Directors and Officers

Directors

S D Embley
D J Newnes
J McAuley
L Charles-Jones
P Hardy
W G Fowlis
S A Cooke
S Cox
H L Woodhouse

Secretary

S B Fitzgerald

Auditors

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

Bankers

Barclays Bank plc
York Area Group
1, 2 & 3 Parliament Street
York
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Contents

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2012

Results and dividends

The profit for the year, after taxation, amounted to £1,944,000 (2011 Profit £2,540,000)

No dividend was paid during the year and the directors do not recommend the payment of a final dividend (2011 £nil)

Principal activity

The principal activity of the Company is the provision of estate agency services and related activities The directors consider that this will continue unchanged into the foreseeable future

Review of the business

Details of the results are given in the profit and loss account on page 9

The Company made an operating profit of £2,416,000 against an operating profit in 2011 of £132,000

The Company's key financial and other performance indicators during the year were as follows -

	2012	**2011**	**Change %**
Turnover (£000)	70,257	64,568	+9%
Operating profit(£000)	2,416	132	+1,730%
Margin (%)	3 9	0 1	
Number of exchange units	14,161	13,996	+1%
Average commission fee (£)	2,102	2,036	+3%
Number of owned branches	221	230	-4%
Number of franchised branches	76	84	-10%

Turnover increased by 9% during the year, this was driven by gains in average sales fee along with continued growth on lettings and financial services

The business won several industry awards in 2012 across the business

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are as follows -

- The volume of house sales and the Company's turnover and profitability could be adversely affected by the following external factors the housing market, customer behaviour, competition from other estate agents and changes in legislation

- The Company's results could also be adversely affected by the following internal factors failure to recruit or retain key staff, failure of information systems, failure to comply with relevant legislation or failure of the franchise model or a number of the franchisees

Directors' report

Going Concern

The company is expected to generate positive cashflows on its own account for the foreseeable future The company participates in the group's centralised treasury management and so shares banking arrangements with its fellow subsidiaries

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and have no reason to believe that a material uncertainty exists that may cast significant doubt over the ability of the group to continue as a going concern or its ability to continue with current banking arrangements

Financial instruments - risk management

The Company is exposed through its operations to the following financial risks as follows

Credit risks
There are no significant concentrations of credit risk within the Company The Company is exposed to a credit risk in respect of revenue transactions (i e turnover from customers) It is the Company policy to obtain appropriate details of new customers before entering into contracts The majority of the customers use the Company's services as part of a house sale transaction and consequently the debts is paid from the proceeds realised from the sale of the house by the vendor's solicitors before the balance of funds is transferred to the vendor

Liquidity Risks
The Treasury Department in the ultimate parent company manages the liquidity risk in the group, in which they monitor the cash flow position of the company to prevent shortage of funds to meet liabilities when they fall due

Future developments

The business will continue to develop counter cyclical income streams and to assess opportunities along the value chain which will strengthen the ability of the estate agency business to trade successfully through market downturns Lettings have grown substantially over the last year and there is continued focus on this growth area The business continues to manage closely the costs and the fee charged for property sales

Employees

Employees are informed regularly about aspects of the business and its progress, which the company considers are relevant to them The company operates a personnel policy, which ensures that employees are consulted and involved in decisions, which affect them and their jobs The company endeavours to encourage employees to maintain a sense of identity with its aims and objectives

Applications for employment by disabled persons are always fully and fairly considered, taking into account the aptitudes and abilities of the applicant concerned Where employees become disabled the company endeavours to continue to employ them and to arrange appropriate training, provided there are duties which they can perform, bearing in mind the handicap or disability It is the policy of the company that training, career development and promotion of disabled employees should, as far as possible, be identical to that of other employees

Political and charitable donations

There were no political donations made during the year (2011 - £nil) Charitable donations to various charities totalled £380 (2011 - £389)

Directors' report

Creditors and supplier payment policy

Where goods or services have been supplied in accordance with terms agreed with a supplier, it is the policy of the Company that the supplier is paid in accordance with those terms

At the end of the financial period, the number of days of annual purchases represented by the creditors of the Company were 22 days (2011 - 20 days)

Directors

The names of the present directors of the Company appear on page 1

G Samples resigned as a director on 6th January 2012
H L Woodhouse was appointed as a director on 1st January 2013

Resolutions

On 10 July 2001, the members of the Company passed special resolutions to dispense with the holding of Annual General Meetings, the laying of directors' reports, financial statements and auditors' reports before the members in general meeting and the obligation to appoint auditors annually

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

On behalf of the Board

P Hardy *Director* 4TH MARCH 2013

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YOUR-MOVE.CO.UK LIMITED

We have audited the financial statements of your-move co uk limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the related notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YOUR-MOVE.CO UK LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Stuart Watson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

6 March 2013

Profit and loss account
for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Turnover	2	70,257	64,568
Operating expenses		(68,687)	(65,435)
Other operating income	4	846	999
Underlying Operating profit		2,416	132
Exceptional items	3	(270)	(28)
Total Operating Profit		**2,146**	**104**
Interest receivable and similar income	5	579	152
Profit on ordinary activities before taxation	3	**2,725**	**256**
Tax on profit on ordinary activities	8	(781)	2,284
Profit for the financial year	16	**1,944**	**2,540**

All amounts relate to continuing activities

A statement of the movement in reserves can be found in note 16

Statement of total recognised gains and losses
for the year ended 31 December 2012

The Company has no recognised gains or losses other than those included in the results above Accordingly, a statement of total recognised gains and losses is not given

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2012

	2012 £000	2011 £000
Profit for the financıal year	1,944	2,540
Share-based payment (note 7)	208	162
Net addıtıons to shareholders' funds	**2,152**	**2,702**
Openıng shareholders' funds	10,315	7,613
Closıng shareholders' funds	**12,467**	**10,315**

Balance sheet
at 31 December 2012

	Note	2012 £000	2011 £000
Fixed assets			
Intangible assets - positive goodwill	10	498	542
Intangible assets - negative goodwill	10	(16)	(47)
		482	495
Tangible assets	11	3,081	3,416
		3,563	**3,911**
Current assets			
Debtors	12	31,572	31,318
		31,572	**31,318**
Creditors: amounts falling due within one year	13	(22,439)	(24,623)
Net current assets		**9,133**	**6,695**
Total assets less current liabilities		**12,696**	**10,606**
Provisions for liabilities and charges	14	(229)	(291)
Net assets		**12,467**	**10,315**
Capital and reserves			
Called up share capital	15	7,476	7,476
Special reserve	16	192,024	192,024
Share-based payment reserve	16	398	190
Profit and loss account	16	(187,431)	(189,375)
Shareholders' funds		**12,467**	**10,315**

The financial statements were approved by the Board on 4TH MARCH 2013 and were signed on its behalf by

P Hardy *Director*

Notes to the financial statements
at 31 December 2012

1 Accounting policies

Basis of financial statements

The financial statements have been prepared under the historical cost convention

The financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Going concern

The financial statements for the Company have been prepared on the going concern basis The directors are satisfied that the going concern basis is appropriate as mentioned in the Directors' Report

Group financial statements

The Company has taken advantage of exemptions available not to prepare group financial statements as the Company is a 100% owned subsidiary of a UK company which prepares group financial statements that are publicly available Accordingly these financial statements represent the activities of the Company only

Statement of cash flows

Advantage has been taken of the exemption available under FRS 1 not to prepare a statement of cash flows as the company is a 90% owned subsidiaries The ultimate parent company, LSL Property Services plc has prepared a statement of cash flows as part of the group financial statements

Tangible Fixed assets

Fixed assets are stated at cost less accumulated depreciation Depreciation is provided to write off cost less the estimated residual value of fixed assets by equal annual instalments over their estimated useful economic lives as follows

Leasehold improvements	- over the shorter of the lease tern or ten years
Office equipment, fixtures and fittings	- over three to seven years
Computer equipment	- over three years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

1. **Accounting policies** (continued)

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Negative goodwill relates to the excess of the fair value of the fixed assets acquired over their purchase price at the date of acquisition The excess negative goodwill is written back to the profit and loss account in line with the estimated remaining useful life of the fixed assets acquired

Operating lease agreements

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight line basis over the lease term

Pensions costs

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

Provisions

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation Provisions for obligations under leases on vacant and sub-let properties are charged against profits when invoiced The provision relating to leases on vacant and sub-let properties are discounted at 6 5% to reflect the time value of money

Taxation

Current tax, being UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have enacted or substantially enacted by the balance sheet date

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise for in the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Notes to the financial statements
at 31 December 2012

1 Accounting policies (continued)

Share-based payment (equity-settled transactions)

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty The following criteria must also be met before revenue is recognised

Rendering of services

Revenue from the exchange fees in the estate agency business is recognised by reference to the legal exchange date of the housing transaction

Financial services income

Revenue from mortgage procuration fees is recognised by reference to the completion date of the mortgage on the housing transaction Revenue from the policy sales is recognised by reference to the date that the policy is accepted by the insurer

Interest income

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

Rental income

Rental income including the effect of lease incentives from sub-let properties is recognised on a straight line basis over the lease term

2 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of value added tax The turnover and pre-tax profit is attributable to the continuing activity of estate agency and related activities, the majority of which arises in the United Kingdom

Notes to the financial statements
at 31 December 2012

3. Profit on ordinary activities before taxation

	2012 £000	2011 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration (see note 6)	22	22
Operating Expenses	68,687	65,435
Other Operating Income	(1,485)	(999)
Operating lease rentals		
- Land and buildings	5,256	5,228
- Plant and machinery	468	686
Depreciation of tangible fixed assets	1,298	1,039
Exceptional items		
Costs relating to branch restructures, including redundancies	195	28
Onerous lease provision relating to branch closures	75	-
	270	**28**

4 Other operating income

	2012 £000	2011 £000
Rents received	846	999

5. Interest receivable and similar income

Interest income of £579,000 (2011 £152,000) relates to interest generated on lettings deposit monies held on deposit

6. Auditors' remuneration

	2012 £000	2011 £000
Audit of the financial statements (note 3)	22	22

7. Directors and employees

Directors' emoluments

The directors of the Company were paid by the ultimate holding company, a fellow subsidiary and this company

The directors received total remuneration for the year of £1,748,641 (2011 - £1,447,415), of which £650,431 (2011 - £577,440) was paid by this company including pension costs of £24,409 (2011 - £28,169) The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and the services as directors of the holding and fellow subsidiary companies

The company operates money purchase pension schemes for the directors in office Director's contributions are matched by the company up to a maximum of 5% of pensionable earnings

The number of directors who were members of the money purchase pension schemes during the financial year totalled 9 (2011 - 11)

The remuneration of the highest paid director who is employed by the Company amounted to £154,306 excluding pension costs (2011 – £127,923) Company contributions to money purchase pension schemes for that director amounted to £7,260 (2011 – £7,260)

Employees

The Company employs staff in its branches and head office The employment costs of these employees were

	2012 £000	2011 £000
Wages and salaries	43,475	40,404
Social security costs	4,228	3,934
Pension costs	437	462
Equity-settled share-based payments (see below)	208	162
	48,348	44,962

The monthly staff numbers during the year averaged 1,765 (2011 - 1,695) All staff are employed in the provision of estate agency and related activities

7 **Directors and employees** (continued)

Share-based payments

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

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

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

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

- If growth >12% pa – 100% vest,
- If growth is 8% pa – 25% vest,
- Straight line vesting between 8% pa and 12% pa, and
- If growth is below 8% pa no options vest

	2012		2011	
	Weighted average exercise price £	**Number**	Weighted average exercise price £	Number
Outstanding at 1st January	–	–	–	–
Granted during the year	**2.75**	**26,362**	–	–
Outstanding at 31st December	**2 75**	**26,362**	–	–

There were nil options exercisable at the end of the year (2011 nil) The weighted average remaining contractual life is 2 25 years (2011 nil years) The weighted average fair value of options granted during the year was £1 22 (2011 £nil)

7. **Directors and employees (continued)**

Share-based payments (continued)
Joint Share Ownership Plan (JSOP)

Awards under the JSOP participate in increases in the value of shares in the Company above the share price at the date of grant Awards comprise of an interest in jointly owned shares (i e Ordinary Shares held in co-ownership with the Trust) and a stock appreciation right A key feature of the JSOP is that individuals are required to purchase their interest in the jointly owned shares and have thereby put their personal capital at risk

The vesting of JSOP awards granted in 2010 is conditional upon LSL's adjusted basic EPS performance meeting the following absolute performance targets over a period of 3 financial years starting with the financial year in which the JSOP award is granted

EPS growth p a *	Value of shares under the JSOP award at date of grant (as a percentage of salary)	
	Chief Executive Officer	Senior Executives
10%	100%	100%
13%	150%	-
17%	200%	-

* with straight line vesting between points for the Chief Executive Officer's award

The vesting of JSOP awards granted in 2011 is conditional upon both the following criteria being met

- LSL's adjusted EPS performance over the three financial years starting with the financial year in which the JSOP award is granted being 10% p a or more, and
- LSL's total shareholders' return must exceed that of the FTSE 250 index (excluding investment trusts) over the three year performance period

	2012		2011	
	Weighted average exercise price £	**Number**	Weighted average exercise price £	Number
Outstanding at 1st January	**3.20**	**129,522**	3 20	34,822
Granted during the year	-	-	3 20	94,700
Outstanding at 31st December	**3.20**	**129,522**	3 20	129,522

There were nil options exercisable at the end of the year (2011 nil)

The weighted average fair value of options granted during the year was £nil (2011 £0 996) The weighted average remaining contractual life is 1 0 years (2011 2 0 years)

7. Directors and employees (continued)

Share-based payments (continued)
Company Stock Option Plan (CSOP)

The Group operates a CSOP (an equity-settled share-based remuneration scheme) for certain employees Under the CSOP, the options vest if the individual remains an employee of the Group after a three year period, unless the individual has left under certain 'good leaver' terms in which case the options may vest earlier

	2012 Weighted average exercise price £	2012 Number	2011 Weighted average exercise price £	2011 Number
Outstanding at 1st January	**2.44**	**206,397**	2 40	136,442
Granted during the year	**2.75**	**107,262**	2 50	69,955
Lapsed during the year	-	-	-	-
Outstanding at 31st December	**2.57**	**313,659**	2 44	206,397

There were nil options exercisable at the end of the year (2011 nil)

The weighted average fair value of options granted during the year was £1 22 (2011 £1 13) The weighted average remaining contractual life is 1 19 years (2011 1 75 years)

Save-As-You-Earn scheme
In December 2006, the Group announced an employee SAYE scheme effective from January 2007 and in March 2008 the Group announced a new SAYE scheme effective April 2008 In March 2011, the Group announced a new SAYE scheme effective from April 2011 All these schemes are open to all qualifying employees and provide for an exercise price equal to the daily average market price on the date of grant less 20% for the 2007 and 2008 schemes and at the daily average market price for the 2011 scheme The options will vest if the employee remains in service for the full duration of the option scheme (three years) There are no cash settlement alternatives

2008 Scheme

	2012 Weighted average exercise price £	2012 Number	2011 Weighted average exercise price £	2011 Number
Outstanding at 1st January	-	-	1 155	219,460
Granted during the year	-	-	1 155	-
Vested during the year	-	-	1 155	(219,460)
Outstanding at 31st December	-	-	-	-

The weighted average remaining contractual life was nil years (2011 nil years) There were nil options exercisable at the end of the year (2011 nil) The weighted average share price of the options exercised during the year was £nil per share

7 Directors and employees (continued)

Share-based payments (continued)
Company Stock Option Plan (CSOP)- continued

2011 Scheme	2012 Weighted average exercise price £	2012 Number	2011 Weighted average exercise price £	2011 Number
Outstanding at 1st January	2 57	248,359	-	-
Granted during the year	-	-	2 57	248,358
Lapsed during the year due to employees withdrawal	2.57	(54,911)	-	-
Outstanding at 31st December	2 57	193,448	2 57	248,358

The weighted average fair value of options granted durind the year was £nil (2011 £1 13) and the weighted average remaining contractual life was 1 25 years (2011 2 25 years) There were nil options exercisable at the end of the year (2011 nil)

2012 Scheme	2012 Weighted average exercise price £	2012 Number	2011 Weighted average exercise price £	2011 Number
Outstanding at 1st January	-	-	-	-
Granted during the year	2.62	138,160	-	-
Outstanding at 31st December	2.62	138,160	-	-

The weighted average fair value of options granted during the year was £1 25 (2011 £nil) and the weighted average remaining contractual life was 2 25 years (2011 nil years) There were nil options exercisable at the end of the year (2011 nil)

Equity-settled

	2012				
	LTIP	CSOP	JSOP	SAYE 2011	SAYE 2012
Option pricing model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Weighted average share price at grant date (£)	2.71	2.71	2.50	2 50	2.71
Exercise price (£)	2.75	2.75	3.20	2.57	2.62
Expected life of options (years)	3 years	3 years	3 years	3 years	3 years
Expected volatility	80%	80%	80%	80%	80%
Expected dividend growth rate	3 90%	3.89%	3.90%	3 90%	3.89%
Risk free interest rate	3.50%	3.50%	3 50%	3 50%	3.50%

7 Directors and employees (continued)

Share-based payments (continued)

Equity-settled (continued)

	2011		
	CSOP	JSOP	SAYE 2011
Option pricing model used	Black Scholes	Black Scholes	Black Scholes
Weighted average share price at grant date (£)	2 50	2 50	2 50
Exercise price (£)	2 50	3 20	2 57
Expected life of options (years)	3 years	3 years	3 years
Expected volatility	80%	80%	80%
Expected dividend growth rate	3 90%	3 90%	3 90%
Risk free interest rate	3 50%	3 50%	3 50%

The total cost recognised for equity settled transactions is as follows

	2012 £'000	2011 £'000
Share-based payment charged during the year	**208**	162

The volatility assumption, measured at the standard deviation of expected share price returns, is based on statistical analysis of historical share price The dividend yield assumption is based on the fact that the shares awarded are not eligible to receive dividends until the end of the vesting period

8. Taxation

(a) Tax on loss on ordinary activities

Tax credited in the profit and loss account comprises

	2012 £000	**2011 £000**
Current tax		
Amounts payable for group relief	739	(110)
Adjustment - prior year	34	(1,946)
Total current tax charge/(credit) (note 8(b))	**773**	**(2,056)**
Deferred tax		
Origination and reversal of timing differences (note 9)	8	(228)
Total tax charge/(credit)	**781**	**(2,284)**

8. Taxatıon (contınued)

(b) Factors affectıng the current tax charge for the financıal year

The tax charge assessed ın the profit and loss account ıs hıgher (2011 lower) than the standard UK corporatıon tax rate, because of the followıng factors

	2012 £000	2011 £000
Profit on ordınary actıvıtıes before tax	**2,725**	**256**
Current tax charge at standard UK corporatıon tax rate of 24 5% (2011 – 26 5%)	668	68
Adjustment to tax charge ın respect of prıor years	34	(1,946)
Expenses not deductıble for tax purposes	6	6
Non deductıble goodwıll amortısatıon	4	(12)
Share based payments	51	(56)
Depreciatıon ın excess of capıtal allowances	30	(116)
Movements on Provısıons	(20)	-
Current tax credıt for the year (note 8(a))	773	**(2,056)**

9. Deferred tax asset

	2012 £000	2011 £000
Deferred tax asset at 1 January 2012	742	514
Deferred tax (charge)/credıt ın profit and loss account (note 8(a))	(8)	228
Deferred tax asset at 31 December 2012 (note 12)	**734**	**742**

The deferred tax asset comprıses

	2012 £000	2011 £000
Decelerated capıtal allowances	682	670
Pensıon costs	10	11
Short-term tımıng dıfferences	42	61
	734	**742**

A deferred tax asset has been recognısed on the basıs that the company ıs antıcıpated to make suıtable taxable profits ın the foreseeable future agaınst whıch ıt can be utılısed

Potentıal deferred tax

	2012 £'000 Potentıal Asset	2012 £'000 Recognısed	2011 £'000 Potentıal Asset	2011 £'000 Recognısed
Decelerated capıtal allowances	**682**	**682**	670	670
Pensıon costs	**10**	**10**	11	11
Short-term tımıng dıfferences	**42**	**42**	61	61
Losses	**1,206**	-	1,747	-
	1,940	734	2,489	742

Notes to the financial statements
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9. Deferred tax asset (continued)

Factors affecting future tax charge

In 2012 the UK Government announced proposals to reduce the main rate of corporation tax to 21% from 1 April 2014 As of 31 December 2012 only the previously announced reduction to 23% had been enacted so this is the rate at which deferred tax is provided If the subsequent reductions in the tax rate had been substantively enacted, the deferred tax asset at 31 December 2012 would have been reduced by £63,799

10. Intangible Fixed Assets

	Positive Goodwill £000	Negative Goodwill £000	Total £000
Cost			
Balance at 1 January 2012	575	(176)	399
Adjustment	(10)	-	(10)
Additions	15	-	15
At 31 December 2012	**580**	**(176)**	**404**
Amortisation			
Balance at 1 January 2012	(33)	129	96
Charge for the year	(49)	31	(18)
At 31 December 2012	**(82)**	**160**	**78**
Net book value			
At 31 December 2012	**498**	**(16)**	**482**
At 1 January 2012	542	(47)	495

Negative Goodwill

On 15th January 2010 the ultimate parent company (LSL Property Services plc) (LSL) completed the acquisition of 100% of the share capital of New Daffodil Ltd (NDL) (formerly Halifax Estate Agents Ltd) Subsequent to acquisition, the business of NDL was reorganised within the Group and the business of NDL together with certain assets were transferred to LSL for a total consideration of £1 (one pound)

LSL then transferred some of the fixed assets with a fair value of £176,000 to the company for a consideration of £1 (one pound), and this resulted in the creation of the negative goodwill shown above The negative goodwill is being amortised to match the usage of the assets acquired

Positive Goodwill

The historic goodwill relates to the acquisition of Thornton Hill branches in 2007 which is being amortised over a period of 20 years

In September 2011, the company entered into an asset purchase agreement with LetExpress for a consideration of £121,995 The fair value of the acquired assets was £nil and the resulting goodwill is being amortised over a period of 10 years

In December 2011, the company acquired the entire share capital of NSK Management Letting (trading as Destinations London) for a consideration of £285,000 The provisional fair value of the assets was £nil and the resulting goodwill is being amortised over a period of 10 years Upon final completion of the acquisition the goodwill was adjusted by £10,000 during 2012 to £275,000

Notes to the financial statements
at 31 December 2012

11. Tangible Fixed Assets

	Leasehold improvements £000	Fixtures, fittings and computer equipment £000	Total £000
Cost			
Balance at 1 January 2012	3,391	11,067	14,458
Additions	-	963	963
At 31 December 2012	**3,391**	**12,030**	**15,421**
Depreciation			
Balance at 1 January 2012	3,347	7,695	11,042
Charge for the year	13	1,285	1,298
At 31 December 2012	**3,360**	**8,980**	**12,340**
Net book value			
At 31 December 2012	**31**	**3,050**	**3,081**
At 1 January 2012	44	3,372	3,416

12. Debtors

	2012 £000	2011 £000
Trade debtors	2,438	1,990
Amounts owed by group undertakings	22,249	22,250
Deferred tax asset (note 9)	734	742
Group relief receivable	3,539	3,491
Corporation tax debtor	204	822
Prepayments and accrued income	2408	2,023
	31,572	**31,318**

13. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Bank overdraft	1,032	7,670
Trade creditors	942	837
Amounts owed to group undertakings	12,152	8,149
Other creditors including taxation and social security	3,040	3,415
Accruals	5,273	4,552
	22,439	**24,263**

Notes to the financial statements
at 31 December 2012

14 Provisions for liabilities

	Onerous leases £000
Balance at 1 January 2012	291
Amounts utilised	(137)
Provided during the year	75
Balance at 31 December 2012	**229**

The provision for lease obligations relates to obligations under leases on vacant and sub-let properties The provision is expected to be fully utilised by June 2020

15. Share capital

	2012 £000	2011 £000
Authorised		
7,476,000 Ordinary shares of £1 each (2011 7,476,000)	7,476	7,476
Allotted, called up and fully paid		
7,476,000 Ordinary shares of £1 each (2011 7,476,000)	7,476	7,476

16. Movements on reserves

	Special reserve £000	Share-based payment reserve £000	Profit and loss account £000	Total £000
Balance at 1 January 2012	192,024	190	(189,375)	2,839
Profit for the financial year	-	-	1,944	1,944
Share-based payment reserve	-	208	-	208
Transfer to P&L reserve	-	-	-	-
Balance at 31 December 2012	**192,024**	**398**	**(187,431)**	**4,991**

17. Pensions costs and commitments

The Company operates defined contribution pension schemes for all its directors and certain employees The assets of the schemes are held separately from those of the Company in independently administered funds

The Company's contributions for 'old' members of the existing defined contribution section (those members who have always been in this scheme) throughout 2006, were 5% of pensionable salaries where members contribute and the cost of the death-in-service benefits

The Company's contributions for 'new' members of the defined contribution stakeholder scheme (those members who were part of the Aviva scheme until the Company left the Aviva group in 2004) were 10% of pensionable salaries until the end of July 2007 where members contribute and the cost of the death-in-service benefits From August 2007 the Company's contributions for these 'new' members of the defined contribution stakeholder scheme reverted to 5% of pensionable salaries where members contribute, and the cost of the death-in-service benefits

Total contributions to both the defined contribution scheme and the defined contribution stakeholder scheme were £437,000 (2011 - £462,000)

There was an outstanding amount of £89,137 in respect of pensions as at 31 December 2012 (2011 - £90,500)

Notes to the financial statements
at 31 December 2012

18. Obligations under operating leases

The Company has annual commitments in respect of non-cancellable operating leases for which no provision has been made in these financial statements in accordance with normal accounting practice The amount payable under these leases in the next financial year is analysed as follows

	Land and buildings		Plant and machinery	
	2012	2011	2012	2011
	£000	£000	£000	£000
Leases which expire				
- within 1 year	267	591	101	16
- between 2 and 5 years	1,902	2,459	101	-
- more than 5 years	1,651	1,610	-	-
	3,820	**4,660**	**202**	**16**

19 Related party transactions

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year

	Sales to related parties £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Sales/Purchases				
Cybele Solutions Ltd				
2012	128	5	-	-
2011	438	29	-	6
Loans from/to related parties				
Homefast Property Services Limited				
2012	-	-	928	-
2011	-	-	928	-
Linear Mortgage Network Limited				
2012			2,000	
2011	-	-	1,964	-
Linear Financial Services Limited				
2012			356	
2011	-	-	356	-
LSLi Limited				
2012			438	
2011	-	-	238	-

Notes to the financial statements
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19. Related party transactions (continued)

	Sales to related parties £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
JNP Estates Agents Limited				
2012	-	-		2
2011	-	-	112	-
New Daffodil Limited				
2012	-	-		4,122
2011	-	-	1,785	-
First Complete Limited				
2012	-	-	-	54
2011	-	-	-	373
St Trinity Limited				
2012			36	
2011	-	-	269	-
Inter County Limited				
2012			489	
2011	-	-	416	-

There were no related party transactions with directors (2011 - £nil)

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with entities where 100% of their voting rights are controlled within the LSL Property Services plc group of companies

20. Contingent liability

The Company is party to a bank overdraft and revolving credit facility totalling £26 0m (2011 £34 9m) which are secured by a debenture dated 4 June 2010, over the Company's assets together with the assets of a number of the Company's fellow subsidiaries and the Company's parent company

21 Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Lending Solutions Holdings Limited, a Company registered in England

The Company's ultimate parent undertaking and controlling party is LSL Property Services plc, a Company registered in England Its group financial statements are available on application to the Group Company Secretary, LSL Property Services plc, Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, NE4 7YB No other group financial statements include the results of the Company