



Half Year Results Presentation

Six Months Ended 30 June 2008

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August 2008

Key messages & delivery H1 2008

Despite market conditions:

Estate Agency diversification
Exchange income down 50%
Segment revenue down 24%
Other income significant growth

Barnwoods: H1 profit £6.1m
Newly set-up asset
management company

Growing diversity
of estate agency
division

Group profit
Despite market, H1 profit
£9.3m

Substantial
experience of
acquisitions and
corporate reform

Diversified
business model
with some
resilience to
property cycle



Attractive
margins and
strong cash
generation

Growing and
highly profitable
surveying
division

Cash in H1:
Impacted seasonality & one offs
Low capital expenditure of
£0.7m

Survey profit*
up 32% to £15.4m

*Underlying operating profit before exceptional costs and amortisation of intangibles

Highlights

- Satisfactory half year results, despite 54% fall in mortgage approvals for house purchase
 - ▶ Group revenue down 10% to £93.1m (2007: £102.9m)
 - ▶ Underlying Group Operating Profit¹ down 41% to £9.3m (2007: £15.6m)
 - ▶ Group profit before tax, amortisation and exceptionals of £7.8 m (2007: £14.7m). Loss before tax was £0.8m (2007: profit before tax of £12.1m)
 - ▶ Exceptional restructuring costs of £3.4m (2007: nil)
 - ▶ Underlying Adjusted Earnings per Share² of 5.4p (2007: 10.1p) (Basic loss per share was 0.6p (2007: earnings per share of 8.1p))
- Strong underlying operating results from surveying division
 - ▶ Surveying profits up 32% to £15.4m (2007: £11.7m)
 - ▶ C&G contract secured July 2007 contributed £6.1m profit in H108 (2007 H1: nil)
 - ▶ Surveying margin increased by 34.3% (2007: 29.1%)
- Estate agency and financial services impacted by unprecedented market conditions
 - ▶ Your Move & Reeds Rains exchange income down 48%, turnover down 27%
 - ▶ Non exchange income (YM & RR) up 11% to £22.7m (2007 £20.4m) despite market conditions
 - ▶ Significant cost efficiencies achieved
- Cashflow generation impacted by seasonality and one offs - outflow from operations of £8.4m (2007: inflow £10.0m).
- No interim dividend payable in 2008 (2007: 3p per share) - prudent to conserve cash until market conditions improve.
- Net debt of £61.7m at 30 June 2008 (30 June 2007: £56.3 million)
- £0.6m investment in counter cyclical businesses of repossession and asset management in line with stated strategy
- Well positioned for further growth both organically and from acquisitions when market recovers

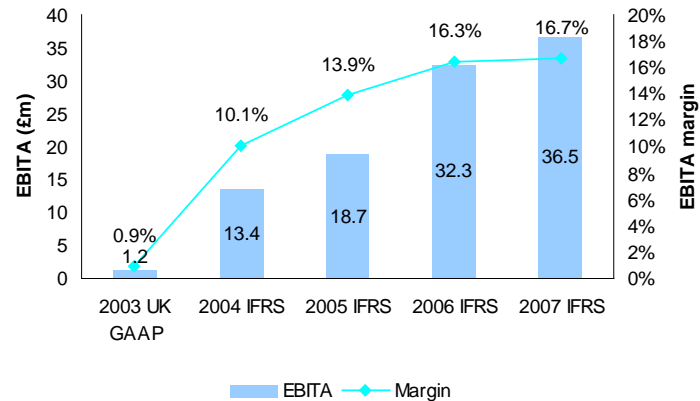
¹ Underlying Group Operating Profit is before exceptional costs and amortisation of intangibles

² Underlying Adjusted Earnings per Share reflects the after tax effect of adjusted earnings as calculated in note 4 of Interim Results statement divided by the weighted average number of shares in issue for the six months period ending 30 June 2008

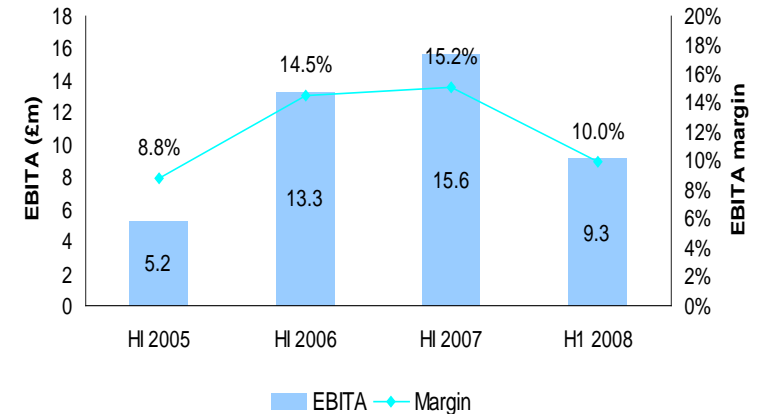


Financials at a glance

EBITA Full Year



EBITA Half Year



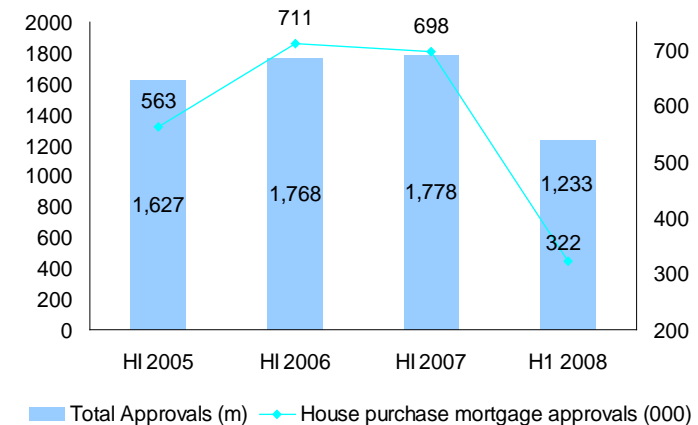
Group Financial Overview

Revenue	2005	2006	2007	HI 2006	HI 2007	H1 2008
Estate Agency	63.8	103.1	107.1	47.5	52.8	39.4
FS	14.0	20.9	22.5	9.4	10.1	8.8
EA & FS	77.8	124	129.6	56.9	62.9	48.2
Surveying	57.0	74.0	89.9	34.4	40.0	44.9
Total	134.9	198.0	219.5	91.3	102.9	93.1
Underlying operating profit*						
Estate Agency	3.7	13.4	13.7	4.6	6.4	-4.1
FS	-2.0	-0.8	-0.9	-0.6	-1.1	-1.1
EA & FS	1.7	12.6	12.8	4.0	5.3	-5.2
Surveying	17.4	21.0	26.3	9.8	11.7	15.4
Central Costs**	-0.4	-1.3	-2.6	-0.5	-1.4	-0.9
Total	18.7	32.3	36.5	13.3	15.6	9.3

* before exceptional costs and amortisation of intangible assets

** 2007 charge includes £0.3 million of non-cash share based payments

Mortgage Approvals for House Purchase



Cash Flow

	Full Year 2007	H1 2006	H1 2007	H1 2008
Operating profit	36.5	13.3	15.6	9.3
Exceptional costs	(1.4)			(3.4)
Depreciation & Other	2.2	1.4	1.1	1.1
Dividend income	0.4	-	0.3	0.3
Interest paid	(3.4)	(2.0)	(1.3)	(2.0)
Interest received	0.4	0.5	0.1	0.2
Movement in working capital	4.2	(2.7)	(1.3)	(9.3)
Tax paid	(9.7)	(1.6)	(4.3)	(4.3)
Capex	(2.4)	(1.1)	(0.9)	(0.7)
Net cash from operating activity after tax & capex	26.8	7.8	9.3	(8.8)

- Working capital outflow of £9.3m impacted by:
 - ▶ HIPs debtor £3.75m
 - ▶ Reduction in out-sourced surveys and third party cash of £3.4m
 - ▶ Normal seasonality - cashflows traditionally stronger in H2
- Significant cash focus in H2
 - ▶ No interim dividend
 - ▶ Reduced tax payable
 - ▶ Introduction of finance arrangement for HIPs
- Debt flexibility and headroom
 - ▶ Current net debt £61.7m (30 June 2007: £56.3m)
 - ▶ Facility available of £95.0m until July 2010

Operational Performance: Surveying

Surveying : results				
	<u>2007</u>	<u>H1 2007</u>	<u>H1 2008</u>	<u>%</u>
Turnover	£89.9m	£40.0m	£44.9m	+12%
Profit	£26.3m	£11.7m	£15.4m	+31%
	29.3%	29.1%	34.3%	

e.surv : KPIs			
	<u>H1 2007</u>	<u>H2 2007</u>	<u>H1 2008</u>
Mortgage approvals (000s)	1778	1514	1233
Jobs performed (000s)	227	216	184
% share	12.8%	14.3%	14.9%
No. of surveyors (avge)	320	364	327
Consultant costs (£000s)	£2498	£1790	£467

- Continued growth in turnover and profit
- Despite 31% fall in mortgage approvals, e.surv margin maintained
 - ▶ increase in market share
 - ▶ costs reduced
- Flexible operating model
- Impressive start from new contract, Barnwoods

Barnwoods (new start) : results		
	<u>H2 2007</u>	<u>H1 2008</u>
Turnover	£11.4m	£12.0m
Profit	£5.4m	£6.1m
Margin	48%	51%

* Underlying operating profit before exceptional costs and amortisation of intangibles

Surveying's embedded relationships

Providing a range of services across the UK's lending market

Service provider



Panel manager



Joint panel manager



Exclusive panel manager and manager of lender employed surveyors



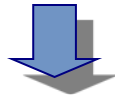
Source: Company data

The UK's market leading valuation distributor

Surveying: Development

Market backdrop

- 31% fall in mortgage approvals
- Lower valuation volumes in market
- Smaller valuers feel squeeze with a number going into administration
- Our market share continues to grow



Growth in market share

	<u>H1 2007</u>	<u>H2 2007</u>	<u>H1 2008</u>
Mortgage approvals (000s)	1778	1514	1233
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% share	12.8%	14.3%	14.9%

New products & opportunities

- Scottish Single Survey launches 1st November
- Home buyers reports
- New lender contract opportunities

Strong client base

Operational Performance: Estate Agency

Estate Agency Segment

	Full Year 2006	Full Year 2007	H1 2006	H1 2007	H1 2008
Turnover	102.6	107.1	47.5	52.8	39.4
Profit*	13.4	13.7	4.5	6.5	-4.1
Margin	13.0%	12.8%	9.6%	12.3%	-10.4%

Financial Services Segment

	Full Year 2006	Full Year 2007	H1 2006	H1 2007	H1 2008	% Change
Turnover	20.8	22.6	9.4	10.1	8.8	7%
Expenditure	(21.6)	(23.4)	(10.0)	(11.2)	(9.9)	12%
Profit	(0.8)	(0.9)	(0.6)	(1.1)	(1.1)	

Your Move & Reeds Rains KPIs

Exchange units	15990	8525	-47%
Average fee	£2210	£2139	-3%
Exchange fees	35.3m	18.2m	-48%
Other income	20.7m	22.9m	+11%
Total income	56.0m	41.1m	-27%
HIPs costs	0	2.6m	n/a
Other costs	50.4m	41.6m	-17%
Total costs	50.4m	44.2m	-12%
Profit	5.6m	-3.1m	

Profit includes FS

- Exchange income down by 48%; however, turnover down 27%
- Significant cost reductions; core cost base down 17% in H1
- One off costs of £2.9 million. Excluding HIPS run rate costs H2 £33 million

* Underlying Operating Profit is before exceptional costs and amortisation of intangibles

Estate Agency & Financial Services

Innovative investment in organic growth

	<u>H1 2007</u>	<u>H1 2008</u>	
Your Move & Reeds Rains			
Lettings & non-agency income	10.3m	14.3m	Continued investment in non-agency/non-FS related income
First Complete			
Operating loss	-	(0.6m)	Service model, staffing & IT model in place. Contracts secured. Profitable in H2. Significant business opportunity in 2009 & beyond.
Homefast			
Operating loss	(0.3m)	(0.2m)	Conveyancing operation closed down. Staff now 11 FTEs providing group HIPs. Now profitable on a run rate basis
Property-careers			
Operating profit	0.6m	0m	Provides training across residential property industry. Developing products for launch in 2009
LSLi			
Operating loss	0.3m	(0.3m)	Impacted by market conditions
Linear			
Operating loss	(0.5m)	(0.5m)	Business restructured so staff operating on commission-only basis

Market context

Market conditions difficult; no current signs of improvement

House Purchase (000's)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>% change</u>
January	51	78	80	50	-38%
February	74	97	101	65	-36%
March	104	143	133	63	-53%
April	110	109	111	66	-41%
May	108	137	137	48	-65%
June	116	147	136	42	-69%
H1	563	711	698	334	-52%

- General deterioration since August 2007
- Compounded growth in fall throughs
- July EA trading has stabilised

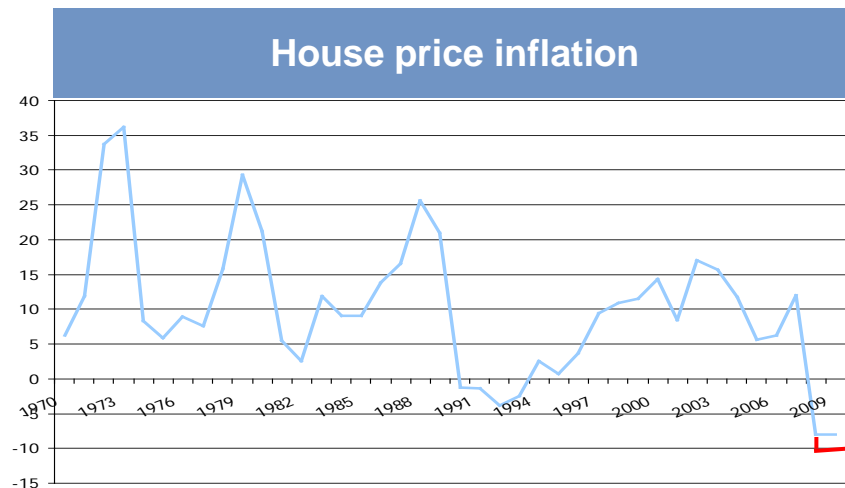
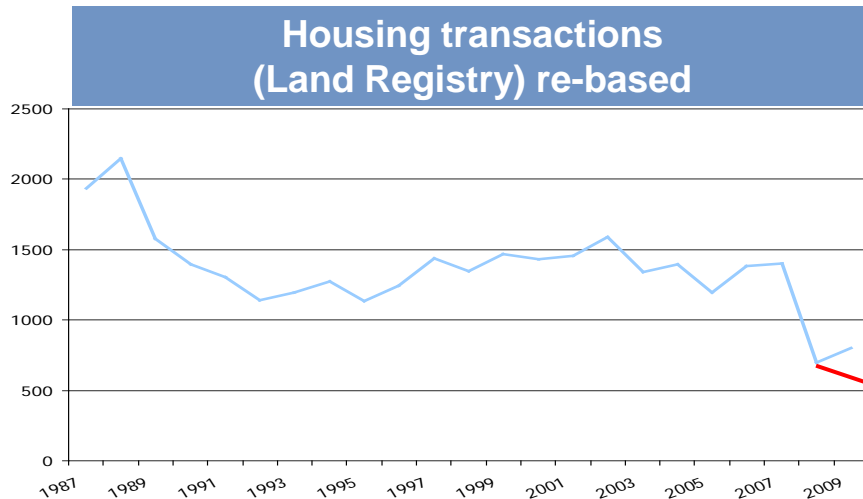
Total Approvals (Mortgages & Remortgages)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>% change</u>
January	196	229	242	207	-14%
February	241	266	282	238	-16%
March	293	346	327	212	-35%
April	299	266	272	236	-13%
May	288	321	334	187	-44%
June	310	340	321	176	-45%
H1	1627	1768	1778	1256	-29%

- Overall market tightened

 Figures as per Bank of England

Market context (house purchase)



Blue line - as last time

Red line - potential view

- Unprecedented level of transaction volume decline - not seen even in the early 90's
 - Despite market backdrop:
 - ▶ worldwide commodity inflation
 - ▶ low consumer confidence
 - ▶ lack of mortgage availability
- fundamentals (unemployment, interest rates, inflation) comparatively OK, so difficult to explain
- Forecast 2008 Land Registry Completions down by 50% in LSL's view, with no improvement until back end of 2009, supported by
 - ▶ improved affordability through lower house prices
 - ▶ relaxation of credit
 - ▶ normal housing cycle
 - House price deflation this year 10%. Next year similar. Driven by repossessions, distressed sellers and new homes.
 - Inappropriate to forecast improvement at this stage for 2009.

Diversified Business Model

Some resilience to property cycle

- **Panel manager in surveying**
 - ▶ Providing operational flexibility

- **Surveying material to current group profitability**
 - ▶ Surveying profits less cyclical
 - ▶ New contract wins enhance earnings

- **Potential to improve losses in estate agency**
 - ▶ Some downside protection by reducing cost and growing new income streams
 - ▶ Lettings and repossessions - major growth focus

- **Investment in Hometrack**
 - ▶ Providing an insight into the AVM market and a dividend income stream

Summary

Business responding well to challenging market conditions

Survey

- Flexible panel management model; strong relationships with diverse client base
- Contribution to increased market share
- Continuing to grow profits significantly

Estate Agency & Financial Services

- Challenging market
- Growth of non-agency income (e.g. financial services, lettings and the sale of HIPs)
- Significant cost reductions
- Potential market share gains beyond this year

Market

- House purchase mortgage approvals down 54%
- House prices declining
- Unprecedented market conditions
- Financial impact on all businesses in housing will lead to fewer competitors in the market beyond 2009

Acquisition Growth

- Consolidation of loss making business unattractive
- Need to see beginnings of market recovery
- Organic growth investment continues
- In the meantime, preserve cash