New Homes (2017: a charge of £282,000 in LSLi and £372,000 in Mortgage First).

	2018 £'000	2017 £'000
LSLi contingent consideration	**488**	1,710
LMS	**–**	1
Group First	**9,476**	7,098
RSC New Homes	**4,751**	–
Other	**323**	250
	15,038	9,059
Opening balance	**9,059**	10,096
Cash paid	**(1,392)**	(2,175)
Acquisition	**4,773**	–
Amounts recorded through Income Statement	**2,598**	1,138
Closing balance	**15,038**	9,059

£488,000 (2017: £1,710,000) of contingent consideration relates to payments to third parties in relation to the acquisition of LSLi and certain of its subsidiaries between 2012 and 2016. This is typically payable between three and five years after the acquisition dates depending on the profitability of those subsidiaries in the relevant years.

£9,476,000 of contingent consideration relates to Group First (2017: £7,098,000). The additional consideration will be calculated on an earnings multiple of between five and six times EBITA (plus excess cash in the business) and has been capped at a maximum of £25.0m.

£4,751,000 of contingent consideration relates to RSC New Homes. The additional consideration will be calculated on an earnings multiple of between five and six times EBITA (plus excess cash in the business) and has been capped at a maximum of £7,500,000.

During 2018 £1,392,000 (2017: £6,965,000) of deferred and contingent consideration was paid to third parties.

The table below shows the allocation of the contingent consideration balance and income charge between the various categories:

	2018 £'000	2017 £'000
Remuneration	**–**	–
Put options over non-controlling interests	**–**	1
Arrangement under IFRS 3	**15,038**	9,058
Closing balance	**15,038**	9,059
Contingent consideration profit and loss impact in the period relating to amounts accounted for as:		
Remuneration	**–**	13
Put options over non-controlling interests	**2**	–
Arrangement under IFRS 3	**1,781**	641
Unwinding of discount on contingent consideration	**815**	484
Debit/(credit)	**2,598**	1,138

24. Provisions for liabilities

	2018			2017		
	Professional indemnity claim provision £'000	**Onerous leases £'000**	**Total £'000**	Professional indemnity claim provision £'000	Onerous leases £'000	Total £'000
Balance at 1st January	**15,916**	**210**	**16,126**	20,686	678	21,364
Amount utilised	**(1,985)**	**(85)**	**(2,070)**	(3,342)	(263)	(3,605)
Amount released	**(2,187)**	**(55)**	**(2,242)**	(2,714)	(229)	(2,943)
Unwinding of discount	**43**	**–**	**43**	200	–	200
Reallocated from accruals	**–**	**–**	**–**	290	–	290
Provided in financial year	**643**	**60**	**703**	796	24	820
Balance at 31st December	**12,430**	**130**	**12,560**	15,916	210	16,126
Current	**6,525**	**91**	**6,616**	2,740	110	2,850
Non-current	**5,905**	**39**	**5,944**	13,176	100	13,276
	12,430	**130**	**12,560**	15,916	210	16,126

PI Costs (professional indemnity claims) provision
The PI Costs provision is to cover the costs of claims relating to valuation services for clients which are not covered by PI insurance. The PI Costs 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 Costs 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 2018 the total provision for PI Costs was £12.4m. The Directors have considered the sensitivity analysis on the key risks and uncertainties discussed above.

Cost per claim
A substantial element of the PI Costs 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 £0.9m 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 £0.2m.

Notifications
The Group 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 less than £0.1m would be required.

25. 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 23 to these Financial Statements). Future minimum rentals payable under these operating leases are as follows:

	2018			2017		
	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	**8,484**	**2,858**	**11,342**	8,267	2,635	10,902
After one year but not more than five years	**17,934**	**4,627**	**22,561**	18,443	2,184	20,627
After five years	**6,005**	**–**	**6,005**	8,337	–	8,337
	32,423	**7,485**	**39,908**	35,047	4,819	39,866

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:

	2018 Land and buildings £'000	2017 Land and buildings £'000
No later than one year	**321**	351
After one year but not more than five years	**250**	505
After five years	**15**	248
	586	1,104

26. Share capital

	2018		2017	
	Shares	**£'000**	Shares	£'000
Authorised:				
Ordinary Shares of 0.2 pence 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

27. 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 13 gives further details of these plans.

Shares held by EBT

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 2018 the Trust held 1,495,189 (2017: 1,511,155) LSL Shares at an average cost of £3.51 (2017: £3.51). The market value of the LSL Shares at 31st December 2018 was £3,281,940 (2017: £4,227,456). The nominal value of each Share is 0.2 pence.

Fair value reserve

The fair value reserve is used to record the changes in fair value of equity financial assets that the Group has elected to recognise through OCI. Note 17 to these Financial Statements gives further details of the movement in the current year.

28. Pension costs and commitments

The Group operates defined contribution pension schemes for certain 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 £4,398,000 (2017: £2,411,000). There was an outstanding amount of £784,180 in respect of pensions as at 31st December 2018 (2017: £388,000).

29. Acquisitions during the year

Year ended 31st December 2018
The Group acquired the following businesses during the year.

• Lettings books
During the period the Group acquired six lettings books for a total consideration of £1,853,000. The fair value of the identifiable assets and liabilities of these businesses as at the date of acquisition have been provisionally determined as below:

	Fair value recognised on acquisition £'000
Intangible Assets	1,817
Deferred tax liabilities	(309)
Total identifiable net liabilities acquired	**1,508**
Purchase consideration	1,853
Goodwill	345

	£'000
Purchase consideration discharged by:	
Cash	1,670
Contingent consideration	183
	1,853

	£'000
Analysis of cash-flow on acquisition	
Transaction costs (included in cash-flows from operating activities)	–
Net cash acquired with the subsidiaries and other businesses	–
Purchase consideration discharged in cash (included in cash-flows from investing activities)	345
Net cash outflow on acquisition	345

• Personal Touch Financial Services
In January 2018, the Group acquired the entire issued share capital of Personal Touch Financial Services and its subsidiary company, Personal Touch Administration Services from Personal Touch Holdings Limited. Personal Touch Financial Services is a financial services business specialising in the provision of mortgage and other financial services products via its network of intermediaries. Personal Touch Financial Services is authorised by the FCA with 200 appointed representative firms and 474 advisers at 31st December 2018.

29. Acquisitions during the year (continued)

The consideration for the initial investment was £5.4m with £3.6m paid on completion and a present value deferred consideration of £1.8m in January 2019. The purchase price allocations for the acquisition made has now been finalised, with no changes made to the provisional purchase price allocations as disclosed below:

	Fair value recognised on acquisition £'000
Intangible assets	4,305
Property, plant and equipment	121
Trade and other receivables	3,617
Cash and cash equivalents	6,795
Deferred tax asset	921
Trade and other payables	(10,010)
Deferred tax liability	(657)
Total identifiable net assets acquired	**5,092**
Purchase consideration	5,440
Goodwill	348

	£'000
Purchase consideration discharged by:	
Cash	3,562
Present value deferred consideration	1,878
	5,440

	£'000
Analysis of cash-flow on acquisition	
Transaction costs (included in cash-flows from operating activities)	518
Net cash acquired with the subsidiaries and other businesses	(6,795)
Purchase consideration discharged in cash (included in cash-flows from investing activities)	3,562
Net cash outflow on acquisition	**(2,715)**

As defined in IFRS 3 the Group has recognised, separately from goodwill, the identifiable intangible assets acquired in the business combination. The assets identified include the in-house developed software Toolbox.

From the date of acquisition, Personal Touch Financial Services has contributed £8.7m of revenue and £1.0m to the profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been £9.5m and the profit from continuing operations for the year would have been £0.2m.

- **RSC New Homes**

In March 2018, the Group, through a wholly owned subsidiary, acquired a 60% interest in RSC New Homes, who provide mortgage and protection brokerage services to the purchases of new homes. The consideration for the initial investment was £5.3m cash, with £2.5m paid on completion and the remaining subject to put and call options which are exercisable between 2022 and 2023. The contingent consideration is the Management Team's best estimation of the probable discounted pay-out (using a rate of 6.5%), based upon current forecasts over the earn out period. Due to the nature of the payment terms, the contingent consideration is considered to be a capital payment for accounting purposes.

29. Acquisitions during the year (continued)

The purchase price allocations for the acquisition made has now been finalised, with goodwill increasing by £0.2m.

	Fair value recognised on acquisition £'000
Intangible assets	271
Property, plant and equipment	40
Trade and other receivables	403
Cash and cash equivalents	149
Trade and other payables	(619)
Current tax liability	(200)
Deferred tax liability	(46)
Total identifiable net assets acquired	**(2)**
Purchase consideration	7,126
Goodwill	**7,128**

	£'000
Purchase consideration discharged by:	
Cash	2,500
Present value deferred consideration	9
Contingent consideration	4,617
	7,126

	£'000
Analysis of cash-flow on acquisition	
Transaction costs (included in cash-flows from operating activities)	29
Net cash acquired with the subsidiaries and other businesses	(149)
Purchase consideration discharged in cash (included in cash-flows from investing activities)	2,500
Net cash outflow on acquisition	**2,380**

As defined in IFRS 3 the Group has recognised, separately from goodwill, the identifiable intangible assets acquired in the business combination. The assets identified include the RSC New Homes brand and the pipeline of work acquired. As disclosed to the market on acquisition, there are strong customer relationships between RSC New Homes and key house builders, however, these relationships do not qualify as an intangible asset given they do not fulfil either the separability criterion or the contractual-legal criterion. This has been fully explored by the Management Team who are confident that given that no economic benefit passes between the two parties in this relationship (the housebuilder and RSC New Homes) there is no asset that can be "separated or divided" and "sold, transferred, licensed, rented or exchanged".

From the date of acquisition, RSC New Homes has contributed £3.4m of revenue and £0.6m to the net profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been £4.3m and the profit from continuing operations for the year would have been £0.5m.

The goodwill represents expected synergies and intangible assets that do not qualify for separate recognition. The maximum undiscounted contingent consideration sum payable is capped at £7.5m.

Year ended 31st December 2017
The Group made no acquisitions in 2017.

30. Client monies

As at 31st December 2018, monies held by subsidiaries in separate bank accounts on behalf of clients amounted to £108,599,000 (2017: £104,641,000). Neither this amount, nor the matching liabilities to the clients concerned are included in the Group balance sheet.

31. Financial instruments – risk management

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

The Group 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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. 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
2018	**+100**	**(345)**
	–100	**345**
2017	+100	(270)
	–100	270

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 RCF and to make acquisitions. However, the requirement to pay creditors is managed through future cash generation and, if required, from the RCF.

The Group monitors its risk of 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.

Cash at the 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 £2.4m (2017: £nil). At 31st December 2018, the Group had available £65.5m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met (2017: £73.0m).

31. Financial instruments – risk management (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31st December 2018 based on contractual undiscounted payments:

Year ended 31st December 2018

	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)	–	252	770	36,968	–	37,990
Trade payables	–	12,259	–	–	–	12,259
Other payables	–	36,452	–	–	–	36,452
Contingent consideration	–	8,195	388	8,346	–	16,929
Deferred consideration	–	2,009	–	80	–	2,089
	–	59,167	1,158	45,394	–	105,719

Year ended 31st December 2017

	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)	2,979	2,184	548	27,582	–	33,293
Trade payables	–	6,009	–	–	–	6,009
Other payables	–	36,905	–	–	–	36,905
Contingent consideration	–	662	742	9,646	–	11,050
Deferred consideration	–	–	–	71	–	71
	2,979	45,760	1,290	37,299	–	87,328

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 RCF 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 meet its 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 (which were repaid during 2018) are excluded from this ratio as they are unsecured and are not used in the calculation of the Group's banking covenant.

31. Financial instruments – risk management (continued)

The Group has a current ratio of Net Bank Debt (excluding loan notes) to EBITDA of 0.8 (2017: 0.7), based on Net Bank Debt (excluding loan notes) of £32.1m (2017: £30.0m) and operating profit before exceptional costs, amortisation and share-based payment charge of £35.9m (2017: £37.5m). 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. The Board has reviewed the policy in line the risks and capital management decisions facing the Group.

Net Bank Debt is defined as follows:

	2018 £'000	2017 £'000
Interest-bearing loans and borrowings (including loan notes, overdraft, contingent and deferred consideration)	**51,612**	41,108
Less: 2% unsecured loan notes	**–**	(2,000)
Less: cash and short-term deposits	**(2,405)**	–
Less: deferred and contingent consideration	**(17,112)**	(9,129)
Net Bank Debt (excluding loan notes)	**(32,095)**	(29,979)

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. This minimises 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.

Financial instruments are grouped on a subsidiary basis to apply the expected credit loss model.

The chosen method of recognising the expected credit loss across the Group is the simplified approach allowing a provision matrix to be used, which is based on the expected credit life of trade receivables, historic default rates and forward looking information. Trade receivable balances are written off when the probability of recovery is assessed as being remote.

Interest rate risk profile of financial assets and liabilities

LSL's treasury policy is described 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 2018 are as follows:

	Within 1 year £'000	**1–2 years £'000**	**2–3 years £'000**	**3–4 years £'000**	**Total £'000**
Floating rate					
Overdraft	–	–	–	–	–
RCF	–	–	–	(34,500)	(34,500)

The effective interest rate and the actual interest rate charged on the loans in 2018 are as follows:

	Effective rate	**Actual rate**
RCF	**3.1%**	**2.0%**

The effective interest rate on the RCF during the year is higher than the actual rate due to commitment fees payable on undrawn amounts.

31. Financial instruments – risk management (continued)

The interest rate profile of the financial assets and liabilities of the Group as at 31st December 2017 are as follows:

	Within 1 year £'000	1–2 years £'000	2–3 years £'000	3–4 years £'000	Total £'000
Fixed rate					
RCF	–	–	–	–	–
Interest-bearing loans	(2,000)	–	–	–	(2,000)
Floating rate					
Overdraft	(2,979)	–	–	–	(2,979)
RCF	–	–	–	(27,000)	(27,000)

The effective interest rate and the actual interest rate charged on the loans in 2017 are as follows:

	Effective rate	Actual rate
RCF	4.1%	1.5%
2% unsecured loan notes	2.0%	2.0%

The effective interest rate on the RCF during the year is higher than the actual rate due to commitment fees payable on undrawn amounts.

Fair values of financial assets and financial liabilities

There are no differences between the carrying amounts and fair values of all of the Group's financial instruments that are carried in the Financial Statements.

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.

2018	**£'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Assets measured at fair value				
Financial assets	**11,566**	**–**	**–**	**11,566**
Liabilities measured at fair value				
Contingent consideration	**15,038**	**–**	**–**	**15,038**

2017	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	25,282	–	1,529	23,753
Liabilities measured at fair value				
Contingent consideration	9,059	–	–	9,059

31. Financial instruments – risk management (continued)

The fair value of equity financial assets that are not traded in the open market (£3.8m) are valued using Level 3 techniques in accordance with the fair value hierarchy and the Management Team use all relevant and up to date information (including cash-flow forecasts and financial statements) to arrive at their judgement. Where appropriate a range of potential outcomes is considered in reaching a conclusion. If this was to drop by 10%, the implied valuation is likely to also drop by around 10%, £1.2m.

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 23.

If the future profitability of the entities was to decline by 10%, the size of the contingent consideration would decrease by approximately £0.8m.

32. Analysis of Net Bank Debt (excluding loan notes)

	2018 £'000	2017 £'000
Interest-bearing loans and borrowings		
– Current	10,456	6,454
– Non-current	41,156	34,654
	51,612	41,108
Less: unsecured loan notes	–	(2,000)
Less: cash and short-term deposits	(2,405)	–
Less: deferred and contingent consideration	(17,112)	(9,129)
Net Bank Debt at the end of the year	32,095	29,979

33. Related party transactions

As disclosed in Note 18 to these Financial Statements LSL has two joint ventures (LMS and TM Group) and an associate (Mortgage Gym).

Transactions with LMS and its subsidiaries

	2018 £'000	2017 £'000
Sales	3	30

Transactions with TM Group and its subsidiaries

	2018 £'000	2017 £'000
Sales	1,510	1,430
Purchases	(204)	(42)
Year end creditor balance	–	(9)

Transactions with Mortgage Gym

	2018 £'000
Purchases	(20)
Year end creditor balance	(67)

Transactions with Global Property Ventures

	2018 £'000
Purchases	11

34. Capital commitments

	2018 £'000	2017 £'000
Capital expenditure contracted for but not provided	67	32

35. 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, with the exception of Albany Insurance Company (Guernsey) Limited, which is incorporated in Guernsey, 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	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
Lending Solutions Holdings Limited	1	Direct	LSL Property Services plc	100%	Holding Company
Lending Solutions Limited	1	Indirect	Lending Solutions Holdings Limited	100%	Non Trading
Energy-Assessors.com Ltd^	2	Direct	LSL Property Services plc	100%	Non Trading
Estate Agency and Related Services – Asset Management					
LSL Corporate Client Services Limited	1	Direct	LSL Property Services plc	100%	Asset Management
St Trinity Limited	1	Direct	LSL Property Services plc	100%	Asset Management
Templeton LPA Limited	1	Indirect	First Complete Limited	100%	Asset Management
Estate Agency and Related Services – Residential Sales and Lettings					
Appleton Estates and Property Management Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
Bawtry Lettings and Sales Limited	2	Indirect	your–move.co.uk Limited	100%	Non Trading
Beldhamland Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Brown North East Lettings Ltd	2	Indirect	your–move.co.uk Limited	100%	Non Trading
Charterhouse Management (UK) Limited	2	Indirect	your–move.co.uk Limited	100%	Non Trading
David Frost Estate Agents Limited	2	Indirect	Vitalhandy Enterprises Limited	100%	Residential Sales and Lettings
Davis Tate Ltd	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
EA Student Lettings Ltd	2	Indirect	your–move.co.uk Limited	100%	Non Trading
Eastside Property Developments Ltd	2	Indirect	your–move.co.uk Limited	100%	Non Trading
Elliott & Freeth Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
Fourlet (York) Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Front Door Property Management Ltd	2	Indirect	ICIEA Limited	100%	Non Trading

35. Subsidiary and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
GFEA Limited	2	Indirect	LSLi Limited	100%	Residential Sales and Lettings and Holding Company
Guardian Property Lettings Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Hawes & Co Limited	2	Indirect	LSLi Limited	93%	Residential Sales, Lettings and Holding Company
Hawes & Co (Thames Ditton) Limited	2	Indirect	Hawes & Co Limited	100%	Non Trading
Headway Property Management Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Holloways Residential Ltd	2	Indirect	your–move.co.uk Limited	100%	Non Trading
Home and Student Link Limited	2	Indirect	your–move.co.uk Limited	100%	Non Trading
Homefast Property Services Limited	2	Indirect	Lending Solutions Holdings Limited	77.5%	Non Trading
ICIEA Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
Inter County Lettings Limited	2	Indirect	ICIEA Limited	100%	Non Trading
IQ Property (Hull) Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
JNP Estate Agents Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
JNP Estate Agents (Princes Risborough) Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
JNP (Residential Lettings) Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
JNP (Surveyors) Limited	2	Indirect	LSLi Limited	100%	Non Trading
Kent Property Solutions Limited	2	Indirect	your–move.co.uk Limited	100%	Non Trading
LSL Land & New Homes Limited^^	2	Indirect	your–move.co.uk Limited	100%	Residential Sales
Lauristons Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
Lawlors Property Services Limited	2	Indirect	LSLi Limited	100%	Residential Sales and Lettings
Lets Move Property Limited	2	Indirect	your–move.co.uk Limited	100%	Non Trading
LSLi Limited	1	Direct	LSL Property Services plc	100%	Residential Sales, Lettings, Financial Services and Holding Company

35. Subsidiary and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
Marsh & Parsons Limited	3	Indirect	Marsh & Parsons (Holdings) Limited	100%	Residential Sales, Lettings and Holding Company
Marsh & Parsons (Holdings) Limited	2	Direct	LSL Property Services plc	100%	Holding Company
Marshcroft Properties Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
New Daffodil Limited	2	Direct	LSL Property Services plc	100%	Non Trading
New Let Limited	2	Indirect	your–move.co.uk Limited	100%	Non Trading
Paul Graham Lettings & Management Ltd	2	Indirect	GFEA Limited	100%	Non Trading
Philip Green Lettings Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
PHP Lettings Scotland Limited	4	Indirect	your–move.co.uk Limited	100%	Non Trading
Prestons Lettings Ltd	2	Indirect	Reeds Rains Limited	100%	Non Trading
Reeds Rains Limited	2	Direct	LSL Property Services plc	100%	Residential Sales, Lettings, Financial Services and Holding Company
Reeds Rains Cleckheaton Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Thomas Morris Limited	1	Indirect	LSLi Limited	93.33%	Residential Sales and Lettings
Vanstons (Barnes) Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vanstons Commercial Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vanstons Lettings Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vanstons Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vitalhandy Enterprises Limited	2	Indirect	LSLi Limited	100%	Holding Company
Warners Letting Agency Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Woollens of Wimbledon Limited	2	Indirect	Lauristons Limited	100%	Non Trading
Yates Lettings Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
your-move.co.uk Limited	1	Indirect	Lending Solutions Holdings Limited	100%	Residential Sales, Lettings, Financial Services and Holding Company

35. Subsidiary and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
Zenith Properties Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Estate Agency and Related Services – Financial Services					
Advance Mortgage Funding Limited	1	Direct	LSL Property Services plc	100%	Financial Services
BDS Mortgage Group Limited	1	Indirect	Advance Mortgage Funding Limited	100%	Financial Services
Embrace Financial Services Ltd^^^	2	Direct	LSL Property Services plc	100%	Financial Services
First Complete Limited	1	Indirect	Lending Solutions Holdings Limited	100%	Financial Services and Holding Company
First2Protect Limited	2	Indirect	your–move.co.uk Limited	100%	Financial Services
Group First Ltd	2	Indirect	your–move.co.uk Limited	65%	Holding Company
Insurance First Brokers Ltd	2	Indirect	Group First Ltd	100%	Financial Services
Linear Financial Services Limited	2	Indirect	Linear Financial Services Holdings Limited	100%	Non Trading
Linear Financial Services Holdings Limited	2	Indirect	First Complete Limited	100%	Holding Company
Linear Mortgage Network Holdings Limited	2	Indirect	First Complete Limited	100%	Holding Company
Linear Mortgage Network Limited	2	Indirect	Linear Mortgage Network Holdings Limited	100%	Financial Services
Mortgages First Ltd	2	Indirect	Group First Ltd	100%	Financial Services
Personal Touch Administration Services Limited^^^^	2	Indirect	Personal Touch Financial Services Limited	100%	Financial Services
Personal Touch Financial Services Limited^^^^	2	Direct	LSL Property Services plc	100%	Financial Services
Reeds Rains Financial Services Limited	2	Indirect	Reeds Rains Limited	100%	Financial Services
RSC New Homes Limited^^^^^	2	Indirect	your–move.co.uk Limited	60%	Financial Services

35. Subsidiary and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
Surveying and Valuation Services					
Albany Insurance Company (Guernsey) Limited	9	Direct	LSL Property Services plc	100%	Captive Insurer
Barnwoods Limited	2	Direct	LSL Property Services plc	100%	Non Trading
Chancellors Associates Limited	5	Indirect	e.surv Limited	100%	Chartered Surveyors
e.surv Limited	5	Direct	LSL Property Services plc	100%	Chartered Surveyors
Joint Ventures and Associates					
Cybele Solutions Holdings Limited#	7	Direct	LSL Property Services plc	50%	Joint Venture – Holding Company
Cybele Solutions Limited#	7	Indirect	Cybele Solutions Holdings Limited	50%	Joint Venture – Conveyancing panel manager
Mortgage Gym Limited#	10	Direct	LSL Property Services plc	34.69%	Associate – Financial Services
TM Group (UK) Limited#	8	Direct	LSL Property Services plc	33.33%	Joint Venture – Property Searches

Registered office address:

1. Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, NE4 7YB

2. 2nd Floor, Gateway 2, Holgate Park Drive, York, YO26 4GB

3. 80 Hammersmith Road, London, W14 8UD

4. 25 North Bridge Street, Bathgate, West Lothian, EH48 4PJ

5. Lahnstein House, Gold Street, Kettering, Northamptonshire, NN16 8AP

6. Unit 2 Guards Avenue, The Village, Caterham on The Hill, Surrey, CR3 5XL

7. Bickerton House, Lloyd Drive, Ellesmere Port, Cheshire, CH65 9HQ

8. 1200 Delta Business Park, Swindon, Wiltshire, England, SN5 7XZ

9. The Albany, South Esplanade, St Peters Port, Guernsey, GY1 4NF

10. Fourth Floor Abbots House, Abbey Street, Reading, Berkshire, RG1 3BD

Notes:

^ energy-assessors.com Limited on 14th January 2019 was re-named RSC Protect Limited and its shares were transferred from being held directly by LSL Property Services plc to indirectly by RSC New Homes. Since 24th January 2019 its nature of business is ‘Financial Services’.

^^ LSL Land & New Homes was until 25th April 2018 named Repartir Limited and its shares were held directly by LSL Property Services plc until 9th April 2018. Its nature of business was ‘Non Trading’ until 30th April 2018.

^^^ Embrace Financial Services Ltd was until 10th September 2018 named LSL-One Limited and its nature of business was ‘Non Trading’ until 30th October 2018.

^^^^Personal Touch Financial Services and Personal Touch Administration Services Limited joined the Group on 30th January 2018.

^^^^^RSC New Homes joined the Group 28th March 2018.

Joint Ventures and Associates.

36. Post Balance Sheet events

On 5th February 2019 LSL announced an Estate Agency Strategy: ways of working programme update and work has now commenced on the reshaping of the Your Move and Reeds Rains branch networks. As disclosed on 5th February 2019, LSL expects to incur an exceptional P&L charge of approximately £14m in 2019 and £1m in 2020, with cash costs amounting to approximately £12m over the three years from 2019 to 2021 including approximately £9m cash costs in 2019.

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 IFRS 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 IFRS, 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

as at 31st December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Other intangible assets	3	**7**	7
Property, plant and equipment	4	**14**	8
Investment in subsidiaries	5	**187,807**	182,144
Financial assets	6	**10,766**	24,495
Investment in joint ventures and associates	7	**11,335**	7,235
Deferred tax asset	11	**120**	112
		210,049	214,001
Current assets			
Trade and other receivables	8	**46,450**	50,893
Total assets		**256,499**	264,894
Current liabilities			
Trade and other payables	9	**(105,204)**	(103,058)
Financial liabilities	10	**(18,552)**	(19,672)
		(123,756)	(122,730)
Non-current liabilities			
Financial liabilities	10	**(34,500)**	(27,001)
Deferred tax liability	11	**–**	(4)
		(34,500)	(27,005)
Total liabilities		**(158,256)**	(149,735)
Net assets		**98,243**	115,159
Equity			
Share capital	12	**208**	208
Share premium account	13	**5,629**	5,629
Share-based payment reserve	13	**4,129**	3,802
LSL Shares held by the EBT	13	**(5,261)**	(5,317)
Fair value reserve	13	**(12,200)**	21
Retained earnings	14	**105,738**	110,816
Total equity		**98,243**	115,159

The profit after tax for the year, attributable to the company, was £6.5m (2017: £14.7m).

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

Ian Crabb
Group Chief Executive Officer
5th March 2019

Adam Castleton
Group Chief Financial Officer
5th March 2019

Parent Company Statement of Cash-Flows

for the year ended 31st December 2018

	Note	2018 £'000	2017 £'000
Parent operating profit before tax and interest		**5,462**	12,946
Adjustments for:			
Exceptional gain on sale of financial assets	10	**(1)**	(2,049)
Depreciation of tangible assets	4	**1**	1
Share-based payments		**105**	(189)
Finance costs		**1,627**	1,101
Dividend income/rebates received via non-cash consideration		**(10,000)**	(19,503)
Realisation of non-cash consideration received for operating activities		**1,529**	–
Operating cash-flows before movements in working capital		**(1,277)**	(7,693)
Movements in working capital			
Decrease in trade and other receivables	8	**20,414**	24,102
(Decrease)/increase in trade and other payables	9	**(5,799)**	5,628
		14,615	29,730
Cash generated from operations		**13,338**	22,037
Interest paid		**(1,494)**	(1,101)
Income taxes paid		**(6,985)**	(10,517)
Net cash generated from operating activities		**4,859**	10,419
Cash-flows used in investing activities			
Acquisitions of subsidiaries and other businesses		**(3,562)**	–
Investment in joint ventures and associates		**(4,100)**	–
Investment in financial assets	6	**–**	(23,941)
Proceeds from sale of financial instruments		**–**	3,024
Dividends received from subsidiaries		**10,000**	6,000
Purchases of property, plant and equipment		**(7)**	(7)
Net cash generated/(expended) on investing activities		**2,331**	(14,924)
Cash-flows used in financing activities			
Proceeds from borrowings		**7,500**	10,500
Repayment of overdraft	2	**(3,110)**	4,577
Proceeds from exercise of share options		**20**	–
Dividends paid to equity holders of the parent		**(11,600)**	(10,572)
Net cash (expended)/generated in financing activities		**(7,190)**	4,505
Net increase/(decrease) in cash and cash equivalents		**–**	–
Cash and cash equivalents at the end of the year		**–**	–

Parent Company Statement of Changes in Equity

for the year ended 31st December 2018

For the year ended 31st December 2018

	Issued capital £'000	Share premium £'000	Share-based payment reserve £'000	Shares held by EBT[1] £'000	Fair value reserve £'000	Retained earnings £'000	Total £'000
As at 1st January 2018	**208**	**5,629**	**3,802**	**(5,317)**	**21**	**110,816**	**115,159**
Adjustment on initial application of IFRS 9	–	–	–	–	(21)	21	–
Other comprehensive income for the year	–	–	–	–	(21)	21	–
Revaluation of financial assets	–	–	–	–	(12,200)	–	(12,200)
Profit for the year	–	–	–	–	–	6,516	6,516
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(12,221)**	**6,537**	**(5,684)**
Exercise of options	–	–	(22)	56	–	(15)	19
Share-based payment transactions	–	–	349	–	–	–	349
Dividends	–	–	–	–	–	(11,600)	(11,600)
As at 31st December 2018	**208**	**5,629**	**4,129**	**(5,261)**	**(12,200)**	**105,738**	**98,243**

During the year ended 31st December 2018, the Trust acquired nil LSL Shares. During the period 15,966 share options were exercised relating to LSL's various share option schemes resulting in the Shares being sold by the Trust. LSL received £20,000 on exercise of these options.

Note:

1 Treasury shares have been renamed to Shares held by EBT.

For the year ended 31st December 2017

	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 2017	**208**	**5,629**	**4,303**	**(5,368)**	**–**	**106,174**	**110,946**
Disposal of financial asset (net of tax)	–	–	–	–	(1,701)	–	(1,701)
Revaluation of financial asset (net of tax)	–	–	–	–	1,722	–	1,722
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**21**	**–**	**21**
Profit for the year	–	–	–	–	–	14,717	14,717
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**21**	**14,717**	**14,738**
Investment in treasury shares	–	–	–	–	–	–	–
Exercise of options	–	–	(46)	51	–	(5)	–
Share-based payment transactions	–	–	(455)	–	–	502	47
Dividends	–	–	–	–	–	(10,572)	(10,572)
As at 31st December 2017	**208**	**5,629**	**3,802**	**(5,317)**	**21**	**110,816**	**115,159**

During the year ended 31st December 2017, the Trust acquired nil LSL Shares. During the period 14,661 share options were exercised relating to LSL's various share option schemes resulting in the Shares being sold by the Trust. LSL received nil on exercise of these options.

Notes to the Parent Company Financial Statements

for the year ended 31st December 2018

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).

The Company Financial Statements have been prepared on a going concern basis and on a historical cost basis, except for, certain debt and 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 2018. The Company's Financial Statements are presented in pound sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Summary of significant accounting policies

New standards and interpretations

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1st January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

IFRS 9 also replaces the "incurred loss" model in IAS 39 with the "expected credit loss" model that applies to trade and other receivables.

i. Classification of financial assets
As permitted by IFRS 9 the Company has chosen to not restate prior periods. The Company has made the irrevocable election to recognise the change in fair value of all investments other than ZPG Limited through OCI rather than profit and loss. This election was made because the gains or losses arising from the change in fair value of these investments are not directly linked to the trading of the Company. Changes in the fair value of ZPG Limited will be recognised through the profit and loss.

For all other financial assets and liabilities held by the Group the measurement category has not changed under IFRS 9.

ii. Impairment of financial assets
The adoption of IFRS 9 has no material impact to the Company. The Company's receivables are intra-group receivables and have minimal expected credit losses.

Judgements and estimates
The preparation of financial information in conformity with IFRS as adopted by the European Union requires the Management Team 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.

Judgements
Areas of judgement that have the most significant effect on the amounts recognised in the consolidated financial statements are:

Valuation of financial assets
The Company owns non–controlling interests in a number of listed and unlisted entities. In accordance with the accounting standards, these investments are held at fair value and judgement and assumptions are required in assessing this.

Deferred tax
The Company recognises deferred tax assets on all applicable temporary differences where it is probable that future taxable profits will be available for utilisation. This requires the Management Team to make judgements and assumptions regarding the amount of deferred tax that can be recognised based on the magnitude and likelihood of future taxable profits. Deferred tax liabilities are provided for in full.

1. Accounting policies (continued)

Estimates

There are no key assumptions affected by future uncertainty that have significant risks of causing material adjustment to the carrying value of assets and liabilities within the next financial year.

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 and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint ventures and associates 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.

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.

1. Accounting policies (continued)

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 Group 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 is treated as vesting irrespective of whether or not the market or non-market vested condition, is satisfied, provided that all other performance and/or service conditions are satisfied.

Employee Benefit Trust

The Company 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 Trust 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 ESOT and Trust Shares are ignored for the purposes of calculating the Group's EPS.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Financial assets are derecognised when the Company no longer has the rights to cash-flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Company commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place.

The subsequent measurement of financial assets depends on their classification.

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

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets designated at fair value through profit and loss

Gains and losses arising from the changes in the fair value are recognised through the profit and loss.

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.

1. 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
Leasehold improvements	–	over the shorter of the lease term or ten years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement when the asset is derecognised. These assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

2. Cash-flow from financing activities

	At 1st January 2018 £'000	Cash-flow £'000	Acquisitions £'000	Foreign exchange £'000	Unwind £'000	At 31st December 2018 £'000
Long-term liabilities	27,000	7,500	–	–	–	**34,500**
Short-term liabilities	19,672	(3,110)	1,878	–	111	**18,551**
	46,672	**4,390**	**1,878**	**–**	**111**	**53,051**

Short-term liabilities

In 2018 bank overdraft was £16.6m (2017: £19.7m) and 2018 there were liabilities of £2.0m (2017: £nil) of deferred consideration (see Note 10 to these Financial Statements).

Long-term liabilities

In 2018 bank loan was £34.5m (2017: £27.0m) (see Note 10 to these Financial Statements).

3. Intangible assets

	Software £'000	**Total £'000**
Cost		
At 1st January 2018	7	**7**
Additions	–	**–**
As at 31st December 2018	**7**	**7**
Impairment		
At 1st January 2018	–	**–**
Amortisation	–	**–**
As at 31st December 2018	**–**	**–**
Net book value		
As at 31st December 2018	**7**	**7**
As at 31st December 2017	7	**7**

4. Property, plant and equipment

As at 31st December 2018

	Leasehold improvements £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1st January 2018	74	107	**181**
Additions	–	7	**7**
At 31st December 2018	**74**	**114**	**188**
Depreciation			
At 1st January 2018	67	106	**173**
Charge for the year	–	1	**1**
At 31st December 2018	**67**	**107**	**174**
Carrying amount			
At 31st December 2018	**7**	**7**	**14**
At 1st January 2018	7	1	8

As at 31st December 2017

	Leasehold improvements £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1st January 2017	74	106	180
Additions	–	1	1
At 31st December 2017	**74**	**107**	**181**
Depreciation			
At 1st January 2017	66	106	172
Charge for the year	1	–	1
At 31st December 2017	**67**	**106**	**173**
Carrying amount			
At 31st December 2017	**7**	**1**	**8**
At 1st January 2017	8	–	8

5. Investment in subsidiaries

Details of the subsidiaries held directly and indirectly by the Company are shown in Note 35 to the Group Financial Statements.

	2018 £'000	2017 £'000
At 1st January	182,144	181,908
Additions	5,419	–
Adjustments for share-based payment	244	236
At 31st December	187,807	182,144

In 2018 there was an increase of £244,000 (2017: increase of £236,000) on investment in subsidiaries for 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 £7,605,000 (2017: £7,361,000).

6. Financial assets

At cost	2018 £'000	2017 £'000
At 1st January	24,495	–
Additions	–	28,160
Disposals	(2,266)	(5,740)
Fair value adjustment recorded through OCI	(12,200)	–
Revaluation uplift	737	2,075
At 31st December	10,766	24,495

ZPG Limited (ZPG)
Financial assets include warrants in ZPG. These warrants have been issued pursuant to terms agreed with ZPG relating to the provision of portal services to LSL's Estate Agency businesses. The Directors consider the best estimate of the fair value of LSL's warrants to be the share price and therefore valued using level 2 valuation techniques. In June 2018, the warrants were revalued to £2,266,000 recognising a gain of £737,000. These warrants were disposed of in October 2018. In line with IFRS 9 (see Note 2 to these Financial Statements) the Group made the election to recognise the gain or loss in changes to the fair value of ZPG through the profit and loss. For this transition the modified retrospective approach was chosen, and therefore the opening reserve balance relating to ZPG (£21,000) was transferred into the opening retained earnings balance.

Yopa Property Limited (YOPA)
The carrying value of the Group's investment in Yopa at 31st December 2018 has been assessed as £7,800,000 (31st December 2017: £20,000,000). The fair value of the Group's investment in Yopa has been assessed by using level 3 techniques. This has led to the recognition of a fair value impairment of £12,200,000 which has been recognised in the Statement of Other Comprehensive Income.

GPEA Limited (GPEA)
GPEA was acquired for a book value of £3.7m. Subsequent to this acquisition LSL sold its entire holding of shares in GPEA. The investment was disposed of for £5.7m (£3.0m cash and £2.7m shares in eProp Services plc) in July 2017.

7. Investment in joint ventures and associates

At cost	2018 £'000	2017 £'000
At 1st January	7,235	7,235
Additions	4,100	–
At 31st December	11,335	7,235

The Company has a 50% interest in LMS, a joint venture whose principal activity is to provide conveyancing panel management services.

In July 2018 the Company acquired a 33.85% holding in Mortgage Gym Limited, a digital mortgage business, for cash consideration of £4,000,000, a further investment of £100,000 was made in September 2018 increasing LSL's holding to 34.69%.

8. Trade and other receivables

	2018 £'000	2017 £'000
Group relief receivable	13,067	34,756
Prepayments	1,077	544
Amounts owed by Group undertakings	32,306	15,593
	46,450	50,893

9. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	166	–
Other taxes and social security payable	(83)	–
Accruals	2,126	3,527
Amounts owed to Group undertakings	102,995	99,531
	105,204	103,058

10. Financial liabilities

	2018 £'000	2017 £'000
Current		
Deferred consideration	1,990	–
Contingent consideration	–	–
Bank overdraft	16,562	19,672
	18,552	19,672
Non-current		
Deferred consideration	–	–
Contingent consideration	–	1
Bank loans – RCF	34,500	27,000
	34,500	27,001

Contingent consideration
During 2018 £1,000 (2017: £nil) of contingent consideration was paid to third parties.

Bank loans – RCF and overdraft
The Company's bank loan totals £34.5m (2017: £27.0m) and the Company's overdraft totals £16.6m (2017: £19.7m). The bank loan is secured via a cross guarantee issued from all of the Group's subsidiaries excluding the following subsidiaries, Lending Solutions Limited, Homefast Property Services, Linear (Linear Mortgage Network and Linear Financial Services), Templeton LPA, Advance Mortgage Funding, Barnwoods, Chancellors Associates, Group First, Personal Touch Financial Services and RSC New Homes.

The utilisation of the RCF may vary each month as long as this does not exceed the maximum £100.0m facility (2017: £100.0m). The Group's overdraft is also secured on the same facility, and the combined overdraft and RCF cannot exceed £100.0m (2017: £100.0m). The banking facility is repayable when funds permit on or by May 2022.

The interest rate applicable to the facility is LIBOR plus a margin rate. The margin rate is linked to the leverage ratio of the Group and the margin rate is reviewed at six monthly intervals.

11. Deferred tax

	2018 £'000	2017 £'000
Deferred tax asset at 1st January	112	105
Deferred tax credit/(charge) in profit and loss account for the year	11	(5)
Deferred tax credit/(charge) to other comprehensive income	(3)	12
Deferred tax asset at 31st December	**120**	**112**

	2018 £'000	2017 £'000
Deferred tax liability		
Deferred tax liability at 1st January	4	–
Deferred tax (charge)/credit to other comprehensive income	–	4
Deferred tax on disposals	(4)	–
Deferred tax asset/(liability) at 31st December	**–**	**4**

At 2018 a deferred tax asset is recognised in relation to timing differences on fixed assets of £4,000 and share-based payments of £116,000. No deferred tax liability is recognised in respect of equity financial assets. At 2017 a deferred tax asset was recognised in relation to timing differences on fixed assets of £6,000 and share-based payments of £106,000. A deferred tax liability of £4,000 was recognised in respect of financial assets measured at fair value.

The 2015 summer budget announced that the headline rate of corporation tax in the UK would be further reduced from the current rate of 20% to 19% effective from 1st April 2017, and further reduced to 18%, effective from 1st April 2020. The budget of March 2016 announced that from 1st April 2020, the proposed UK corporation tax will be lowered further still to 17%. For the full year ended 31st December 2018, current tax is measured at a headline rate of 19.00% (2017:19.25%).

Following the substantive enactment of the Finance Bill 2016 in September 2016, the corporation tax rate of 17.0% was confirmed. Accordingly, this is the rate at which deferred tax has been provided (2017: 17.0%).

12. Called up share capital

	2018 Shares	£'000	2017 Shares	£'000
Authorised:				
Ordinary Shares of 0.2 pence 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

13. Reserves

For a description of the reserves refer to Note 27 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 13 to the Group Financial Statements for details of the LTIP, JSOP, CSOP, SIP/BAYE and the SAYE schemes. The effect of share-based payment transactions on the Company's profit for the period was a charge of £107,000 (2017: charge of £189,000).

Fair value reserve
The fair value reserve is used to record the changes in fair value of equity financial assets.

14. 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 profit after tax for the year was £6.5m (2017: £14.7m).

Remuneration paid to Directors of the Company is disclosed in Note 13 to the Group Financial Statements.

The Company paid £131,375 (2017: £184,775) 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.

15. Pensions costs and commitments

Total contributions to the defined contribution schemes in the year were £40,505 (2017: £43,826). There were nil outstanding amounts in respect of pensions as at 31st December 2018 (2017: £nil).

The Parent Company headcount at 31st December 2018 was nil (2017: nil). This is due to employment contracts being drawn up within the subsidiaries and not within the Parent Company itself.

16. Capital commitments

The Company had no capital commitments as at 31st December 2018 (2017: none).

17. 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				
2018	**–**	**–**	**32,129**	**102,311**
2017	–	–	29,162	112,839

	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				
2018	**–**	**–**	**64**	**571**
2017	–	–	40	194

In July 2017 the Group entered into a convertible loan note and introducer agreement with Global Property Ventures Limited of which Simon Embley is chairman.

18. 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. The Group may, from time to time and as necessary, enter into interest rate swaps for risk management purposes but did not hold any such swaps during either the current or prior year.

The Company is exposed through its operations to the following financial risks:

- cash-flow interest rate risk;
- liquidity risk; and
- credit risk.

18. Financial instruments – risk management (continued)

Policy for managing these risks is set up by the Board following recommendations from the Group Chief Financial Officer. 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 following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. 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
2018	**+100**	**(345)**
	-100	**345**
2017	+100	(270)
	-100	270

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.

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.

The table below summarises the maturity profile of the Company's financial liabilities at 31st December 2018 based on contractual undiscounted payments:

Year ended 31st December 2018

	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)	16,562	252	770	36,968	–	**54,552**
Trade and other payables	–	103,078	–	–	–	**103,078**
Contingent consideration	–	–	–	–	–	**–**
Deferred consideration	–	1,990	–	–	–	**1,990**
	16,562	**105,320**	**770**	**36,968**	**–**	**159,620**

Year ended 31st December 2017

	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)	19,779	174	548	27,582	–	**48,083**
Trade payables	–	99,531	–	–	–	**99,531**
Contingent consideration	–	–	–	1	–	**1**
Deferred Consideration	–	–	–	–	–	**–**
	19,779	**99,705**	**548**	**27,583**	**–**	**147,615**

18. Financial instruments – risk management (continued)

The liquidity risk of the Company entity is managed centrally by the Group Treasury function. The Company's cash requirement is monitored closely. The Company has a RCF 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.

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 interest rate profile of the financial assets and liabilities of the Group as at 31st December 2018 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	Total £'000
Fixed rate					
RCF	–	–	–	–	–
Floating rate					
RCF	–	–	–	(51,062)	(51,062)

The effective interest rate and the actual interest rate charged on the loans in 2018 are as follows:

	Effective rate	Actual rate
RCF	4.1%	2.0%

The effective interest rate on the RCF during the year is higher than the actual rate due to commitment fees payable on undrawn amounts.

The interest rate profile of the financial assets and liabilities of the Group as at 31st December 2017 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	Total £'000
Fixed rate					
RCF	–	–	–	–	–
Floating rate					
RCF	–	–	–	(46,772)	(46,772)

The effective interest rate and the actual interest rate charged on the loans in 2017 are as follows:

	Effective rate	Actual rate
RCF	4.1%	1.5%

The effective interest rate on the RCF during the year is higher than the actual rate due to commitment fees payable on undrawn amounts.

Fair values of financial assets and financial liabilities
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. There are no material differences between the book value and fair value for any of the Company's financial instruments.

18. Financial instruments – risk management (continued)

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.

2018	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	**10,766**	–	–	**10,766**
Liabilities measured at fair value				
Contingent consideration	–	–	–	–
Deferred consideration	**1,990**	–	–	**1,990**

2017	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	24,495	–	1,529	22,966
Liabilities measured at fair value				
Contingent consideration	1	–	–	1
Deferred consideration	–	–	–	–

The fair value of equity financial assets that are not traded in the open market (£2.966m) are using level 3 techniques in accordance with the fair value hierarchy and the Management Team use all relevant and up to date information (including cash-flow forecasts and financial statements) to arrive at their judgement. Where appropriate a range of potential outcomes is considered in reaching a conclusion.

19. Post Balance Sheet events

On 5th February 2019 LSL announced an Estate Agency Strategy: ways of working programme update and work has now commenced on the reshaping of the Your Move and Reeds Rains branch networks. As disclosed on 5th February 2019, LSL expects to incur an exceptional P&L charge of approximately £14m in 2019 and £1m in 2020, with cash costs amounting to approximately £12m over the three years from 2019 to 2021 including approximately £9m cash costs in 2019.

Other Information

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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 Group Financial Statements.

"Adjusted EBITDA" is Group Underlying Operating Profit (Note 5 to the Group Financial Statements) plus depreciation on property, plant and equipment.

"AGM" Annual General Meeting.

"Advance Mortgage Funding" Advance Mortgage Funding Limited.

"Albany" refers to Albany Insurance Company (Guernsey) Limited.

"AMI" Association of Mortgage Intermediaries.

"ARLA" or **"ARLA Propertymark"** Association of Residential Lettings Agents.

"ASA" Advertising Standards Authority.

"Asset Management" refers to LSL's repossessions, asset management and property management services for multi-property landlords.

"Audit & Risk Committee" LSL's Audit & Risk Committee.

"Auditor Independence Policy" LSL policy relating to non-audit services provided by the external auditor.

"Barclays" Barclays Bank PLC.

"Basic Earnings Per Share" or **"EPS"** is defined at Note 10 to the Group Financial Statements.

"Board" / **"Board of Directors"** the board of Directors of LSL.

"BAYE" 'buy as you earn' (also referred to as SIP).

"BDS" BDS Mortgage Group Limited.

"CAGR" compound annual growth rate.

"CMA" Competition and Markets Authority.

"Committees" refers to LSL's Nominations Committee, the Audit & Risk Committee and the Remuneration Committee.

"Company" and "Parent Company" refers to LSL Property Services plc.

"Companies Act" Companies Act 2006.

"Chancellors Associates" trading name of Chancellors Associates Limited.

"Chairman" Simon Embley.

"Chairman of the Audit & Risk Committee" David Stewart.

"Chairman of the Remuneration Committee" Bill Shannon.

"Code" UK Code of Corporate Governance published by the Financial Reporting Council (FRC) (April 2016 edition) or July 2018 edition.

"Company Secretary" Sapna B FitzGerald.

"CCAS" Consumer Codes Approval Scheme.

"CSOP" company share ownership plan.

"CSR" corporate social responsibility.

"Davis Tate" trading name of Davis Tate Limited.

"Deputy Chairman" refers to Bill Shannon.

"Director" an Executive Director or Non Executive Director of LSL.

"DPO" Data Protection Officer.

"EBITDA" earnings, before interest, taxes, depreciation and amortisation.

"Elsevier" Elsevier Limited.

"Embrace Financial Services" Embrace Financial Services Limited.

"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"** or **"EA"** in relation to the financial year commencing 1st January 2018, includes LSL's Residential Sales, Lettings, Financial Services and Asset Management businesses. In relation to the financial year commencing 1st January 2019 includes LSL's Residential Sales, Lettings 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.

"eProp" eProp Services plc.

"Executive Committee" refers to the Executive Committee of the Group, which includes the Executive Directors.

"Executive Director(s)" refers to Ian Crabb, Adam Castleton and Helen Buck.

"EU" European Union.

"FCA" Financial Conduct Authority.

"Financial Services" or **"FS"** refers to LSL's financial services (including mortgage, non-investment insurance brokerage services and the operation of LSL's 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.

"FSCS" Financial Services Compensation Scheme.

"FSMA" Financial Services and Markets Act 2000.

"GDPR" General Data Protection Regulation.

"Global Property Ventures" or **"GPV"** Global Property Ventures Limited.

"Group First" or **"GFL"** Group First Limited.

"Group" LSL Property Services plc and its subsidiaries.

"Group Chief Executive Officer" Ian Crabb.

"Group Chief Financial Officer" Adam Castleton.

"Group Revenue" total revenue for the LSL Group.

"Growth Shares" the C class of ordinary shares (each £0.001) in Marsh & Parsons (Holdings) Limited.

"Goodfellows" trading name of GFEA Limited.

"GPEA" trading name of GPEA Limited.

"Hawes" or **"Hawes & Co"** trading name of Hawes & Co Limited.

"HMRC" Her Majesty's Revenue and Customs.

"Homefast" Homefast Property Services Limited.

"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.

"ICSA" ICSA: The Governance Institute.

"IFRS" International Financial Reporting Standards.

"Insurance First Brokers" Insurance First Brokers Ltd.

"Intercounty" trading name of ICIEA Limited.

"IPO" initial public offering.

"JNP" trading name of JNP Estate Agents Limited.

"JSOP" joint share ownership plan.

"Korn Ferry" trading name of Korn Ferry Hay Group Limited.

"KPI" key performance indicators.

"Land & New Homes" LSL Land & New Homes Ltd.

"Lauristons" trading name of Lauristons Limited.

"Lawlors" trading name of Lawlors Property Services Limited.

"Legal Marketing Services", **"LMS"**, **"LMS Direct Conveyancing"** or **"Cybele"** all refer to 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.

"LexisNexis" 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.

"LSE" London Stock Exchange.

"LSLi" LSLi Limited and its subsidiary companies (during 2018 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.

"LTIP" long-term incentive plan.

"Management Team" senior management teams within the Group including the Executive Directors.

"MAR" the Market Abuse Regulation.

"Marsh & Parsons" trading name of Marsh & Parsons Limited.

"**Mortgages First"** Mortgages First Ltd.

"Mortgage Gym" Mortgage Gym Limited.

"NAEA" or **"NAEA Propertymark"** National Association of Estate Agents.

“NALS” National Association of Lettings Agents.

“NBC Property Master” NBC Property Master Limited.

“Net Bank Debt” see Note 32 to the Group Financial Statements.

“Non Executive Director” refers to Kumsal Bayazit Besson, Bill Shannon, David Stewart and Simon Embley. Darrell Evans was appointed a Non Executive Director on 28th February 2019.

“Notice of Meeting” the circular made available to Shareholders setting out details of the AGM.

“Note” refers to Notes to the Group Financial Statements.

“OCI” refers to other comprehensive income.

“Openwork” trading name of Openwork Limited.

“Ordinary Shares” or **“Shares”** 0.2 pence ordinary shares in LSL.

“Palmer and Harvey” trading name of Palmer & Harvey McLane Limited.

“PDMRs” Persons Discharging Managerial Responsibility as defined in Article 3(1) (25) of the Market Abuse Regulation.

“Personal Touch Financial Services” or **“PTFS”** trading name of Personal Touch Financial Services Limited.

“Personal Touch Administration Services” or **“PTAS”** trading name of Personal Touch Administrations Services 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 previous trading names for Advance Mortgage Funding Limited and BDS Mortgage Group Limited.

“PRIMIS Mortgage Network” or **“PRIMIS”** a trading name of Advance Mortgage Funding Limited, First Complete Limited and as of 31st January 2019 Personal Touch Financial Services Limited.

“RCF” revolving credit facility.

“Reed Exhibitions” part of 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, Newcastle upon Tyne, NE4 7YB.

“Report” LSL’s Annual Report and Accounts 2018.

“Residential Sales” refers to LSL’s services for residential property sales.

“RICS” Royal Institution of Chartered Surveyors.

“RSC New Homes” or **“RSC”** RSC New Homes Limited.

“Russell Reynolds Associates” Russell Reynolds Associates Limited.

“Sainsbury’s” Sainsbury’s Supermarkets Limited.

“SAYE” save-as-you-earn.

“Senior Independent Non Executive Director” 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 Complete Limited’s mortgage club.

“TM Group” TM Group Limited.

“TPO” The Property Ombudsman.

“TPOS” The Property Ombudsman Scheme.

“Trust” or **“Employee Benefit Trust”** LSL Property Services plc Employee Benefit Trust.

“Trustees” Link Market Services Trustees Limited.

“TSI” Trading Standards Institute.

“TSR” total shareholder return.

“UKLA” UK Listing Authority.

“Underlying Operating Margin” operating profit before exceptional costs, contingent consideration, amortisation and share-based payments shown as a percentage of turnover.

“Underlying Operating Profit/Loss” before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments.

“VEM” or **“Vibrant Energy Matters”** Vibrant Energy Matters Limited.

“Walker Fraser Steele” a trading name of e.surv Limited.

“Yopa” Yopa Property Limited.

“Your Move” trading name of your-move.co.uk Limited.

“Zero Deposit Scheme” or **“ZDS”** trading names of Global Property Ventures Limited.

“Zoopla” or **“ZPG”** ZPG Limited (previously ZPG plc).

Shareholder Information

Company details
LSL Property Services plc
Registered in England (company number 5114014)
LEI Number 213800T4VM5VR3C7S706

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: investorrelations@lslps.co.uk
Website: lslps.co.uk

Company Secretary's office
2nd Floor, Gateway 2, Holgate Park Drive, York, YO26 4GB
Telephone: 01904 698852

Share listing
LSL Property Services plc 0.2 pence Ordinary Shares are listed on the London Stock Exchange under ISIN GB00BIG5HX72

Registrar
Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
Telephone: 0871 664 0300

Calls cost 12 pence 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 9.00am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.
Website: linksharedeal.com
Email: enquiries@linkgroup.co.uk

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

Provisional calendar of events	
Preliminary results released	**5th March 2019**
AGM proxy form deadline	**3.30 pm 26th April 2019**
AGM	**3.30 pm 30th April 2019**

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, 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 Link Asset Services (details above).

Forward looking statements
By their nature, all forward looking statements involve risk and uncertainty because they relate to future events and circumstances and are subject to assumptions 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 and 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 is intended to or 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 27 to 34.

lslps.co.uk
Registered in England
(Company number 5114014)
Registered office:
Newcastle House
Albany Court
Newcastle Business Park
Newcastle upon Tyne
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Fax: 020 7920 9443
Email: investorrelations@lslps.co.uk

LSL Property Services plc