THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to consult your stockbroker, bank manager, solicitor, accountant, fund manager or other professional adviser authorised under the Financial Services and Markets Act 2000 ("FSMA"), if you are resident in the UK or, if not, from another appropriately authorised professional.

Please see Part II of this document, entitled "Risk Factors", for a discussion of certain risk factors which should be taken into account when considering what action you should take in connection with the General Meeting.

If you sell or have sold or otherwise transferred all of your Ordinary Shares before the close of business on 9th November 2009, you should send this document together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee.

LSL Property Services plc

(incorporated and registered in England and Wales with registered number 05114014)

Proposed acquisition of Halifax Estate Agencies Limited
and Notice of General Meeting

You should read the whole of this document carefully. Your attention is drawn, in particular, to the letter from the Chairman of LSL which is set out in Part I of this document and which recommends that you vote in favour of the Resolution to be proposed at the General Meeting referred to below.

The Notice of the General Meeting, to be held at the offices Buchanan Communications, 45 Moorfields, London EC2Y 9AE at 11 a.m. on 8th December 2009, is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use at the General Meeting. Shareholders are requested to complete and return the Form of Proxy whether or not they intend to be present at the General Meeting. To be valid, Forms of Proxy should be completed and signed in accordance with the instructions printed thereon and returned by post or by hand so as to reach Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, not later than 11 a.m. on 6th December 2009. The completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting at the General Meeting.

Numis Securities Limited ("Numis") is acting exclusively for LSL in connection with the Acquisition and no-one else and, apart from the responsibilities, if any, which may be imposed on Numis by the FSMA, the regulatory regime established under or by other law, Numis will not be responsible to anyone other than LSL for providing the protections afforded to clients of Numis Securities Limited for providing advice in relation to the Acquisition or any other matters referred to in this document.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	*Time/date*
Latest time and date for receipt of Forms of Proxy for use at the General Meeting	**11 a.m. on 6th December 2009**
General Meeting	**11 a.m. on 8th December 2009**
Expected date of completion of the Acquisition	**15th January 2010**

General notes:

1. Reference to times in this document are to London time unless otherwise stated.

2. The times and dates set out in the expected timetable of principal events above and mentioned throughout this document may be adjusted by LSL, in which event details of the new times and dates will be notified to the UKLA, the London Stock Exchange and, where appropriate, Shareholders.

3. Different deadlines and procedures for return of Forms of Proxy may apply in certain cases.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Simon Embley (Group CEO) Dean Fielding (Group FD) Paul Latham (Deputy CEO) Roger Matthews (Chairman) Mark Morris (Senior NED) Mark Pain (NED)
Company secretary	Sapna Bedi FitzGerald
Registered office	Newcastle House Albany Court Newcastle Business Park Newcastle Upon Tyne NE4 7YB
Sponsor and broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Auditors and reporting accountants	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
Legal adviser to LSL	DLA Piper UK LLP Princes Exchange Princes Square Leeds LS1 4BY
Registrar	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA
Media Advisers	Buchanan Communications 45 Moorfields London EC2Y 9AE

PART I

LETTER FROM THE CHAIRMAN OF LSL PROPERTY SERVICES PLC

(Incorporated and registered in England and Wales with registered number: 05114014)

Registered office:
Newcastle House
Albany Court
Newcastle Business Park
Newcastle upon Tyne
NE4 7YB

12th November 2009

To Shareholders.

PROPOSED ACQUISITION OF HALIFAX ESTATE AGENCIES LIMITED ("HEAL")

Dear Shareholder

1. Introduction:

On 16th October 2009, the boards of LSL and LBG announced that they had reached agreement on the terms of the proposed acquisition by LSL of the entire issued share capital of HEAL. HEAL operates an estate agency network and an asset management business and is a subsidiary of LBG.

Under the terms of the Acquisition, LSL will pay BoS, part of the LBG Group, £1 (one pound) in cash for the entire issued share capital of HEAL, which comprised at 31st December 2008, £38.4m of net assets on a pro forma basis. HEAL's balance sheet at Completion will include minimum cash of £22.2m, and Completion of the Acquisition is scheduled to take place on 15th January 2010. This cash is partly provided to cover restructuring and rebranding costs which LSL will incur in connection with the Acquisition.

In view of its size, the Acquisition is a Class 1 transaction for LSL for the purposes of the Listing Rules and is therefore conditional upon the approval of Shareholders. A General Meeting of LSL will be held at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE at 11 a.m. on 8th December 2009 for the purpose of approving the Acquisition. The notice convening the General Meeting is set out at page 54 of this Circular, which is being made available to Shareholders in connection with the Acquisition and the convening of the General Meeting. This Circular is being posted to those Shareholders who have requested paper copies of all communications with LSL. All other Shareholders will be able to access the Circular via LSL's website: www.lslps.co.uk/investors_corporate_docs.html.

Numis is acting as sponsor to LSL in respect of the Acquisition.

The purpose of this Circular is to provide Shareholders with details of and background to the Acquisition, to explain why the Directors consider it to be in the best interests of Shareholders as a whole, and to recommend that Shareholders vote in favour of the Resolution to approve the Acquisition at the General Meeting.

2. Background to and reasons for the Acquisition:

The Directors believe that the Acquisition has a clear strategic and financial rationale, with significant benefits for Shareholders and other stakeholders. The HEAL network, comprising 218 estate agency branches, will be absorbed into the main brands within LSL, namely Your Move, Reeds Rains and Intercounty. The Acquisition also brings HEAL's asset management business into the LSL Group, which the Directors believe is particularly attractive in view of its client base.

The key benefits which flow from this transaction are as follows:

a. The Acquisition presents LSL with the opportunity to grow further its estate agency business, by acquiring the fourth largest estate agency network in the UK at a low point in the economic cycle, on favourable terms. The quality and productivity of HEAL's branch network is comparable to LSL's own branches. However its financial performance has been impacted by the relatively high level of corporate infrastructure costs, in particular LBG central recharges and HEAL head office and regional management costs. In addition, the Directors believe that the HEAL business has been run primarily for the distribution of financial services products, which has also impacted on HEAL's ability to trade profitably.

b. LSL has a proven track record in acquiring, integrating and turning around a loss making corporate estate agency business, namely the acquisition of Your Move from Aviva in 2004.

c. In addition to the HEAL estate agency network, LSL will acquire an established asset management business, which LSL intends to run independently from LSL's existing asset management business, LSL Corporate Client Department, which has developed into a market leader since its launch in 2007. Under the terms of the Acquisition, LSL has negotiated a new three year contract with BoS to provide asset management services to businesses within LBG, which includes a commitment as to volume subject to satisfactory service delivery. The HEAL asset management business also has a number of contracts with other lenders. Further, LSL estate agency branches will also be added to the panel of agents instructed by BoS's own internal retained asset management business.

d. This Acquisition will make LSL the second largest estate agency network in the UK (based on number of branches), adding 218 branches (including 93 franchised operations), to create a combined network of 584 branches. These numbers include 10 branches in Northern Ireland, providing LSL with an introduction into this market. The Directors believe that this will increase LSL's purchasing power in the market and improve its brand concentration, which should increase LSL's local market share.

e. It also presents LSL with opportunities to develop other income streams within the acquired branches, such as lettings and conveyancing referrals, which the Directors believe are currently under-utilised.

f. The Acquisition includes the transfer of approximately 130 mortgage consultants who produced in excess of 8,000 mortgage completions in 2008 and, following Completion, will operate principally under the Your Move and Reeds Rains brands. The Directors believe that this will increase LSL's importance to key lender clients, which in turn will reinforce LSL's strategic relationships.

Shareholders should read the whole of this Circular and not solely rely on the summarised information in this letter.

3. Information on HEAL:

HEAL is the fourth largest estate agency network in the UK (Source: Estate Agency News October 2009), comprising 125 owned branches and 93 franchised branches. It operates its estate agency business within England, Wales and Northern Ireland. HEAL also includes a repossessions asset management unit.

The HEAL business offers a broad range of services, including residential estate agency, asset management and referrals for mortgage advice and insurance arrangements. There are 31 branches that also provide residential lettings and property management services. The business has approximately 1,050 employees, including 130 mortgage consultants.

* see pro forma balance sheet

The following is a summary of the income statement for HEAL for the three years ended 31st December:

	2008	2007	2006
	£'000	**£'000**	**£'000**
Revenue	54,089	96,186	108,476
Operating loss before exceptional (costs)/income and share based payments	**(51,108)**	**(24,610)**	**(23,693)**
Exceptional (costs)/income	(4,463)	328	1,241
Share-based payment charge	(2,538)	(2,398)	(1,897)
Operating loss	**(58,109)**	**(26,680)**	**(24,349)**
Net finance income /(expense)	679	(1,285)	(1,165)
Profit/(loss) on sale of property, plant and equipment	144	22	(23)
Dividend income	974	1,065	0
Gain on sale of investments	54,156	56,900	16,720
Share of post tax profit of a joint venture	192	3,938	1,590
Profit/(loss) before tax	**(1,964)**	**33,960**	**(7,227)**

HEAL's trading to date in 2009 is based on HEAL's management information, as shown to LSL, and at the operating level, it reflects an improvement over 2008 against a backdrop of a slightly improving housing market. The HEAL business has been loss making at the operating profit level, with its profitability adversely affected by the level of recharges of LBG corporate costs and by the HEAL head office and regional management infrastructure costs. In 2008 the cost base included £39.7m of LBG central recharges, £19.4m of head office and regional costs and £4.4m of identified one off costs. The Directors estimate that, by using LSL's own corporate head office and regional infrastructures, it can reduce these running costs (in comparison to HEAL's 2008 statutory accounts) by in excess of £50m per annum.

4. Principal terms and conditions of the Acquisition:

Under the terms of the Acquisition Agreement, LSL has conditionally agreed to acquire the entire issued share capital of HEAL from BoS for £1. Completion of the Acquisition is conditional on the Resolution being passed at the General Meeting. Because all relevant staff engaged in HEAL's business are employed by HBOS, rather than HEAL, the Acquisition Agreement includes provisions to deal with the transfer of staff directly into HEAL and LSL's relevant operating subsidiaries.

As the HEAL business is currently loss making, a key part of this Acquisition is that, at Completion, HEAL contains sufficient cash to enable LSL to effectively and efficiently carry out its restructuring and re-branding plans. Included within the Completion balance sheet will be a minimum of £22.2m cash which will cover restructuring costs not reflected within the Completion balance sheet and provide an element of working capital. The Acquisition Agreement provides that if LSL's total redundancy costs in connection with the restructuring immediately following Completion are less than £7.1m, then 50% of such shortfall shall be repaid to BOS. If LSL's redundancy costs in the remainder of the six month period following Completion are less than £1.6m then 50% of such shortfall shall be repaid to BOS. These restructuring costs will include re-branding, reorganisation and dilapidations. In addition, the HEAL business includes freehold property with an estimated value of £8m.

The Acquisition Agreement contains indemnities from BoS to cover certain liabilities which may arise in respect of pensions, financial services mis-selling and non-operational premises, to ensure that these liabilities will ultimately remain with LBG following Completion.

The parties have agreed a three month period between Exchange and Completion, and LSL intends to commence its migration plans during this period and to have achieved the target operating model by the end of January 2010.

BoS and LSL have also agreed the terms of a three year asset management agreement, which will commence on the date of Completion, with a commitment with regard to instructions both into HEAL and a three year agreement to instruct into LSL Group's estate agency branches again, commencing on the date of Completion.

Further details of the terms and conditions of the Acquisition are set out at Part III of this Circular.

5. Irrevocable undertakings:
Certain major shareholders of LSL, the Directors and certain management shareholders of LSL, representing 56,408,715 shares in aggregate, and 54.16% of the issued share capital of LSL, have given irrevocable undertakings to vote in favour of the Resolution to approve the Acquisition.

6. Financial effects of the transaction:
In considering the merits of this Acquisition, the Directors have assumed that conditions in the UK housing market will not improve significantly during the remainder of this year or during 2010. Based on Bank of England mortgage approvals for house purchase data (September 2009), the Directors believe that national transaction levels for 2009 will be less than 600,000 for the full year, which, whilst an improvement on 2008 (512,000), is still considered to be well below normalised levels of circa 1.2m per annum. For modelling purposes, the Directors have assumed a continuation of the current run rate of transaction levels in 2010.

Based on these market assumptions, the Directors believe that the Acquisition will have a positive cash impact on the LSL Group in 2010, and will be earnings enhancing and cash flow positive in 2011 and subsequent years when market conditions improve. In normal market conditions, in 2007 when housing transaction volumes were above 1.2m per annum, average profits per LSL owned estate agency branch were in excess of £40,000 per annum.[1]

The £22.2m minimum of cash included in the balance sheet of HEAL prior to the Completion of the Acquisition will be used to finance (i) the restructuring of the business, (ii) the corporate re-branding of the individual offices, (iii) to cover specific liabilities, such as dilapidations; and (iv) the subsequent marketing launch of the business as part of the LSL Group, which is planned for the first quarter of 2010. The transfer of net assets will create negative goodwill which will be reflected as an exceptional profit in the 2010 accounts. The combination of HEAL's estate agency business with LSL's existing estate agency business, together with the strategic benefits of the Acquisition, including, specifically, the new asset management contract, leveraging of the brands and increased purchasing power, is expected to result in an improvement in the financial performance of the two businesses in 2010 and beyond.[2]

7. Management and employees:
LSL has high regard for the quality of the front line staff within HEAL and within HEAL's asset management business. LSL's intention in respect of the restructuring and subsequent re-branding of the business is to retain the majority of the branch network and branch staff and, following Completion, to be committed to investing in both people and brands.

Currently employees engaged in HEAL are employed by HBOS and the majority of employees are intended to be transferred into the relevant trading subsidiaries of LSL at Completion. Following exchange of the Acquisition Agreement, the parties will commence a consultation process, covering all aspects of the Acquisition, including the transfer of such employees pursuant to the TUPE Regulations.

There will be no changes to the Board or senior management team of LSL as a result of this Acquisition.

8. Current trading, trends and prospects:
An Interim Management Statement of LSL for the period commencing from 1 July 2009 was issued on 16 October 2009. No material changes have occurred since this date and the material sections of the statement are set out in full below:

"Since 1 July 2009, the Group has performed ahead of management's expectations against a backdrop of a slightly improving housing market.

Turnover for the 8 months ended 31 August 2009 compared with the same period in 2008 was as follows:

- Group turnover for the period was down by 18%
- Surveying turnover was down by 21%
- Estate agency and financial services turnover was down by 16%

In addition, cash generation since the half year remains strong and net debt has reduced by a further circa £2m.

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1 This statement regarding earnings enhancement is not a profit forecast and should not be interpreted to mean that LSL's future profits, earnings or earnings per share exceed or match those of any prior year.
2 This statement regarding improved financial performance of the two businesses is not a profit forecast and should not be interpreted to mean that LSL's future profits will exceed or match those of any prior year.

Estate Agency:
Transaction volumes in the estate agency division have continued to stabilise over the summer months and are ahead of expectations. This, together with cost efficiencies commensurate with what are still relatively low activity levels, gives us confidence that our core agency brands, Your Move and Reeds Rains, will perform ahead of our expectations for 2009.

In addition our asset management business and corporate lettings continue to grow market share and deliver profits ahead of expectations.

Surveying:
The surveying division has continued to maintain its market share in the face of the contraction in the mortgage market. Overall, the volume of mortgage valuations is slightly behind our expectations as a result of further contractions in the re-mortgage market together with certain key clients operating at lower than anticipated levels over the summer months. However, as a result of the cost actions previously taken, the division is well placed for the current environment and well positioned to take advantage of any future upturn in mortgage lending activity.

Outlook:
Since the half year, the Group has continued to trade ahead of management expectations in the context of a market which has improved but continues to be challenging against historic transaction levels.

We still remain cautious about the outlook for 2010. While any recovery is likely to be constrained by the availability of mortgage credit and general economic backdrop, the Directors believe that the Group is well placed to deliver significant growth over the longer term, when market conditions improve.

9. General Meeting:
Completion of the Acquisition is subject to Shareholder approval being obtained at the General Meeting to be held at the offices of Buchanan Communications, 45 Moorfields, London, EC2Y 9AE at 11 a.m. on 8th December 2009 at which the Resolution will be proposed, notice of which is set out at the end of this Circular. Shareholders are requested to complete and return the Form of Proxy whether or not they intend to be present at the General Meeting. To be valid, Forms of Proxy should be completed and signed in accordance with the instructions printed thereon and returned by post or by hand so as to reach Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, not later than 11 a.m. on 6th December 2009. The completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting at the General Meeting.

10. Recommendation & Action to be taken:
The Board considers the terms of the Acquisition to be in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution. The Board, who together own in aggregate 27.5% of the issued share capital of LSL, have irrevocably undertaken to vote in favour of the Resolution.

Yours faithfully

Roger Matthews
Chairman

PART II

RISK FACTORS

Prior to making any decision to vote in favour of the proposed Resolution at the General Meeting, Shareholders should carefully consider, together with all other information contained in this document, the specific factors and risks described below. The Directors consider the following to be the most significant risk factors for Shareholders to consider. The risks described below do not necessarily comprise all of those associated with LSL and/or HEAL and are not set out in any particular order of priority. There may be other risks of which the Board is not aware or which it believes to be immaterial which may have an adverse effect on the business, financial condition, results or future prospects of the Enlarged Group after the Acquisition.

1. Risks Relating to the Completion of the Acquisition

1.1 Failure to complete the Acquisition:

Completion of the Acquisition remains subject to Shareholders' approval of the Acquisition at the General Meeting. If Shareholders do not approve the Acquisition at the General Meeting, the Acquisition will not complete. If the Acquisition does not complete, LSL would nonetheless be obliged to pay approximately £600,000 of costs (primarily due diligence and advisory fees) incurred in connection with the Acquisition. Failure to complete the Acquisition may materially adversely affect the trading price of the Ordinary Shares.

1.2 Adverse change in the financial condition of HEAL prior to completion of the Acquisition & potential lack of redress under the Acquisition Agreement:

LSL does not have any rights to terminate the Acquisition Agreement in the period between exchange and Completion, save that Completion will not occur unless the condition set out in paragraph 1.1 above is fulfilled. Completion is expected to occur on 15th January 2010. Until Completion, LSL will not own HEAL and it is possible that there could be a material adverse event affecting HEAL which would not give rise to a right for LSL to terminate the Acquisition Agreement. This could have an adverse effect on the business, financial condition and operating results of the Enlarged Group.

The Acquisition Agreement includes indemnities and warranties which are usual for a transaction such as this Acquisition. Disclosures have been made by BoS reflecting all material issues that may impact on the performance or activities of HEAL. Specific indemnities have been included in the Acquisition Agreement to cover certain liabilities including tax, redundancy, and financial services. However, some of these indemnities and warranties are capped and cover only those areas which the parties have agreed may result in a financial exposure. Any exposure outside these caps on indemnities or warranties is likely to result in an exposure for LSL.

2. Risks Relating to the LSL Group from the Acquisition

2.1 Expected costs and synergies:

While the Directors believe that the costs and synergies expected to arise from the Acquisition have been reasonably estimated, unanticipated events or liabilities may arise which result in a delay or reduction in the benefits derived from the Acquisition or in costs significantly in excess of those estimated.

2.2 Integration of HEAL:

On Completion, the estate agency business of HEAL will be integrated -up into the following estate agency businesses within LSL: Your Move; Reeds Rains and Intercounty. As a result, during the period between exchange and Completion, the relevant branches will be prepared for rebranding and transitioned onto LSL's IT platform and operating systems. Clear plans have been established to effect a smooth transition. However, any failure to effect a meaningful transition could result in a material disruption to the operating performance.

2.3 Expansion of LSL's estate agency operating platform:

The Acquisition results in an increase of 218 trading branches. While LSL has in place plans to manage this increase in scale and capacity, it could adversely impact on the performance of LSL's operating software and systems, resulting in a material loss of revenue.

2.4 Management stretch:

The Acquisition will continue to require significant management focus until the integration has been successfully completed. Expansion and change can place significant additional work on management and employees. The continued success of LSL will depend on its ability to successfully manage this expansion and change.

2.5 Market risk:

The Acquisition increases the size of LSL's estate agency footprint. If LSL cannot maximise the potential of other non exchange income streams such as lettings and asset management, then this will increase the cyclical nature of LSL's profitability.

3. Risks Relating to the Business of the Enlarged Group Generally

3.1 Volatility in UK housing market:

The continued volatility and uncertainty of the UK housing market. In particular, transaction volumes (both house purchase and remortgage), falling house prices and the availability of credit which would adversely affect the profitability and cash flow of all LSL's key brands/businesses.

3.2 Potential liability for inaccurate professional services:

Liability for inaccurate professional services advice to clients (eg inaccurate valuations). This risk has increased as a result of an increased level of repossessions and falling house prices which are a result of the current unprecedented market conditions. Associated with this risk is LSL's ability to maintain appropriate risk management arrangements including insurance.

3.3 Reliance on key customers:

A large proportion of the revenue earned by the Group is derived from a relatively small number of customers, many of whom contract with the Group on a non-exclusive basis. A number of the Group's key contracts can be terminated at short notice by the relevant customer or on a change of control of the company. Loss of turnover from any one of its top customers (either as a result of external factors, such as mergers and acquisitions within the mortgage provider industry, or other factors such as performance on contracts) and/or expiry or termination without renewal of its major customer contracts could adversely affect the Group's business and results.

3.4 Reputation:

The reputation of the Group could be adversely affected by the actions of one or a limited number of its employees or franchisees or negative comment from third parties. The Group has systems in place which seek to prevent any individual surveyor, estate agent, financial consultant or conveyancer from being negligent or fraudulent, to prevent financial services products being mis-sold and to detect any problems in service delivery at an early stage. The Group also has systems in place to monitor the compliance of franchisees with their respective franchising obligations to ensure consistency of its service delivery and protection of its brand. There is no guarantee that such systems will work in all cases, that service delivery problems will not occur or that negative comments will not be made.

3.5 Failure of information systems:

The Group's ability to maintain financial controls and provide a high-quality service to its clients depends, in part, on the efficient and uninterrupted operation of its management information systems, including its computer systems and those of its surveying clients. In particular, the surveying business is reliant on the Quest system (provided by Quest End Computer Services Limited) to manage provision of information to customers and surveyors and to schedule workloads for surveys and valuations. Your Move is dependent on the proprietary Preview and Quicklet systems to manage its customer databases and pass leads to the Group's call centre. These systems are vulnerable to damage or temporary interruption from flood, fire, power loss, telecommunications failure and similar events. These systems may also be subject to sabotage, vandalism and similar misconduct. Although the Group has disaster recovery procedures in place, any damage to, or failure of, any of these systems could result in temporary interruptions to the Group's financial controls and/or customer service.

3.6 Competition:

The Group competes with a number of residential property service providers in all of its chosen businesses. Whilst the Group has competed effectively in this environment historically, it may not continue to compete effectively or be able to maintain current fee arrangements on its core services. The Group's surveying business faces competition, in particular, from Countrywide Surveyors, and the risk of new business practices such as the increased use of Automated Valuation Models. The Group's estate agency business faces competition on a local and national basis from traditional estate agencies, the growing number of internet-based property services companies and private sales. There are low barriers to entry for new competitors to the Group in the estate agency business especially for those who deliver services over the internet and where regulated financial products are not part of the competitor's services. The Group may also face competition from new market entrants. The Group's financial services business faces competition from other financial services businesses owned by large estate agency firms, banks and building societies which directly sell mortgages, independent and tied mortgage brokers and independent and tied financial advisers.

3.7 Dependence on key personnel:

The Group's future success is substantially dependent on the continued services and continuing contributions of its executive Directors and its senior managers, most of whom are shareholders in the Company. The head office resources of the Group are limited and may affect the ability of the executive Directors and senior managers to deliver all of their strategic goals. The Group has key man insurance for its executive Directors and one of its senior managers. However, such key man insurance may not cover the financial impact of the loss of any such executive Director or senior manager.

In addition, there is competition for qualified employees in the Group's activities (and in particular for financial advisers and surveyors) and the loss of a substantial number of qualified employees, or an inability to attract, retain and motivate additional skilled employees required for the expansion of the Group's activities could adversely affect the Group.

3.8 No guarantee that the Directors will be able to maintain or increase the businesses' profitability:

The Directors' strategy for increasing the profitability of the surveying business of the Group includes accessing additional surveying resources and increasing the number of outsourcing contracts with lenders. The Directors' strategy for increasing the profitability of the estate agency and financial services businesses of the Group includes increasing income from each property sale in the core estate agency business, expanding the number of franchised branches, increasing sales of ancillary residential property services such as conveyancing and non-investment insurance products and reducing costs. There is no guarantee that the Directors will be able to implement these strategies successfully.

3.9 Change in the behaviour of mortgage lenders or customers:

Any substantial change in customers' behaviour or a change of products from mortgage lenders which lead to a decrease in customers' propensity to change their mortgage provider could have a material adverse effect on the volumes of remortgage business conducted by the surveying business. Similarly, an increase in customers' propensity to change their general insurance and life protection policies could decrease the recurring income from the sale of such products.

4. General Risks Relating to the Economy and Regulation

4.1 Regulatory compliance:

Various activities undertaken by the LSL Group are conducted under licenses issued by, or otherwise subject to regulation or authorisation by, governmental authorities, including the FSA. Failure by a member of the LSL Group to comply with the provisions of such laws, rules or regulation may give rise to civil or criminal liability, may result in the imposition of disciplinary sanctions by such governmental authorities or may give rise to the loss of a licence or authorisation. For example, the FSA’s powers include withdrawal of the authorisation of the relevant firm or of the approved persons performing controlled functions within it. They also include powers to impose financial penalties and issue public censures or statements in respect of breaches.

4.2 Retail premises:

LSL's businesses are required to comply with numerous regulations regarding their premises and their use including Health and Safety at Work etc Act 1974, waste disposal regulations, the Disability Discrimination Act 1995, environmental laws and regulations regarding occupiers' and employers' liability. Changes in such regulations or the addition of new regulatory burdens increases the LSL Group's costs and could lead to a decrease in the Group's profitability.

5. Risks relating to Ordinary Shares

5.1 Possible volatility of the price of the Ordinary Shares:

The market price of the Ordinary Shares may be affected by a variety of factors including, but not limited to, changes in sentiment towards the UK residential housing market, changes in sentiment regarding the Ordinary Shares, variations in LSL's operating results compared with the expectations of market analysts and investors, the operating performance of LSL's competitors, speculation about LSL's business, or regulatory changes affecting LSL's operations. Shareholders should be aware that the value of the Ordinary Shares can go down as well as up and may not always reflect the underlying asset value or prospects of LSL.

5.2 Dividend Payments:

The ability of LSL to pay dividends on the Ordinary Shares is a function of its profitability, primarily linked to the performance of LSL's investments, and the extent to which, as a matter of law, LSL has available to it sufficient distributable reserves out of which any proposed dividend may be paid. As a result of the continued market uncertainty, the Directors decided not to declare or pay an interim dividend in 2009. The Board will consider whether to recommend the payment of a full year dividend when the preliminary results are announced in March 2010.

5.3 Taxation:

Any change in taxation legislation could affect LSL's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current UK tax law and practice which is subject to change. The taxation of an investment in LSL depends on the individual circumstances of the relevant investor.

PART III

SUMMARY OF PRINCIPAL TERMS AND CONDITIONS OF THE ACQUISITION

1. Pursuant to the Acquisition Agreement, LSL has conditionally agreed to purchase and BoS has conditionally agreed to sell the entire issued share capital of HEAL.

2. Completion of the Acquisition Agreement is conditional upon the approval of the Shareholders at the General Meeting.

3. The consideration payable under the Acquisition Agreement is £1.00. There is a requirement in the Acquisition Agreement that HEAL has minimum cash in hand and at the bank on Completion of £22.2m.

4. The consideration of £1.00 is subject to the following post Completion adjustment mechanisms:

   4.1 a cash at Completion adjustment, which provides that, in the event that HEAL has less than approximately £22.2m of cash as at the close of business on the date of Completion, as shown in a net current asset statement to be prepared by BoS, BoS shall pay to LSL a sum equivalent to the shortfall on a pound for pound basis on demand;

   4.2 a net current asset adjustment, which provides that, if the actual net current asset value is less than the estimated net current asset value by an aggregate amount of £500,000 or more, BoS shall pay to LSL an amount equal to that part of the shortfall which exceeds £500,000. Any payments due by BoS pursuant to this mechanism and the cash at Completion mechanism (at 4.1 above) are subject to a cap of £50m;

   4.3 a trading adjustment, which provides some protection to LSL for a material adverse change in HEAL's estate agency activity levels between exchange and Completion. Any payments due pursuant to this mechanism are subject to a cap of £4m; and

   4.4 the Acquisition Agreement also provides that if LSL's total redundancy costs in connection with the restructuring immediately following Completion are less than £7.1m, then 50% of such shortfall shall be repaid to BOS. If LSL's redundancy costs in the remainder of the six month period following Completion are less than £1.6m then 50% of such shortfall shall be repaid to BOS.

5. There is to be a split exchange and Completion with a three month interregnum period, during which period neither LSL nor BoS has any right to terminate the Acquisition Agreement (save in the event that certain completion deliverables are not provided on Completion). The Completion date is anticipated to be 15 January 2010.

6. Both LSL and BoS are subject to pre Completion restrictions and pre Completion obligations that must be complied with during the three month interregnum period and prior to Completion.

7. The Acquisition Agreement provides for the employees who work in the HEAL business but that are employed directly by HBOS to be transferred to LSL and/or HEAL pursuant to the TUPE Regulations on Completion and LSL agrees to indemnify both HBOS and BoS in respect of any liability arising from, inter alia, any employee's termination of employment by LSL after Completion.

8. The Acquisition Agreement also provides:

   8.1 for warranties (which are not unusual for an agreement of this nature) to be provided by BoS in relation to, inter alia, accounting, franchisees, taxation, property, employment, insurance, litigation, intellectual property and trading matters;

   8.2 for LSL to provide certain warranties to BoS confirming, inter alia, constitutional authority and non insolvency status;

   8.3 for indemnities to be provided by BoS to protect against certain liabilities (which are not unusual for an agreement of this nature);

8.4 that the aggregate liability of BoS shall not exceed £90,000,000, save in respect of a claim under the warranties and/or indemnities, shall not exceed £5,000,000, save in respect of a breach of certain employment warranties, title warranties and warranties relating to the capacity of BoS to enter into the Acquisition Agreement and save in respect of certain indemnities;

8.5 for usual limits on liability of BoS in respect of claims for breach of warranty under the Acquisition Agreement; and

8.6 that both parties will provide non compete and non solicitation covenants which will apply for a period of two years post Completion.

PART IV

FINANCIAL INFORMATION ON HEAL

The Directors
LSL Property Services plc
Newcastle House
Albany Court
Newcastle Business Park
Newcastle upon Tyne
NE4 7YB

12th November 2009

Dear Sirs

Halifax Estate Agencies Limited

We report on the financial information set out in pages 17 to 43. This financial information has been prepared for inclusion in the class 1 circular relating to the acquisition of Halifax Estate Agencies Limited dated 12th November 2009 of LSL Property Services plc on the basis of the accounting policies set out in note 2. This report is required by Listing Rule 13.5.21 and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the class 1 circular.

Responsibilities

The Directors of LSL Property Services plc are responsible for preparing the financial information on the basis of preparation set out in note 2.1 to the financial information and in a form that is consistent with the accounting policies adopted in LSL Property Services plc's latest annual financial statements.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the class 1 circular, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the class 1 circular dated 12th November 2009, a true and fair view of the state of affairs of Halifax Estate Agencies Limited as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 2.1 to the financial information and has been prepared in a form that is consistent with the accounting policies adopted in LSL Property Services plc's latest annual financial statements.

Yours faithfully

Ernst & Young LLP

Income statement
for year ended 31 December

	Notes	2006 £000	2007 £000	2008 £000
Revenue	3	108,476	96,186	54,089
Operating expenses				
Employee costs	7	(63,345)	(58,354)	(47,714)
Establishment costs		(20,280)	(19,529)	(20,148)
Depreciation	4	(393)	(399)	(400)
Other		(50,712)	(45,285)	(39,821)
		(134,730)	(123,567)	(108,083)
Rental income		2,561	2,771	2,886
Operating loss before exceptional income/(expense) and share-based payments		(23,693)	(24,610)	(51,108)
Exceptional income/(expense)	5	1,241	328	(4,463)
Share-based payment charge	7	(1,897)	(2,398)	(2,538)
Operating loss		(24,349)	(26,680)	(58,109)
Net finance (expense)/income	8	(1,165)	(1,285)	679
(Loss)/profit on sale of property, plant and equipment		(23)	22	144
Dividend income		-	1,065	974
Gain on sale of investments		16,720	56,900	54,156
Share of post tax profits of a joint ventures and associates	11	1,590	3,938	192
(Loss)/ profit before tax		(7,227)	33,960	(1,964)
Taxation	9	9,370	7,826	18,275
Profit for the year		2,143	41,786	16,311
Earnings per share (expressed in pence per share)				
Basic and diluted	6	1.5	29.9	11.7

The above profit is attributable to equity shareholders of the parent.

Statement of recognised income and expenses
for year ended 31 December

	2006 £000	2007 £000	2008 £000
Profit for the year	2,143	41,786	16,311
Share of transactions taken directly to equity by Joint Ventures and associates	1,423	-	-
Available-for-sale investments:			
Valuation gains taken to equity	-	71,393	-
Transfer to the income statement on disposal	-	-	(71,393)
Total recognised income and expense	3,566	113,179	(55,082)

All amounts are attributable to equity holders of the parent.

Balance sheet
at 31 December

	Notes	2006 £000	2007 £000	2008 £000
Non-current assets				
Property, plant and equipment	10	10,214	8,833	8,303
Investment in joint ventures and associates	11	8,114	5,472	5,664
Available-for-sale financial assets	11	-	75,634	-
Trade and other receivables	12	1,248	3,938	4,045
Deferred tax assets	9	1,370	1,063	1,077
Total non-current assets		20,946	94,940	19,089
Current assets				
Trade and other receivables	12	10,623	19,055	33,007
Cash and cash equivalents	13	895	840	575
Total current assets		11,518	19,895	33,582
Total assets		32,464	114,835	52,671
Current liabilities				
Trade and other payables	15	60,585	30,105	18,560
Total current liabilities		60,585	30,105	18,560
Non-current liabilities				
Provisions for liabilities and charges	16	4,439	4,111	8,574
Net (liabilities)/assets		(32,560)	80,619	25,537
Equity				
Share capital	18	140,000	140,000	140,000
Accumulated losses	18	(172,560)	(130,774)	(114,463)
Unrealised gains reserve	18	-	71,393	-
Total equity	18	(32,560)	80,619	25,537

Cash flow statement
for the year ended 31 December

	Notes	*2006* *£000*	*2007* *£000*	*2008* *£000*
Cash flow from operating activities				
(Loss)/profit for the year before tax		(7,227)	33,960	(1,964)
Adjustments				
(Loss)/profit on sale of property, plant and equipment		23	(22)	(144)
Depreciation	4	393	399	400
Gain on sale of investments		(16,720)	(56,900)	(54,156)
Dividend income		-	(1,065)	(974)
Share of post tax profits from joint ventures and associates	11	(1,590)	(3,938)	(192)
Net finance expense/(income)	8	1,165	1,285	(679)
Operating loss before changes in working capital and provisions		**(23,956)**	**(26,281)**	**(57,709)**
(Increase) in trade and other receivables		(260)	(2,829)	(13,614)
Increase/(decrease) in trade and other payables		4,036	(30,481)	(11,614)
(Decrease)/increase in provisions		(1,241)	(328)	4,463
(Increase) in deferred tax		-	-	(14)
Cash absorbed from operations		**(21,421)**	**(59,919)**	**(78,488)**
Income tax received		9,251	-	18,276
Finance expenses		(1,236)	(1,446)	-
Net cash absorbed from operating activities		**(13,406)**	**(61,365)**	**(60,212)**
Cash flows from investing activities				
Disposal of property, plant and equipment		532	1,075	446
Purchase of property, plant and equipment		(129)	(71)	(102)
(Acquisition)/disposal of investments		(4,412)	-	-
Proceeds from sale of shares		17,063	59,241	58,395
Dividend received		413	1,065	974
Finance income		-	-	234
Net cash from investing activities		**13,467**	**61,310**	**59,947**
Net increase/(decrease) in cash and cash equivalents		**61**	**(55)**	**(265)**
Cash and cash equivalents at 1 January	13	834	895	840
Cash and cash equivalents at 31 December	**13**	**895**	**840**	**575**

Notes to financial information

1. Corporate information

Halifax Estate Agencies Limited (hereinafter, the "Company" or "HEAL") is currently a wholly owned subsidiary of Bank of Scotland plc and the ultimate holding company is the LBG. HEAL is a private company incorporated and domiciled in the United Kingdom. The Company operates an estate agency network and an asset management business.

The Company's registered address is Trinity Road, Halifax, West Yorkshire, HX1 2RG.

2. Significant accounting policies

2.1 Basis of preparation

The financial information has been prepared in accordance with the requirements of the Listing Rules and in accordance with this basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) that were effective at 31 December 2008.

The financial information has been prepared on a historical cost basis except for available-for-sale investments that have been measured at fair value.

The accounting policies which follow set out those significant policies which apply in preparing the financial information for the year ended 31 December 2008. The financial information is presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

2.2 IFRS applied in 2008

The following IFRIC interpretation has been adopted in 2008 and consistently applied across all years presented:

IFRIC 11, IFRS2 'Group and Treasury Share Transactions'. IFRIC 11 provides guidance on accounting in the separate financial statements of subsidiaries for transactions where a parent grants rights to its equity instruments directly to the employees of subsidiaries and where the subsidiary grants to its employees rights to the equity instruments of the parent. The application of this interpretation has not affected the financial information as costs are recharged to the subsidiaries on the basis prescribed in the interpretation.

The accounting policies below have been consistently applied to all periods presented in this financial information.

2.3 Revenue recognition

Revenue comprises amounts billed to customers in respect of commission based income together with the total of other fees earned. This revenue is recognised when the contract for sale is exchanged and legal title passes to the buyer.

Other revenue includes fees received from the HBOS Group generated by sales of HBOS products through Halifax Estate Agencies. These fees are recognised as earned when they become due and payable.

Interest income

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

Dividends

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

2.4 Financial instruments

The Company has classified its financial instruments in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. In some instances the classification is prescribed whilst in others the Company is able to exercise judgement in determining the classification.

2.4.1 Cash and cash equivalents

Cash and cash equivalents consist of cash and balances at banks that are freely available, and loans and advances to banks with an original maturity of three months or less excluding financial assets that are held for trading purposes.

The Company holds bank financial statements with BOS plc, its parent undertaking. These financial statements are held in the Company's name and meet the definition of cash and cash equivalents.

These bank financial statements are classified within "cash and cash equivalents" with the initial measurement at fair value, and subsequent measurement at amortised cost with revenue being recognised using the effective interest method.

The Cash Flow Statement has been presented using the indirect method of preparation.

2.4.2 Trade and other receivables

Trade and other receivables are stated at amortised cost less provision for impairment losses.

2.4.3 Investments

Interests in joint ventures

The Company has contractual arrangements with other parties which represent joint ventures. These take the form of agreements to share control over other entities. Where the joint venture is established through an interest in a company, partnership or other entity (a jointly controlled entity), the Company recognises its interest in the entity's assets and liabilities using the equity method of accounting.

Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of its net assets, less distributions received and less any impairment in value of individual investments. The income statement reflects the share of the jointly controlled entity's results after tax. Any goodwill arising on the acquisition of a jointly controlled entity, representing the excess of the cost of the investment compared to the Company's share of the net fair value of the entity's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the jointly controlled entity and is not amortised. To the extent that the net fair value of the entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Company's share of the entity's profit or loss in the period in which the investment is acquired. Financial statements of jointly controlled entities are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Company, to take into account fair values assigned at the date of acquisition and to reflect impairment losses where appropriate.

Adjustments are also made in the Company's financial information to eliminate the Company's share of unrealised gains and losses on transactions between the Company and its jointly controlled entities. The Company ceases to use the equity method for joint ventures on the date from which it no longer has joint control over, or significant influence in, the joint venture.

Interests in associates

The Company's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting as described for joint ventures. The Company ceases to use the equity method for associates on the date from which it no longer has significant influence over an associate and from that date financial statements for the investment in accordance with IAS 39. The carrying amount of the investment at the date that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with IAS 39.

Available-for-sale financial assets

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

2.4.4 Trade and other payables

Trade and other payables are stated at amortised cost.

2.4.5 Provisions for liabilities and charges

The Company recognises a provision if there is a present obligation as a consequence of either a legal or a constructive obligation resulting from a past event. To recognise this it should be probable that an outflow of economic resources, that can be reliably measured, will be required to settle the obligation. Provisions are measured as the discounted expected future cash flows taking account of the risks and uncertainties associated with the specific liability where appropriate.

2.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Freehold property is stated at cost and depreciated over fifty years. Improvements to leasehold properties are stated at cost and are depreciated in equal instalments over the lesser of the remaining life of the lease or eight years. Premiums are amortised over the period of the lease.

The cost of equipment, which includes fixtures and fittings, vehicles and computer hardware, less estimated residual value, is written off in equal instalments over the expected lives of the assets, generally between three and eight years.

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property, plant and equipment is assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognised in the income statement. The depreciation charge for the asset is then adjusted to reflect the asset's revised carrying amount.

2.6 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following differences are not provided: goodwill not deductible for tax purposes, and the initial recognition of assets and liabilities that affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates that are enacted or substantively enacted at the balance sheet date.

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.7 Finance leases and operating leases

Leases entered into by the Company as lessee are operating leases. Operating lease rentals payable are recognised as an expense in the income statement on a straight-line basis over the term unless a more systematic basis is more appropriate.

2.8 Pension costs

Halifax Estate Agencies Limited is a participating employer in both a defined contribution pension scheme and a defined benefit pension scheme based upon final pensionable pay, operated by HBOS plc. The assets of the schemes are held separately from those of the HBOS Group in independently administered funds.

In respect of the defined contribution scheme the amount charged against profits represents the contributions payable to the scheme in respect of HBOS employees working on behalf of the Company during the year.

The Company has no employees but has HBOS employees working on behalf of the Company. The only obligations of the Company is in respect of contributions recharged by HBOS and as such the defined benefit pension scheme has been accounted for as a defined contribution scheme in this financial information. Consequently the amount charged against profits represents the recharge from HBOS in respect of the contributions payable to the scheme in respect of the HBOS employees working on behalf of the Company during the year.

2.9 Impairment

The carrying values of the Company's assets and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

In the case of the Company's freehold property, recoverable amount is determined by reference to the market values of those assets.

2.10 Share-based payments

The HBOS Group operates various equity-settled share-based compensation schemes in exchange for employee services received. The fair values of options or shares granted is determined at the date of grant and expensed over the vesting period. Halifax Estate Agencies Limited receives a recharge equal to the cost in respect of those employees working on its behalf.

2.11 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

2.12 Exceptional items

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

2.13 Judgements and estimates

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

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include provisioning for onerous leases and share option valuations. Details of key assumptions in these areas are disclosed in Notes 16 and 17 to this Historical Financial Information.

2.14 New accounting standards and interpretations

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of this financial information:

International Accounting Standards (IAS/IFRSs)		*Effective date**
IFRS 2	Amendment to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 7	Amendment to IFRS 7 – Financial instruments: Disclosures	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 32/IAS 1	Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 32/IAS 1	Amendment to IAS 32 and IAS 1 – Puttable financial instruments and obligations arising on liquidation	1 January 2009
IAS 23	Borrowing Costs (revised March 2007)	1 January 2009
IFRS 1	First Time Adoption of IFRS	1 July 2009
IFRSs	Annual Improvements to IFRSs	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised January 2008)	1 July 2008
IAS 39 & IFRS 7`	Amendment to IAS 39/IFRS 7 – Reclassification of Financial Instruments	1 July 2008
IAS 39	Amendment to IAS39 – Financial instruments: Recognition and Measurement on Eligible Hedged items	1 July 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 9	Amendment to IFRIC 9 – Embedded derivatices	1 July 2009
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 15	Agreement for the construction of real estate	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 July 2009
IFRIC 17	Distribution of non cash assets to owners	1 July 2009
IFRIC 18	Transfer of assets from customers	1 July 2009

Whilst the revised IAS 1 will have no impact on the measurement of the Company's results or net assets it is likely to result in certain changes in the presentation of the company's financial statements from 2009.

IFRS 8 'Operating Segments' which is effective for periods commencing on or after 1 January 2009. This standard replaces IAS 14 'Segmental Reporting' and its application will not have any impact upon the financial results of the Company as it does not change the recognition or measurement of transactions in the financial information. The standard aligns the disclosure of operating segments in the financial statements with the internal reporting of segments to senior management.

The Directors do not expect the other standards and interpretations to have any material impact on the measurement. However, the disclosures may be impacted.

3. Revenue

	2006	*2007*	*2008*
	£000	*£000*	*£000*
Amounts billed to customers	65,460	56,374	21,992
Fees received from HBOS Group	43,016	39,812	32,097
	108,476	96,186	54,089

It is the view of the Directors that the business comprises only one business and geographical segment, the United Kingdom.

4. Operating expenses

	2006	2007	2008
	£000	£000	£000
Operating expenses include:			
Auditors' remuneration - for audit work	40	42	45
Depreciation of property, plant & equipment	393	399	400
Payments under operating leases - land and buildings	6,525	6,573	6,612

5. Exceptional (income)/(expense)

	2006	2007	2008
	£000	£000	£000
(Release from)/charge to onerous lease provision	(1,241)	(328)	4,463
	(1,241)	(328)	4,463

6. Earnings per share

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

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

		2006		2007		2008
	Profit after tax £'000	Per share amount Pence	Profit after tax £'000	Per share amount Pence	Profit after tax £'000	Per share amount Pence
Basic and diluted EPS	2,143	1.5	41,786	29.9	16,311	11.7

The weighted average number of shares at each of the year ends was 140,000,000 shares. There are no the dilutive potential ordinary shares in the Company and hence the basic and diluted earnings per share are same.

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

7. Personnel expenses

Remuneration of key management personnel (all Directors):

	2006	2007	2008
	£000	£000	£000
Short term employment benefits	742	901	703
Post employment benefits	22	55	92

Emoluments during the year were paid to four directors employed by the Company (2007: three, 2006: three). Retirement benefits are accruing to two directors (2007: two, 2006: three) under a defined benefit scheme. Other directors are remunerated elsewhere in the HBOS Group and receive no payments specifically for their services to the Company.

In 2008, no directors exercised share options during the year (2007: two directors; 2006: three directors) and no directors received shares under long term incentive schemes in respect of their services in any of the three years.

Employee numbers and costs:

Employees who render services to the Company are contractually employed by HBOS Plc and consequently the Company has no employees. All employment expenses related to employees for whom the Company gains the benefit of their employment are recharged by HBOS plc to the Company.

The aggregate payroll costs recharged of persons who rendered services to the Company was as follows:

	2006	*2007*	*2008*
	£000	*£000*	*£000*
Wages and salaries	54,727	49,573	39,961
Social security costs	5,575	5,110	4,045
Pension costs	3,043	3,671	3,708
Sub-total	63,345	58,354	47,714
Share-based payments charge	1,897	2,398	2,538
	65,242	60,752	50,252

The results of the Company is stated after charging amounts as disclosed above in respect of services received by the Company which have been settled by way of share-based payment arrangements by the ultimate parent undertaking, HBOS plc, in whose shares settlement is made. The amount charged is recharged on a proportionate basis from HBOS plc.

The monthly staff numbers who rendered services to the Company was as follows:

	2006	*2007*	*2008*
	£000	*£000*	*£000*
Selling	2,805	2,554	1,958
Administrative	120	127	162
	2,925	2,681	2,120

Share-based payments

During the year ended 31 December 2008, 2007 and 2006 the employees of HBOS plc who rendered services to the Company participated in the following group share-based payment arrangements, which were predominantly equity-settled.

Sharesave plan — Colleagues may enter into contracts through the sharesave schemes to save up to £250 per month for a fixed term of 3, 5 or 7 years. At the end of the savings period a tax-free bonus is added to the savings and colleagues have the option to acquire shares in the HBOS Group at a price equal to 80% of the share price agreed.

Share option plans — The final award under the HBOS plan was made in 2004. Under this plan options over shares at market value, with a face value equal to 20% of salary, were awarded to all colleagues with the exception of those of level 8 and above.

Free shares	This was introduced in 2005 under share incentive plan legislation as a replacement for the share option plan. In broad terms, it covers all colleagues and free shares up to a limit of £3,000 annually are awarded to each colleague.
Sharekicker plan	This provides colleagues with the opportunity to purchase shares with a proportion of their annual net bonus. For every two shares purchased a matching share is awarded after three years.
Performance sharekicker plan	With effect from September 2008, the EPS sharekicker plan was renamed the Performance Sharekicker Plan. The plan is open to all colleagues of level 7 and above (in relation to annual net bonuses) and colleagues of level 8 and above (in relation to net bonuses payable under the two-year incentive scheme). This provides colleagues with the opportunity to purchase shares with a proportion of their annual net bonus. For every two shares purchased a matching share is awarded after three years. For the 2006 and 2007 awards, matching shares awarded under this plan depends on EPS performance over the three year vesting period. For the 2008 award, matching shares awarded under this plan depends on EPS performance in excess of the RPI and on operating cost performance over the three year vesting period.
Long term incentive plan	For most senior colleagues, share grants of varying percentages of salaries are made and colleagues may receive up to 200% of the grant depending on the HBOS Group's annualised TSR compared to the annualised weighted average TSR of a basket of comparator companies over a three year period. See below for further detail.
Executive stock option plan	The final award under this plan was in 2000. Under this plan, options were granted at market value to certain colleagues. The options vested upon satisfaction of a performance measure over a three year period. Options are exercisable from the date the measure is satisfied until the tenth anniversary of the date of grant.

The table below summarises the share-based payment awards granted in 2008 and 2007:

	Sharesave interim	**Sharesave plan**	**Share option plan**	**Free shares**	**Sharekicker plan**	**Performance sharekicker plan**	**Long term incentive plan**
Awards in 2008							
Date of grant	2 October	28 March	27 February	5 September	20 March	20 March	6 March
Awards In 2008							
Date of grant		30 March	1 March	7 August	23 March	23 March	15 March
Awards In 2006							
Date of grant		21 September	2 March	8 August	23 March		30 March
Contractual life	3.4, 5.5 and 7.5 Years	3.5, 5.5 And 7.5 Years	7 Years	3 Years	3 Years	3 Years	3 Years
Vesting conditions	3.25, 5.25 and 7.25 years vesting period	3.17, 5.17 and 7.17 years vesting period	3 years service	3 years service	3 years service	3 years service and achievement of target	3 Years service and achievement of TSR Target

Financial assumptions underlying the calculation of fair value

All services of the Company are performed by staff employed by HBOS plc which makes monthly recharges to the Company for the cost of those staff serving the Company. The cost of share option awards forms part of the monthly recharge that is calculated based on headcount serving the Company as a proportion of the total HBOS group share option charge representing fair value of services provided.

The overall group fair value expense has been based on the fair value of the instruments granted, as calculated using appropriate pricing models.

The tables below shows the assumptions and models used to calculate the grant date fair value of awards in 2008 and 2007:

	Sharesave interim	**Sharesave plan**	**Share option plan**	**Free shares**	**Sharekicker plan**
Awards in 2008					
Fair Value (Pence)	84	78	152	262	183
Share Price (Pence)	170	540	857	262	446
Exercise Price (Pence)	220	508	857		
Expected Volatility (% P.A.) [(E)]	40	40	40	N/A	N/A
Expected Dividends (% P.A.)	5	9.1	6.6	N/A	N/A
Risk-Free Interest Rate (% P.A.)	4.1	4.2	4.5	N/A	N/A
Awards in 2007					
Fair Value (Pence)		260	182	945	474
Share Price (Pence)		1,047	1,071	945	1,062
Exercise Price (Pence)		844	1,071		
Expected Volatility (% P.A.) [(E)]		20	20	N/A	N/A
Expected Dividends (% P.A.)		4.0	3.5	N/A	3.9
Risk-Free Interest Rate (% P.A.)		5.3	5.3	N/A	N/A
Awards in 2008					
Fair Value (Pence)		299	187	974	451
Share Price (Pence)		1,057	999	974	1,001.5
Exercise Price (Pence)		793	999	0	0
Expected Volatility (% P.A.) [(E)]		20	15	N/A	N/A
Expected Dividends (% P.A.)		3.8	3.4	N/A	3.6
Risk-Free Interest Rate (% P.A.)		4.9	4.4	N/A	N/A
Pricing Model	Black-Scholes	Black-Scholes	Binomial Lattice		Black-Scholes

	Performance shareholder plan	Long term incentive plan
Awards in 2008		
Fair Value (Pence)	326	397
Share Price (Pence)	446	574
Expected Dividends (% P.A.)	11.0	N/A
Awards in 2007		
Fair Value (Pence)	947	756
Share Price (Pence)	1,062	1,017
Expected Dividends (% P.A.)	3.9	N/A
Awards in 2008		
Fair Value (Pence)		554
Share Price (Pence)		959
Exercise Price (Pence)		0
Expected Volatility (% P.A.)		15
Pricing Model	Black-Scholes	Monte Carlo Simulation

Expected volatility is based on an analysis of both the Group's historical volatility over the twelve months preceding the date of each award and the volatility implied by the price of traded options as at the date of each award.

As no performance conditions attach to these awards and dividends are reinvested, the fair value is the same as the face value of the awards.

The fair value of Sharekicker awards reflects that a share is automatically awarded for every two held after three years.

Dividends payable on the matching shares during the vesting period are not awarded to the recipient.

Dividends payable on the shares during the vesting period are reinvested and so no dividend yield assumption in required.

Early exercise assumptions

The following allowance has been made for the impact of early exercise once options have vested:

Sharesave plan	As the length of the exercise window is only six months all option holders are assumed to exercise halfway through the exercise window.

Allowance for performance conditions

The long term incentive plan includes a market based performance condition based on the Group's total shareholder return relative to an index of comparator companies. The impact of this performance condition has been modelled using Monte Carlo Simulation techniques, which involves running several thousands of simulations of future share price movements for both the Group and the comparator index. For the purpose of these simulations it is assumed that the share price of the Group and the comparator index are 80% correlated (2007 and 2006 awards 60%) and that the comparator index has volatility of 30% p.a. for the 2008 award (2007 award 20% p.a., 2006 award 15% p.a.).

The performance condition is based on the Group's performance relative to the comparator index over a three year period commencing on 1 January each year. The fair value calculations for the awards that were made in 2008, 2007 and 2006 therefore include an allowance for the actual performance of the Group's share price relative to the index over the period between 1 January and the award date.

In 2008, the weightings attached to certain comparators were amended with effect from 1 January 2008 and apply, from that date to 2005, 2006 and 2007 awards. To better match the business profile of the Group, the committee decided to amend the comparator companies and Northern Rock has dropped out of the comparator group due to government involvement. Alliance and Leicester and Bradford and Bingley remain within the comparator group at their delisted prices. This amendment also applies to all future awards. The modifications do not alter the fair values of any of the awards, nor make additional changes necessary.

The Group uses trusts to purchase and hold its own shares as part of the share-based payment arrangements. Details of these trusts and the shares held are given below.

No.1 and No.2 Employee Share Ownership Trusts

The No.1 Employee Share Ownership Trust (ESOT1) administers shares conditionally granted to Executive Directors and other executives under the HOBS Long Term Executive Bonus Plan. The Trust also administers shares which have been conditionally granted to Executive Directors, other executives and employees under the HBOS plc Annual Bonus Plan and overseas operations of the HBOS plc Share Incentive Plan (Free Shares). The No.2 Employee Share Ownership Trust (ESOT2) administers shares to be awarded to Executive Directors, other executives and employees under the Group's Sharesave and share option plans, where options are not satisfied by the new issue of shares or from shares held by the HBOS QUEST. Interest free loans have been provided by the Company to the Trusts to allow shares to be purchased in the market to satisfy these share grants.

HBOS plc qualifying Employee Share Ownership Trust (the HBOS QUEST)

The HBOS QUEST operates in conjunction with the HBOS Sharesave scheme and the former savings-related share schemes operated by Bank of Scotland and Halifax Group plc.

Free shares plan

The Share Incentive Plan trust operates in conjunction with free share awards made to employees throughout the Group, except to the extent noted below.

8. Net finance (expense)/income

	2006	*2007*	*2008*
	£000	*£000*	*£000*
Interest (expense)/income on intercompany balances	(1,236)	(1,446)	234
Interest income on long term trade receivables	71	161	445
	(1,165)	(1,285)	679

9. Taxation

Recognised in the income statement	*2006*	*2007*	*2008*
	£000	*£000*	*£000*
Current tax:			
Corporation tax (credit) for the year at a rate of 28.5% (2007: 30%, 2006: 30%)	(7,827)	(8,134)	(16,530)
Corporate tax (credit) in respect of earlier years	(1,424)	-	(1,731)
	(9,251)	(8,134)	(18,261)
Deferred tax:			
Deferred tax (credit)/charge for the year at a rate of 28.5% (2007: 30%, 2006: 30%)	(113)	103	(31)
Deferred tax charge in respect of earlier years	(6)	178	16
Deferred tax (credit) relating to change in rate	-	27	1
	(119)	308	(14)
Total tax (credit)	(9,370)	(7,826)	(18,275)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 28.5% (2007: 30%, 2006: 30 %). The differences are explained below:

	2006	*2007*	*2008*
	£000	£000	£000
(Loss)/profit on ordinary activities before taxation	(7,227)	33,960	(1,964)
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK	(2,168)	10,188	(559)
Effects of:			
Amounts not chargeable for corporate tax purposes	(5,772)	(18,219)	(16,003)
Adjustments to tax in respect of previous years	(1,430)	178	(1,714)
Change in rate of corporation tax	-	27	1
Income tax (credit) for the year	(9,370)	(7,826)	(18,275)

Deferred tax:

The movement in the deferred tax asset was as follows:

	2006	*2007*	*2008*
	£000	*£000*	*£000*
At 1 January	(1,251)	(1,370)	(1,063)
Current year (credit)/charge to income	(119)	280	(15)
Change in tax rate	-	27	1
At 31 December	(1,370)	(1,063)	(1,077)
Deferred tax asset comprises:			
Capital allowance on other assets	(676)	(369)	(383)
Dilapidation provision	(694)	(694)	(694)
	(1,370)	(1,063)	(1,077)

The standard rate of corporation tax for the year ended 31 December 2008 of 28.5% reflects the weighted average rate following the reduction in the statutory rate from 30% to 28% on 5 April 2008.

Deferred tax assets have been recognised on the basis that when they reverse, they will be recovered through group relief with other group companies.

10. Property, plant and equipment

	Freehold property £000	*Leasehold improvements £000*	*Equipment fixtures fittings & Vehicles £000*	*Total £000*
Cost:				
At 1 January 2006	14,204	4,215	3,365	21,784
Additions	-	-	129	129
Transfers	61	(61)	-	-
Disposals	(582)	(99)	(98)	(779)
At 31 December 2006	13,683	4,055	3,396	21,134
At 1 January 2007	13,683	4,055	3,396	21,134
Additions	-	-	71	71
Transfers	-	-	(25)	(25)
Disposals	(1,345)	(12)	(73)	(1,430)
At 31 December 2007	12,338	4,043	3,369	19,750
At 1 January 2008	12,338	4,043	3,369	19,750
Additions	-	-	102	102
Transfers	-	-	124	124
Disposals	(185)	-	(459)	(644)
At 31 December 2008	12,153	4,043	3,136	19,332
Depreciation:				
At 1 January 2006	4,486	3,227	3,038	10,751
Charged in the year	251	50	92	393
On disposals	(99)	(80)	(45)	(224)
At 31 December 2006	4,638	3,197	3,085	10,920

10. Property, plant and equipment (continued)

	Freehold property £000	*Leasehold improvements £000*	*Equipment fixtures fittings & Vehicles £000*	*Total £000*
At 1 January 2007	4,638	3,197	3,085	10,920
Charged in the year	225	83	91	399
Transfer	17	(17)	-	-
On disposals	(318)	(11)	(73)	(402)
At 31 December 2007	4,562	3,252	3,103	10,917
At 1 January 2008	4,562	3,252	3,103	10,917
Charged in the year	217	74	109	400
Transfer	-	-	54	54
On disposals	(51)	-	(291)	(342)
At 31 December 2008	4,728	3,326	2,975	11,029
Net book value:				
At 31 December 2006	9,045	858	311	10,214
At 31 December 2007	7,776	791	266	8,833
At 31 December 2008	7,425	717	161	8,303

11. Investments

	2006 £000	*2007 £000*	*2008 £000*
Investment in TMG Holdings Limited	4,787	5,472	5,664
Investment in Rightmove plc	3,327	-	-
Investments in joint ventures and associates	8,114	5,472	5,664
Available-for-sale financial assets	-	75,634	-

TMG Holdings Limited ('TMG')

The Company has a 33% interest in TMG Holdings Limited ('TMG'), a jointly controlled entity whose principal activity is to provide an electronic transaction and information infrastructure for land and property professionals in England and Wales. The Company accounts for its investment in TMG using the equity method.

	2006 *£000*	2007 *£000*	2008 *£000*
At 1 January			
- Net assets excluding goodwill	-	1,365	2,050
- Goodwill	-	3,422	3,422
	-	4,787	5,472
Purchase of interest			
- Net assets excluding goodwill	990	-	-
- Goodwill	3,422	-	-
	4,412	-	-
Share of profits	375	685	192
Share of profits retained	375	685	192
At 31 December			
- Net assets excluding goodwill	1,365	2,050	2,242
- Goodwill	3,422	3,422	3,422
	4,787	5,472	5,664

The share of the assets, liabilities, income and expenses of TMG at 31 December and for the years then ended are as follows:

	2006 *£000*	*2007* *£000*	*2008* *£000*
Share of the joint venture's balance sheet:			
Non-current assets	952	995	948
Current assets	1,434	1,993	2,260
Share of gross assets	2,386	2,988	3,208
Current liabilities	(1,021)	(938)	(966)
Share of gross liabilities	(1,021)	(938)	(966)
Share of net assets	1,365	2,050	2,242
Share of the joint venture's result:			
Revenue	8,001	11,426	11,782
Expenses	(7,619)	(10,723)	(11,580)
Share of profit before tax	382	703	202
Tax expense	(7)	(18)	(10)
Share of profit for the year	375	685	192

Rightmove plc ('Rightmove')

At 31 December 2008, the Company no longer had a holding in Rightmove (participating interest at 31 December 2007: 12.7%, 2006: 20.8%). Prior to 15 March 2006, the Company had a 30% holding in Rightmove. Consequent to the listing of Rightmove in March 2006, the Company disposed 9.22% of its holding. Subsequent disposals in 2007 resulted in a shareholding of 12.7% at 31 December 2007 and the holding was fully disposed of in May 2008.

The principal activity of Rightmove is online property advertising.

Rightmove has been considered as an entity that was jointly controlled as at 1 January 2006, an associate undertaking as at 31 December 2006 and was a trade investment as at 31 December 2007. The investment in Rightmove plc is accounted for using the equity method whilst it was a joint venture and associate and as an "available-for-sale" financial asset subsequently when it was a trade investment.

The fair value of the investment in Rightmove considered as an "available-for-sale" financial asset at 31 December 2007 has been calculated based on the market price at 31 December 2007 as this is a quoted company.

	2006	*2007*	*2008*
	£000	*£000*	*£000*
At 1 January			
- Net assets	1,445	3,327	-
Share of post tax profits	1,215	3,253	-
Share of transactions recognised directly in equity	1,423		
Dividends received	(413)	-	-
	2,225	3,253	-
Carrying value of interest disposed of	(343)	(2,341)	-
Reclassified as Available-for-sale financial asset	-	(4,239)	-
	(343)	(6,580)	-
At 31 December			
- Net assets	3,327	-	-

	2006	*2007*	*2008*
	£000	*£000*	*£000*
Available-for-sale investment			
Fair value at 31 December	-	75,632	-
Carrying value transferred from "equity" accounting	-	(4,239)	-
Unrealised gains taken to equity	-	71,393	-

	2006	*2007*	*2008*
	£000	*£000*	*£000*
Gain on part disposal of investment			
Net sales proceeds	17,063	59,241	58,395
Carrying value of the investment	(343)	(2,341)	(75,632)
Transfer from unrealised gains reserve	-	-	71,393
Gain on disposal	16,720	56,900	54,156

The share of the assets, liabilities, income and expenses of Rightmove at 31 December and for the years then ended are as follows:

	2006	*2007*	*2008*
	£000	*£000*	*£000*
Share of the joint venture's/associate's balance sheet:			
Non-current assets	849	-	-
Current assets	3,733	-	-
Share of gross assets	4,582	-	-
Current liabilities	(1,232)	-	-
Non-current liabilities	(22)	-	-
Share of gross liabilities	(1,254)	-	-
Share of net assets	3,328	-	-
Share of the joint venture's/associate's result:			
Revenue	8,887	10,018	-
Expenses	(6,906)	(5,268)	-
Share of profit before tax	1,981	4,750	-
Tax expense	(766)	(1,497)	-
Share of profit for the year	1,215	3,253	-

12. Trade and other receivables

	2006	*2007*	*2008*
	£000	*£000*	*£000*
Current			
Trade receivables	7,542	6,732	4,789
Amounts due from parent undertakings and fellow subsidiary undertakings	-	8,134	26,231
Other receivables	1,556	3,046	-
Prepayments and accrued income	1,525	1,143	1,987
	10,623	19,055	33,007
Non-current			
Other receivables	1,248	3,938	4,045

Trade receivables are shown net of impairment allowance. The movement in impairment allowance is analysed as follows:

	2006	*2007*	*2008*
	£000	*£000*	*£000*
Balance at 1 January	(550)	(402)	(386)
Amounts charged to the income statement during the year	(128)	(161)	(31)
Utilisation of provision	276	177	128
Balance at 31 December	(402)	(386)	(289)

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to counterparty default rates is used.

13. Cash and cash equivalents

Amounts shown for cash and cash equivalents do not include clients' monies held on deposit in the sum of £507,709 (2007: £263,228, 2006: £259,469). These amounts are similarly excluded from current liabilities. These are not included in the balance sheet, as the Company is not entitled to the benefit from the use of the amount held in this financial information.

14. Pension costs

Employees who render services to the Company are contractually employed by HBOS Plc and consequently the Company has no employees. All employment expenses related to employees for whom the Company gains the benefit of their employment are recharged by HBOS plc to the Company.

The Company incurs a group recharge for pension expenses related to these employees who participate in both a defined contribution pension scheme and a defined benefit pension scheme based upon final pensionable pay, operated by HBOS plc. The HBOS Final Salary Pension Scheme (HBOS FSPS) was formed on 3 July 2006 following the merger of the Halifax Retirement Fund (HRF), in which the company was previously a participating employer, with three other schemes in the HBOS Group.

The Company has no employees but has HBOS employees working on behalf of the Company. The only obligations of the Company is in respect of contributions recharged by HBOS and as such the defined benefit pension scheme has been accounted for as a defined contribution scheme in this financial information. Consequently the amount charged against profits represents the recharge from HBOS of the contributions payable to the scheme in respect of the HBOS employees working on behalf of the Company during the year. The current surplus net of deferred taxation on the HBOS FSPS at 31 December 2008, valued on an IAS 19 basis, is £374m (2007: £262m deficit, 2006: £545m deficit).

The pension cost charge for the year represents contributions payable by the Company to both types of pension scheme and amounted to £2,409,379 (2007: £2,004,667, 2006: £1,677,161) for the defined contribution scheme and £1,299,392 (2007: £1,666,723, 2006: £1,365,817) for the defined benefit scheme. There were no outstanding or prepaid contributions for either scheme at either the beginning or end of the financial year.

The latest full actuarial valuation of the HBOS FSPS was carried out as at 31 December 2006 by a qualified independent actuary.

15. Trade and other payables

	2006	*2007*	*2008*
	£000	*£000*	*£000*
Trade payables	254	296	185
Amounts owed to parent undertaking and fellow subsidiary undertakings	46,332	18,003	9,279
Other taxes and social security costs	3,251	2,069	1,111
Other payables	817	698	1,855
Accruals and deferred income	9,931	9,039	6,130
	60,585	30,105	18,560

Interest is charged on the amounts owed to parent undertaking and fellow subsidiary undertakings and the balance is repayable on demand.

16. Provisions

	Dilapidations £000	Onerous Leases £000	Total £000
At 1 January 2006	(2,480)	(3,200)	(5,680)
Released in the year	-	1,241	1,241
At 1 January 2007	(2,480)	(1,959)	(4,439)
Released in the year	-	328	328
At 1 January 2008	(2,480)	(1,631)	(4,111)
Charged in the year	-	(4,463)	(4,463)
At 31 December 2008	(2,480)	(6,094)	(8,574)

The dilapidations provision relates to the estimated cost of making good dilapidations on leased premises and is expected to be paid within three to ten years.

The onerous lease provision relates primarily to the estimated net rental costs of closed and sub-let premises. The amount and timing of the actual costs is dependent upon the extent to which the premises can be sub-let.

17. Financial instruments

A number of the Company's assets and liabilities have been classified as financial instruments in accordance with IAS 32 "Financial Instruments: Presentation".

The Company's financial instruments are principally cash and liquid resources and various receivables and payables that arise directly from its operations. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments is undertaken.

The principal risks arising from the Company's financial instruments are credit risk and interest rate risk. Further detailed analysis of the risks facing the Company in relation to its financial instruments is provided below.

17.1 Credit risk

Credit risk is the risk of financial loss arising from a customer's failure to settle financial obligations as they fall due.

Credit risk arises on trade and other receivables and cash and cash equivalents. In order to mitigate the risk of default, a credit policy is in place and the exposure to credit risk is monitored on an ongoing basis. The maximum risk credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Trade receivables outstanding at year end are analysed into the following categories:

Amounts £000's	*0-30 days*	*31-6- days*	*61-90 days*	*90-180 days*	*Over 180 days*	*Total*
31 December 2006						
Gross trade receivables	6,859	372	185	168	360	7,944
Provision for impairment	-	-	-	(42)	(360)	(402)
Net trade receivables	6,859	372	185	126	-	7,542

31 December 2007						
Gross trade receivables	4,996	1,058	467	281	316	7,118
Provision for impairment	-	-	-	(70)	(316)	(386)
Net trade receivables	4,996	1,058	467	211	-	6,732
31 December 2008						
Gross trade receivables	4,133	430	136	120	259	5,078
Provision for impairment	-	-	-	(30)	(259)	(289)
Net trade receivables	4,133	430	136	90	-	4,789

For receivables and payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value.

17.2 Market risk

Market risk is defined as the potential loss in value or earnings of an organisation arising from changes in external market factors. The Company is exposed to market risk in the form of interest rate risk and this is explained in more detail below.

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at a different time. In relation to income earning financial assets and interest bearing financial liabilities, the inter-company loan account is exposed to cash flow interest rate risk as it carries a floating interest rate that is reset as market rates change.

At 31 December 2008, if interest rates had been 25 basis points higher or lower with all other variables held constant, the net effect on the Company's income statement would be as shown in the table below:

	-25bps 2006 £000	*Actual 2006 £000*	*+25bps 2006 £000*
Loss before tax for the year	(7,132)	(7,227)	(7,332)

	-25bps 2007 £000	*Actual 2007 £000*	*+25bps 2007 £000*
Profit before tax for the year	33,853	33,960	34,067

	-25bps 2008 £000	*Actual 2008 £000*	*+25bps 2008 £000*
Loss before tax for the year	(1,980)	(1,964)	(1,948)

17.3 Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an unacceptably high cost.

All liabilities are payable on demand, and the extent to which the Company can meet its obligations to pay its expenses will be dependent upon the availability of funding from HBOS. The company is fully funded by its parent and as a result liquidity risk is managed within the HBOS Group.

18. Capital and reserves

	Share capital £000	Accumulated losses £000	Unrealised gains reserve £000	Total equity £000
Balance at 1 January 2006	140,000	(176,126)	-	(36,126)
Total recognised profit for the financial year	-	2,143	-	2,143
Share of transactions recognised directly in equity by joint ventures and associates	-	1,423	-	1,423
Balance at 1 January 2007	140,000	(172,560)	-	(32,560)
Total recognised profit for the financial year	-	41,786	-	41,786
Revaluation of available for sale financial assets	-	-	71,393	71,393
Balance at 31 December 2007	140,000	(130,774)	71,393	80,619
Total recognised profit for the financial year	-	16,311	-	16,311
Disposal of available for sale financial assets	-	-	(71,393)	(71,393)
Balance at 31 December 2008	140,000	(114,463)	-	25,537

Unrealised gains reserve

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

Share capital

	2006 £000	2007 £000	2008 £000
Authorised			
200,000,000 ordinary shares of £1 each	200,000	200,000	200,000
Allotted, called up and fully paid			
140,000,000 ordinary shares of £1 each	140,000	140,000	140,000

Capital disclosures

The Company was not subject to externally imposed capital requirements in either the current year or the prior year. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the Company.

19. Operating leases

The Company has commitments under non-cancellable operating leases and the future minimum lease rentals payable are as follows:

	2006 £000	2007 £000	2008 £000
Amounts payable:			
Within one year	6,471	6,095	6,118
Within two to five years	18,031	16,600	15,603
After five years	7,089	5,024	3,616
	31,591	27,719	25,337

The above commitments in respect of land and buildings are based on the current amounts payable. Certain of the properties are subject to rent reviews at various intervals.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2006	*2007*	*2008*
	£'000	*£'000*	*£'000*
Land and buildings			
Within one year	2,771	2,886	2,843
Within two to five years	5,950	6,197	6,105
After five years	821	855	842
	9,542	9,938	9,790

20. Transactions with related parties

Transactions with key management personnel are shown in note 7.

Transactions with HBOS Group companies

Commission income

The Company acts as an agent for the sale of products for fellow HBOS Group companies for which it is paid commission. The products sold include mortgages, personal loans, credit cards, general insurance and long term savings vehicles.

Employee costs recharged

All employee who render services to the Company are contractually employed by the HBOS Group and the Company is recharged this cost. The details of the cost is given in note 7.

Payment for other services received

HBOS plc also provides accommodation and other services, such as IT, to the Company for which it is recharged. These costs are shown within Operating Costs in the income statement.

Others transactions

The Company holds bank financial statements with HBOS plc, its ultimate parent undertaking. HBOS also provides inter-company funding in the form of a loan on which interest is payable.

Related party	**Transaction type**	**Transaction amount**			**Balance outstanding**		
		2006 £'000	**2007 £'000**	**2008 £'000**	**2006 £'000**	**2007 £'000**	**2008 £'000**
HBOS Group companies	Commission income	43,016	39,812	32,097	-	-	-
	Payment for employee costs	(65,242)	(60,752)	(50,252)	-	-	-
	Payment for services	(47,308)	(40,901)	(39,716)	(46,332)	(18,003)	(9,279)
	Finance (expense) / income	(1,236)	(1,446)	234	-	-	-
	Bank balance held				895	840	575
	Group relief receivable				-	8,134	26,231
Rightmove plc	Purchase of services	(416)	(503)	(444)	-	-	(5)
	Dividend income	413	1,065	974	-	-	-

21. Ultimate parent undertaking

As at 31 December 2008 the Company's immediate parent company was Bank of Scotland plc. The company regarded by the directors as the ultimate parent company at 31 December 2008 was HBOS plc, a limited liability company incorporated and domiciled in Scotland, which was also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Bank of Scotland plc was the parent undertaking of the smallest such group of undertakings.

From 16th January 2009, Halifax Estate Agencies Ltd's ultimate parent undertaking and controlling party is LBG (formerly Lloyds TSB Group) which is incorporated in Scotland. LBG will produce consolidated financial statements for the year ended 31 December 2009. Copies of the annual report and financial statements of Lloyds TSB Group plc for the year ended 31 December 2008 may be obtained from LBG's head office at 25 Gresham Street, London EC2V 7HN.

Prior to 16th January 2009, HBOS plc was the ultimate parent undertaking of Halifax Estate Agencies Ltd. Copies of the annual report and financial statements of HBOS plc for the year ended 31 December 2008 may be obtained from HBOS plc's registered office at The Mound, Edinburgh, EH1 1YZ.

22. Post balance sheet events

On 18 September 2008, with the support of the UK Government, the boards of HBOS plc ('HBOS') and Lloyds TSB Group plc ('Lloyds TSB') announced that they had reached agreement on the terms of the recommended acquisition of HBOS by Lloyds TSB. The terms of the acquisition were subsequently amended, as announced on 13 October 2008, at the same time as the announcement of the participation by HBOS and Lloyds TSB in the Government's action plan to recapitalise some of the major UK banks. The acquisition was to be implemented by means of a scheme of arrangement with a separate scheme of arrangements in relation to preference shares, under sections 895 to 899 of the Companies Act 2006.

PART V

PRO FORMA STATEMENT OF NET ASSETS FOR THE ENLARGED GROUP

1. Unaudited pro forma balance sheet:

The following is an unaudited pro forma balance sheet of LSL at 30 June 2009, to reflect the adjustments for the Acquisition, prepared on the basis and assumptions set out in the notes below. This statement has been prepared to illustrate the effect on the balance sheet of LSL at 30 June 2009, that the Acquisition would have on the basis that the transaction took place on that date. This statement is prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position.

For LSL, no account has been taken of any results or other activities since 30 June 2009. For HEAL, no account has been taken of any results or other activities since 31 December 2008.

		Adjustments					
	LSL Unaudited 30-Jun-09	**HEAL Audited 31-Dec-08**	**Adjust A**		**HEAL Adjusted 31-Dec-08**	**Adjust B**	**Pro forma Combined**
Non current assets	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**
Goodwill	66316	0			0		66316
Other intangible assets	26569	0			0		26569
Property, plant & equipment	2277	8303			8303		10580
Investment in joint ventures and associates	0	5664			5664		5664
Financial assets	4479	0			0		4479
Trade and other receivables	0	4045			4045		4045
Deferred tax assets	389	1077			1077		1466
Total non current assets	**100030**	**19089**			**19089**		**119119**
Current assets							
Trade and other receivables	19312	33007	-26231	2a	6776		26088
Cash and cash equivalents	840	575	21633	2b	22208		23048
Total current assets	**20152**	**33582**			**28984**		**49136**
Total assets	**120182**	**52671**			**48073**		**168255**
Current liabilities							
Financial liabilities	1191	0			0		1191
Trade and other payables	29285	18560	-11364	2d	7196		36481
Current tax liabilities	1199	0			0		1199
Provisions for liabilities and charges	1068	0			0		1068
Total current liabilities	**32743**	**18560**			**7196**		**39939**
Non current liabilities							
Financial liabilities	42737	0			0		42737
Trade and other payables	72	0			0		72
Provisions for liabilities and charges	7569	8574	-6094	2c	2480		10049
Total non-current liabilities	**50378**	**8574**			**2480**		**52858**
Net assets	**37061**	**25537**			**38397**		**75458**

		Adjustments						
	LSL Unaudited 30-Jun-09 £000	HEAL Audited 31-Dec-08 £000	Adjust A £000		HEAL Adjusted 31-Dec-08 £000	Adjust B £000		Pro forma Combined £000
Equity								
Share capital	208	140000	22208	2e	162208	- 162208	2g	208
Share premium account	5629	0			0			5629
Share based payment reserve	2242	0			0			2242
Investment in treasury shares	-2934	0			0			-2934
Unrealised gain reserve	3900	0			0			3900
Hedging reserve	310	0			0			310
Retained earnings	27706	-114463	-9348	2f	-123811	162208	2g	66103
Total equity	**37061**	**25537**			**38397**			**75458**

1. Notes:

a. The financial information in respect of LSL as at 30 June 2009 has been extracted without material adjustment from the unaudited consolidated balance sheet of LSL as at 30 June 2009 included in LSL's Interim Results.

b. The financial information in respect of HEAL as at 31 December 2008 has been extracted without material adjustment from the balance sheet of HEAL as at 31 December 2008 included in Part IV ("Financial Information on HEAL") of this document.

c. Save for the adjustments for the Acquisition as described below, the unaudited pro forma net asset statement does not reflect any transactions or other changes to LSL's financial position since 30 June 2009.

2. Pro forma adjustments:

Under the terms of the sale and purchase agreement any inter company balances owing or owed to the rest of LBG, including the balance for group relief of corporation tax, will be settled prior to completion by an intra group debt waiver. Specific notes on the adjustments are included below.

a. HEAL current tax losses will be utilised within LBG and not transfer on completion.

b. Cash will be included in the balance sheet of HEAL of £21.8m to cover liabilities which may arise post completion together with an element of working capital. These liabilities will include re-brand costs, re-structure costs and property dilapidations.

c. As part of the acquisition agreement the leases and the liability for onerous leases will be transferred to LBG via the inter company.

d. Intra group balances will be released via an inter group debt waiver prior to completion. Any accrued bonuses will be settled prior to completion.

e. Additional share capital will be created within the balance sheet of HEAL pre completion.

f. Adjustment to retained earnings as a consequence of adjustments (a) to (e) above.

g. Consolidation entries required to reflect the acquisition with negative goodwill arising on acquisition reflected in retained earnings.

Fixed assets used in HEAL, but owned by other companies in LBG are to be transferred to HEAL prior to completion of the acquisition. The fair value of these assets is yet to be determined and therefore they are not included in the adjustments shown above.

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

The Directors
LSL Property Services plc
Newcastle House
Albany Court
Newcastle Business Park
NE4 7Y

12th November 2009

Dear Sirs

We report on the pro forma financial information (the "Pro Forma Financial Information") set out in Part V of the circular dated 12th November 2009, which has been prepared on the basis described set out in the notes in Part V, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by LSL Property Services plc in preparing the financial statements for the period ended 30 June 2009. This report is required by Listing Rule 13.3.3 and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders and as a result of the inclusion of this report in the circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely of the purposes of complying with Listing Rule 13.4.1 (6), consenting to its inclusion in the circular.

Responsibilities

It is the responsibility of the directors of LSL Property Services plc to prepare the Pro Forma Financial Information in accordance with Listing Rule 13.3.3.

It is our responsibility to form an opinion, as required by Listing Rule 13.3.3 as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of LSL Property Services plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of LSL Property Services plc.

Opinion

In our opinion:

1. The Pro Forma Financial Information has been properly compiled on the basis stated: and

2. such basis is consistent with the accounting policies of LSL Property Services plc.

Yours faithfully

Ernst & Young LLP

PART VI

ADDITIONAL INFORMATION

1. Responsibility:

The Directors, whose names appear below at section 3, accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. LSL:

LSL was incorporated and registered with the Registrar of Companies in England and Wales on 27 April 2004 under the Companies Act 1985 as a private company limited by shares with the name Broomco (3455) Limited and with registered number 05114014. On 21 July 2004 LSL changed its name to Lending Solutions Limited. On 12 October 2006 LSL re-registered as a public company and changed its name to LSL Property Services plc.

HEAL will, conditional on the Acquisition, become a subsidiary of LSL with effect from the Acquisition.

The principal legislation under which LSL operates is the Companies Act 1985, the Companies Act 2006 and the regulations made thereunder.

The liability of the members of LSL is limited.

LSL's registered office is Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, Tyne & Wear, NE4 7YB and its telephone number is 0191 223 4600. LSL's website is www.lslps.co.uk.

The registrars of LSL are Capita Registrars. The ISIN of the Ordinary Shares is GB00B1G5HX72.

3. Directors of LSL:

The following are the Directors and their principal functions are as follows:

- Simon David Embley (Chief Executive Officer);
- Dean Fielding (Group Finance Director);
- Paul Martin James Latham (Deputy Chief Executive Officer);
- Roger John Matthews (Non-Executive Chairman);
- Mark Christopher Morris (Senior Independent Non-Executive Director); and
- Mark Andrew Pain (Non-Executive Director).

4. Key Personnel of HEAL:

Below is a list of key personnel within HEAL. All of the individuals, excluding Ian Long, are not transferring into LSL and will exit HEAL on Completion.

Gordon Edwards (48 years of age), Managing Director of HEAL**,** has 30 years financial services experience. Having started his career with Midland Bank he moved onto various roles with Leeds Permanent Building Society before joining Halifax in 1995 as an Area Sales Manager. In 2002, Gordon assumed the role of regional sales manager for Scotland. He was later appointed head of network service leadership in 2004 and then in 2006 was appointed head of sales leadership for the HBOS network. Gordon has held the position of MD of HEAL since 2008 and holds an MBA from Cranfield University.

Joel Ripley (35 years of age), Finance and Operations Director of HEAL, has 10 years financial services experience including six years in retail banking with HBOS. Since joining HEAL in 2007, Joel has assumed responsibility for leading all operational back office support functions including finance, operations, risk and corporate services. Joel is a chartered accountant, having trained and qualified with Arthur Andersen. Prior to joining HEAL he spent 4 years at JP Morgan investment bank.

Julian Roberts (52 years of age), Managing Director of Business to Business, has over 30 years experience of working in a variety of roles within the estate agency sector including roles with William H Brown and Fox and Sons. Since joining HEAL in 1993, Julian has held regional and channel management positions with the company and, in 2003, assumed his current role overseeing HEAL's franchise network.

Phil Delaney (48 years of age), HEAL Regional Director North, has 10 years experience within the financial services industry. Phil held the position of Area Manager at LBG before joining Birmingham Midshires in 1993 culminating in the role as Head of Regulated Sales. Phil joined HEAL in 2001 and in 2008 he assumed the role of Regional Director North.

Dave Whitehead (41 years of age), HEAL Regional Director South, has 23 years experience within the estate agency sector. Dave has been with HEAL since 1986 and assumed the role of Regional Director South in 2005.

Stephen Wolfenden (53 years of age), National Director of Equity Partnerships of HEAL, has over 29 years experience within the estate agency sector. Having previously held the position of District Valuer for the Inland Revenue until 1984, followed by partnership in an estate agency, Stephen joined HEAL in 1987. In 2008, after holding area manager and regional executive roles within HEAL, Stephen was appointed National Director of HEAL's franchising business.

Katie Collins (32 years of age), Head of Human Resources for HEAL, has over nine years experience in the Human Resources field, gained across the financial services industry. Katie joined HBOS in 2003 having previously worked for AMP Pearl and Churchill Insurance Ltd. Joining HEAL in 2008, Katie is responsible for leading the Human Resources team and overseeing the operational training agenda.

Ian Long (38 years of age), HEAL Corporate Services Director, has 22 years experience within the estate agency and financial services sector. Ian has been with HEAL since 1995 and has held a number of area manager roles in both mortgages and residential estate agency. During 2006 he was responsible for developing the HEAL franchising business. In 2007, Ian was appointed Corporate Services Director for HEAL, with responsibility for leading the Asset Management and New Homes business. Ian holds a Diploma in Advanced Business Management from Durham University.

5. Directors' Remuneration and Benefits:

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

Executive Director	**Continuous Employment since**	**Notice period**	**Current salary**	**Related Bonuses 2008**	**Allowance & Benefits (excluding pension)**	**Pension**
Simon Embley Chief Executive Officer	31/08/1993	9 months	£180,000	Nil	£10,864	£9,000
Paul Latham Deputy Chief Executive	21/11/1987	9 months	£140,000	£2,500+	£18,067	£8,503
Dean Fielding Group Finance Director	01/05/1995	6 months	£125,000	Nil	£10,090	£6,250

Each of the service agreements allows LSL to place the Executive Directors on "garden leave" for a maximum of six months in the event the executive Director has given, or is given, notice to terminate their employment. Each of the agreements also provide for the relevant executive Director to receive medical insurance, life assurance and permanent health insurance as well as a discretionary bonus. The discretionary bonus payments to which the executive Directors will be entitled are set by the remuneration committee each year based on individual and LSL performance targets and the maximum bonus will be 100 per cent of salary. None of the executive Directors are entitled to any benefit on termination of his service agreement other than contractual benefits to be provided during any notice period.

Each of Messrs Matthews and Morris have letters of appointment which took effect on 11 October 2006 from LSL. Mr Pain has a letter of appointment which took effect on 1 July 2009. Under the terms of their letters of appointment as non-executive Directors, Mr Matthews is entitled to an annual fee of £100,000, Mr Morris is entitled to an annual fee of £40,000 and Mr Pain is entitled to an annual fee of £35,000.

Under the terms of each letter of appointment, the appointment is for an actual term of three years unless otherwise terminated earlier by, and at the discretion of, either party on three months' notice. In addition, the appointments may be terminated immediately if the non-executive Director has:

- committed a material or persistent breach of the terms of his appointment;
- had a bankruptcy order made against him or compound with or entered into any voluntary arrangement with his creditors;
- been disqualified from holding office as a director;
- been removed as a Director by the Shareholders;
- failed to be reappointed as a Director for any reason; or
- been guilty of any act of dishonesty or serious misconduct or any conduct which, in the reasonable opinion of the Board, tends to bring him or LSL into disrepute.

The non-executive Directors are not entitled to participate in LSL's executive remuneration programmes or pensions arrangements.

6. Interests of Directors:

As at 10th November (being the last practicable date prior to the publication of this document), the interests of the Directors and persons connected with them (within the meaning of section 252 of the Companies Act 2006), (all of which are beneficial save where otherwise stated) in the share capital of LSL which had been notified to LSL are as follows:

Name	**Ordinary Shares**	**% of issued share capital**
Simon Embley	9,930,500	9.53%
Dean Fielding	6,100,000	5.86%
Paul Latham*	6,893,750*	6.62%*
Roger Matthews	86,882	0.08%
Mark Morris	53,972	0.05%
Mark Pain	Nil	Nil

*Paul Latham's holding includes shares acquired by his children during 2007.

Save as set out above, none of the Directors have any interests in the share capital of LSL.

No loan or guarantee has been granted or provided by LSL to any Director or any person connected with him.

7. Significant shareholdings:

As at 10th November 2009 being the latest practicable date prior to the date of this document, the Shareholders set out below have notified LSL of their interests in 3% or more of the issued ordinary shares:

Institutions	Nature of holding	Number of Ordinary Shares	% of issued shares
Mortstan Nominees Limited	Registered holder	9,265,049	8.90%
State Street Nominees Limited	Registered holder	8,794,084	8.44%
BPE General Partner Limited	Registered owner	7,290,398	7.00%
Barclays Industrial Investment	Registered owner	4,039,784	3.88%
Vidacos Nominees Ltd	Registered holder	7,351,395	7.06%
Chase Nominees Ltd	Registered holder	8,376,411	8.04%
HSBC Global Custody Nominee (UK)	Registered Holder	5,828,785	5.60%
Individuals (excluding executive directors)			
David Newnes	Registered holder and beneficial holder	5,569,250	5.35%

8. Related Party Transactions

The are no related party transactions entered into by LSL which have occurred during the last 12 months.

9. Material Contracts:

9.1 LSL:

The following contracts which are or may be material, have been entered into by the LSL Group otherwise than in the ordinary course of business in the two years immediately preceding the date of this document or contain any provision under which any member of the LSL Group has any obligation which is material as at the date of this document:

a. the Acquisition Agreement, which is summarised in Part III of this Circular;

b. As highlighted in LSL's annual report and accounts 2008 (see page 19 and note 20 to the financial statements), LSL extended its credit facility agreement in December 2008 to include an option to extend the agreement until July 2011 (it currently expires in July 2010). This variation also included a reduction of in the facility to £75m (from £95m).

9.2 HEAL:

HEAL has not entered into any contracts (not being contracts entered into in the ordinary course of business) within the last two years preceding the date of this Circular which are, or may be, material, or (regardless of when entered into) contain provisions under which HEAL has an obligation or entitlement which is material to HEAL as at the date of this Circular.

10. Working capital:

In the Directors' opinion, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least 12 months following the date of publication of this document.

11. Litigation:

11.1 LSL:

No member of the LSL Group is or has during the 12 months preceeding the date of this document been involved in any governmental, legal or arbitration proceedings nor, so far as LSL is aware, are any such proceedings pending or threatened which may have or have had, in the recent past a significant effect on the Group's financial position or profitability.

11.2 HEAL:

HEAL is not and has not during the 12 months preceeding the date of this document been involved in any governmental, legal or arbitration proceedings nor, so far as LSL is aware, any such proceedings pending or threatened which ,may have or have had in the recent past a significant effect on HEAL's financial position or profitability.

12. Significant Change:

12.1 LSL:

There has been no significant change in the financial or trading position of the Group since 30 June 2009, being the date to which LSL's interim results were prepared.

12.2 HEAL:

There has been no significant change in the financial or trading position of HEAL since 31 December 2008, the date to which the financial information contained in Part IV of this document was made up.

13. Consents:

Ernst & Young LLP has given and not withdrawn its written consent to the inclusion in this document of its reports and the references to the reports and to its name in the form and context in which they are included.

Numis has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and reference to it in the form and context in which they appear.

14. Documents available for inspection:

Copies of the following documents may be inspected at the offices of DLA Piper UK LLP, Princes Exchange, Princes Square, Leeds, LS1 4BY during usual business hours on any weekday from the date of publication of this document (public holidays excepted) until the close of the General Meeting and will also be available at the General Meeting for at least 15 minutes before and during the General Meeting:

- the memorandum and articles of association of LSL;
- the audited accounts of LSL for the two financial years ended 31 December 2008 and 31 December 2007;
- the written consents referred to in paragraph 13 above;
- the Acquisition Agreement;
- this Circular;
- the reports of Ernst & Young LLP set out in Part IV and V of this document;

12th November 2009.

PART VII

DOCUMENTS INCORPORATED BY REFERENCE

Information incorporated by reference	Document reference	Page number(s) in this document
Amendment to credit facility agreement	LSL Annual Report and accounts 2008 (page 19 and note 20)	Paragraph 9.1(b), Part VI (page 50)

PART VIII

DEFINITIONS

"Acquisition"	the proposed acquisition by LSL of the entire issued share capital of HEAL pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional share sale and purchase agreement in respect of the Acquisition dated 16 October 2009 between, BoS and LSL relating to the Acquisition the principal terms of which are described in Part III of this Circular
"Board"	the board of directors of LSL
"BoS"	Bank of Scotland plc, a company registered in Scotland with number SC327000
"Circular"	this document
"Completion"	completion of the Acquisition
"Directors"	the directors of LSL whose names are set out on page 48
"Enlarged Group"	the LSL Group following Completion
"Ernst & Young"	Ernst & Young LLP
"Exchange"	16 October 2009
"FSA"	Financial Services Authority
"FSMA"	Financial Services and Markets Act 2000
"FTE"	full time equivalent employees
"Form of Proxy"	the form of proxy accompanying this Circular to be used by Shareholders in relation to the General Meeting
"General Meeting"	a general meeting of LSL to be held at 11 a.m. on 8th December 2009 for the purpose of approving the Acquisition
"HBOS"	HBOS plc a company registered in Scotland with number SC218813
"HEAL"	Halifax Estate Agencies Limited a company registered in England and Wales with number 20445933
"Intercounty"	ICIEA Limited a company registered in England and Wales with number 2045933
"LBG"	Lloyds Banking Group plc a company registered in Scotland with the number SC095000
"LBG Group"	LBG and its subsidiaries
"Listing Rules"	the listing rules made by the UKLA for the purposes of Part VI of FSMA
"LSL" or "Company"	LSL Property Services plc a company registered in England and Wales with the number 05114014
"LSL Corporate Client Department"	is a trading name of First Complete Limited
"London Stock Exchange"	the London Stock Exchange plc
"LSL Group" or "Group"	LSL and its subsidiary undertakings
"Notice of Meeting" or "Notice"	the notice of General Meeting set out at the end of this Circular

"Numis"	Numis Securities Limited, sponsor to LSL
"Ordinary Shares"	0.2p ordinary shares in LSL
"Reeds Rains"	Reeds Rains Limited a company registered in England and Wales with number 5114014
"Resolution"	the resolution to approve the Acquisition to be proposed at the General Meeting, as set out in the notice of the General Meeting at the end of this Circular
"Shareholders"	the shareholders of LSL
"TUPE Regulations"	the Transfer of Undertakings (Protection of Employment) Regulations 2006
"UKLA"	the UK Listing Authority
"Your Move"	your-move.co.uk Limited, a company registered in England and Wales with number 01861469

LSL PROPERTY SERVICES PLC
(Registered in England and Wales with registered number 5114014)

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of LSL Property Services plc (**"Company"**) will be held at 11 a.m. on 8th December 2009 at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE for the purposes of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

That the proposed acquisition by the Company of the entire issued share capital of Halifax Estate Agencies Limited, subject to the terms and conditions of a conditional acquisition agreement dated 16 October 2009 made between the Company, HBOS plc and Bank of Scotland plc, as described in the circular to shareholders of the Company dated 12th November 2009 of which this notice forms a part (**"Acquisition Agreement"**) be and is hereby approved and that the directors of the Company (**"Directors"**) be and are hereby authorised to do all things that are, in the opinion of the Directors (or a duly authorised committee of them), necessary or desirable to give effect to and to complete the Acquisition Agreement and the documents referred to in it with such modifications, amendments, variations or waivers as they (or any such committee) consider to be necessary or desirable provided such modifications, amendments, variations or waivers are not of a material nature.

By order of the board

....

Sapna B FitzGerald

Company Secretary

12th November 2009

Registered office: Newcastle House, Albany Court, Newcastle Business Park, Newcastle Upon Tyne, NE4 7YB.

Notes:

(1) The right to vote at the meeting is determined by reference to the register of members. Only those members registered in the register of members of the Company as at 11 a.m. on 6th December 2009 (being 48 hours before the time for holding the meeting) or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 11 a.m. on 6th December 2009 or, in the event that the meeting is adjourned, after 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(2) A member is entitled to appoint one or more persons as proxies to exercise all or any of his rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. A form of proxy is enclosed and notes for completion can be found on the form and should be read carefully before it is completed. To be valid, the form of proxy must be completed, signed and sent to the offices of the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, so as to arrive no later than 11 a.m. on 6th December 2009 (or, in the event that the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment. You may photocopy the enclosed proxy form, indicating clearly on each proxy form the name of the proxy you wish to appoint and the number of shares in relation to which the proxy is appointed. All forms must be signed and should be returned together in the same envelope. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The right of a member under section 324 of the Companies Act 2006 ("2006 Act") to appoint a proxy does not apply to a person nominated to enjoy information rights under section 146 of the 2006 Act.

The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.

The Company's issued share capital consists of 104,158,950 0.2p ordinary shares carrying one vote each. Therefore, the total voting rights in the Company as at 9th November are 104,158,950.

(4) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (formerly CRESTCo's) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuers' agent (ID RA10) by the latest time for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(5) Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under section 146 of the 2006 Act ("nominee"):

(a) the nominee may have a right under an agreement between the nominee and the member by whom he was appointed, to be appointed, or to have someone else appointed, as a proxy for the meeting; or

(b) if the nominee does not have any such right or does not wish to exercise such right, the nominee may have a right under any such agreement to give instructions to the member as to the exercise of voting rights.

(6) Capita Registrars maintain the Company's share register. They also provide a telephone helpline service on 0871 664 0300 (calls cost 10p a minute plus network extras. Lines are open 8.30 am to 5.30pm, Monday to Friday) If you have any queries about voting or about your shareholding, please contact Capita Registrars.

(7) Members have the right to ask questions at the meeting in accordance with section 319A of the 2006 Act.