The UK's **largest** and most **successful** property services Group

COUNTRYWIDE PLC ANNUAL REPORT 2014

Countrywide
integrated solutions local expertise

Tremendous growth in a challenging market

Countrywide is the UK's leading property services group, including the largest estate agency and lettings network.

Through our unique combination of national scale and local reach, Countrywide aims to be the most trusted provider of integrated property services in the UK.

Highlights

"

2014 proved to be a progressive and successful year for Countrywide plc, marking our first full year as a public company and continuing our track record of delivering strong financial results.

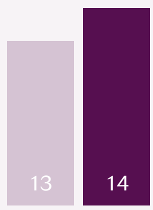
Financial highlights

Total income (£m)

702.2

+20%

2013 584.8

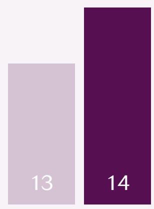


Adjusted EBITDA[1] (£m)

121.1

+40%

2013 86.6

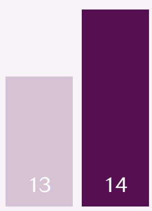


Operating profit (£m)

84.9

+52%

2013 56.0

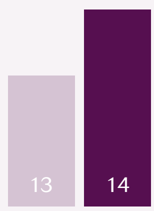


Adjusted basic EPS[2] (p)

36.7

+50%

2013 24.4



Operational highlights

- Strong financial result underpinned by market leadership in our core businesses and breadth of our Group offering (by geography and business line)
- Continued diversification of the Group with circa 40% of profits generated from business streams not directly related to the housing transaction cycle
- Group adjusted EBITDA margin now at highest ever level of 17% (2013: 15%)
- Appropriate capital structure now in place to maximise future growth opportunities:
  - net debt remains modest at £103.1 million (2013: £48.4 million); and
  - access to additional funding if required (revised £250 million revolving credit facility agreed in February 2015)
- Final dividend proposed of 10.0 pence per share payable on 7 May 2015 (total dividend 24.0 pence, including special dividend of 9.0p per share) representing an increase of 200% on 2013
- The Board announces an extension to the existing share repurchase programme with plans to spend up to an additional £20 million, subject to market conditions

1 Earnings before interest, tax, depreciation, amortisation, exceptional items, management fee, share-based payments and share of profits from joint venture, referred to hereafter as 'EBITDA'.

2 Adjusted earnings is calculated on profit for the year before exceptional items, amortisation of acquired intangibles and share-based payments (net of taxation impact).

Visit our website:
www.countrywide.co.uk

Chairman's statement

Our broad geographical reach and diversified operations enabled us to deliver income growth across all divisions.

Grenville Turner
Chairman

In summary

2014 has been a record year for Countrywide:

- Strategic investment continued throughout 2014: acquiring 38 businesses at a cost of £48.9 million and investing £13.3 million of seed capital in a residential property fund
- Total income increased by 20% to £702.2 million and EBITDA increased by 40% to £121.1 million, reflected in an adjusted basic earnings per share of 36.7 pence

For more analysis on markets see page 10

In my first term as chairman of the Group I am pleased to report record financial results from Countrywide plc in 2014 against the background of a sluggish UK housing market which emerged during the second half of 2014. Income grew by 20% to £702.2 million and adjusted EBITDA increased by 40% to reach £121.1 million.

2014 was definitely a year of two halves: the first six months saw the UK housing market grow strongly compared to 2013, but demand declined in the second half primarily at the top end of the London market. However, the strategic acquisitions and developments we have made over the past six years, underpinning our broad geographical reach and diversified operations, enabled us to deliver income growth across all divisions.

Strategic investment continued throughout 2014: we acquired 38 businesses at a cost of £48.9 million and invested £13.3 million of seed capital in a residential property fund aimed at the Private Rental Sector (PRS), which we have launched in conjunction with Hermes Investment Management, one of the UK's leading property fund managers. Our fledgling investment in Zoopla Property Group from 2010 reaped rewards for our shareholders, by way of a subsequent return of cash when the Company floated on the London Stock Exchange in June 2014. Following partial disposal of our shareholding for proceeds of £20 million, which was returned to shareholders via a 9.0 pence per share special dividend, our residual investment was worth £33.2 million at the year end.

Return of capital and dividend policy

In July 2014 we announced that our ordinary dividend policy would target a return of 35% to 45% of the annual reported Group profits after tax but before amortisation. In addition, we declared that, in the absence of a major acquisition and assuming continued recovery in the residential housing market, the Board anticipated that starting in 2015 the combined value of the ordinary dividend and any supplemental return of cash would be between 60% and 70% of reported Group profits after tax but before any amortisation, which would be further augmented by the realisation of value from our remaining Zoopla shareholding. Our stated intention was that supplemental return of cash would be by way of a special dividend or a share repurchase programme depending on prevailing market conditions and views of our shareholders. Accordingly, we returned the £20 million proceeds from the partial disposal of our Zoopla shareholding by paying a special dividend of 9.0 pence per share in September 2014 and then accelerated our capital return policy by commencing a share buyback programme in October 2014, purchasing 2.9 million shares at a cost of £13.3 million before the year end.

The Board announces an extension to the existing share repurchase programme with plans to spend up to an additional £20 million, subject to market conditions.

On the basis of our strong results, the Board has recommended a final dividend of 10.0 pence per share, giving a total 2014 dividend, including the special dividend, of 24.0 pence per share (2013: 8.0 pence per share). Subject to approval at the AGM to be held on 29 April 2015 the dividend will be paid on 7 May 2015 to shareholders on the register at 27 March 2015.

OVERVIEW
STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
SHAREHOLDER INFORMATION

For more details on our Board
see pages 42 to 43

“

…the Group is fostering an environment of innovation and progress…

Professional indemnity provision

In 2012, the Group established an exceptional provision to cover the estimated cost of claims arising in our Surveying and Valuation division relating to surveys carried out in the years 2004 to 2007. The second half of 2014 was always seen as a key period in assessing this issue as the six year primary statutory limitation period came to an end. It is disappointing to see that high levels of claims continue to be an issue across the industry.

We have performed a detailed review of the latest data and trends on professional indemnity and, consequently believe it is prudent to increase our provision which has resulted in an exceptional charge in the 2014 financial results of £15.2 million, consistent with the expected charge noted in our trading update on 22 January 2015. The principal reason behind this charge is an unexpected level of claims brought about under common law, outside of the primary statutory limitation period rather than under contract law, together with a slight deterioration of claims previously notified and an increase in the average loss per claim.

Board update

I was delighted to welcome Alison Platt as chief executive officer from 1 September 2014, at which point I assumed the role of non-executive chairman, ensuring continuity, and David Watson became deputy chairman and senior independent director. Alison brings a wealth of experience and renewed energy to the Board.

During 2014 we also welcomed Jane Lighting, Richard Adam and Rupert Gavin as independent non-executive directors, with Richard taking the role of chairman of the Audit and Risk Committee. We also accepted the resignation of Sandra Turner who we thank for her support to the Board during our first year as a listed company. The process of refreshing the Board allowed for further evaluation of the balance of skills, experience, capabilities and diversity within our new appointments, ensuring that the Board has the complementary cumulative experience to provide effective leadership and strategic direction to the Group.

Corporate governance

One of the Board’s responsibilities is ensuring that the Group applies good corporate governance to facilitate effective management of the Company. As the Company’s chairman I am pleased to note that the Group is fostering an environment of innovation and progress in a framework of strong governance and risk management. A detailed statement on corporate governance can be found in the Chairman’s governance introduction and the corporate governance statement.

Outlook

As noted in our January 2015 Trading Update, the slowdown in residential property market growth in the second half of the year, recent negative trends in mortgage approvals and potential uncertainty regarding the general election in May are likely to create some sluggishness in market trends over the first half of 2015. However, the resilience we derive from our broad-based business, our low leverage and our proven ability to deliver growth in a challenging market position us well to take advantage of sustainable growth in our Lettings and Commercial businesses and capitalise quickly on the upturn as the residential sales market recovers in the medium to long term. Notwithstanding the market challenges evident going into 2015, I am confident the Group is in a strong position to meet the Board’s expectations.

Our success this year would not have been possible without the passion and commitment of our outstanding employees. On behalf of the Board, I would like to thank everyone across the Group for their contribution in making this a record breaking year for Countrywide.

Grenville Turner
Chairman
26 February 2015

Breadth of offering

We cover all areas of the property market

Commercial property consultancy

With 26 offices and 861 employees, Lambert Smith Hampton is one of the largest commercial property consultancies in the UK and Ireland, working with investors, developers and occupiers in both the public and private sector.

Residential property fund

We have partnered with Hermes Investment Management to create the pre-eminent residential property fund. Established with an initial £95 million of seed equity, we are using our unique platform and presence to deliver strong and stable returns to Institutional Investors in the UK residential private rental sector.

London & Premier

Created during 2013, the London & Premier division incorporates a number of key Countrywide brands including Hamptons International, John D Wood & Co. and Faron Sutaria.

Auctions

As one of the country's leading property auctioneers we sell residential, commercial, industrial, agricultural properties and land by auction in London, Manchester, Sheffield and Exeter.

Lettings

As the UK's largest letting agent we have a network of over 400 branches throughout England, Scotland and Wales. We offer a vast range of services available for tenants and landlords and have over 2,000 applicants looking to rent or let a home register with us each week.

Estate management

We offer an array of specialist property services to clients and their individual needs. With unrivalled market knowledge and a national footprint we strive to provide practical management solutions.

Land & New Homes

We are the UK's largest land and new homes agency selling over 4,100 new home units in 2014. We work with the UK's leading developers to provide an end-to-end solution to enable the smooth running of their businesses.

Surveying Services

We are one of the UK's largest employers of residential surveyors and valuers in the UK and an appointed valuer to all major lenders. We have designed innovative tablet PC technology and surveying software, which has revolutionised our service offering, boosting productivity and client response times.

Asset management

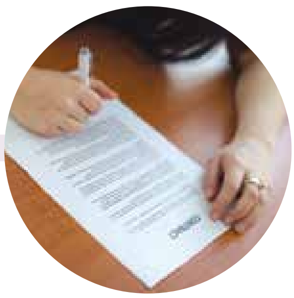
We manage the sale of over 5,000 residential properties on behalf of corporate clients, such as lenders, house builders, other corporate companies, probate, local authorities and housing associations.

Estate Agency

We are an award-winning estate agent with 815 associated branches operating throughout the UK under 31 well known high street brands. Our network of estate agents helps more people move home than any other business in the UK.

Financial Services

As the UK's third largest mortgage distributor we arranged 1 in 20 of all mortgages arranged in the UK in 2014. Our mortgage consultants provide an advice and recommendation service on all aspects of mortgages available, buildings and contents insurance and personal protection for our customers and their families.



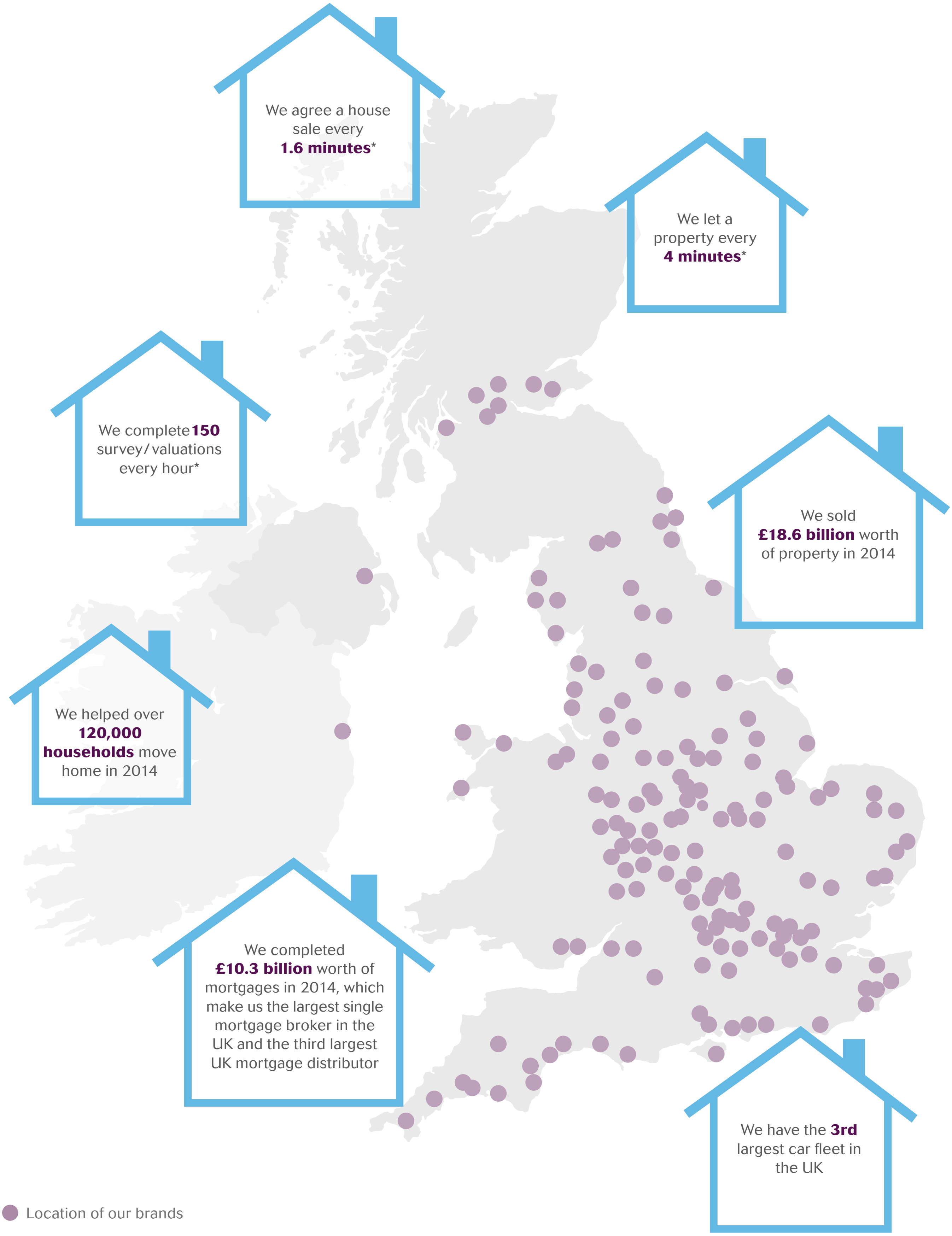
Conveyancing Services

We are one of the UK's largest transactional conveyancers and work with some of the largest conveyancers in the UK. We create best practice policies and lead the industry on innovation, which has led to reduced processing times.

Geographical reach

We operate across the UK residential and commercial property market and focus on having the right brand in the right location to target customers across all price bands. Our 48 well-known brands range from local or national market presence to internationally recognised brands.

Our brands:



Location of our brands

* Based on our opening hours.

Chief executive's review

During 2014 we continued to focus on finding innovative ways to combine our core capabilities and bring new propositions to the market.

Alison Platt
Group chief executive officer

2014 proved to be a progressive and successful year for Countrywide plc, marking our first full year as a public company and continuing our track record of delivering strong financial results.

As the chairman has already mentioned, the market for house sales during 2014 can be split into two distinct halves: a strong first half continued the recovery started in late 2013, indicating that total market volumes were on a trajectory back towards pre-2008 levels; a challenging latter half of 2014 highlighted the sensitivity of consumers to changes in the lending environment, concern about interest rate rises and uncertainty in fiscal changes impacting the cost of house moves.

The slowdown in house sales transactions was particularly acute in central London as the impact of consistently escalating prices over the last few years began to rebalance to a more sustainable level. By contrast to housing sales, 2014 was another strong year for the residential lettings market.

The breadth of our business, built over the last few years, has paid significant dividends despite a market that has housing transactions below the long term average. The continued strong growth in our private residential lettings business coupled with our wide geographic base has enabled us to deliver not only strong revenue growth but another year of margin improvement. The fact that circa 40% of our profit is now generated from non-cyclical activities which are not directly related to the residential transactions market is a strong endorsement of the progress made in our strategy to diversify revenues, and we believe there is significant scope to grow these non-cyclical businesses further.

Investment in broadening the business continued in 2014 and saw significant investment in the residential lettings business, as well as Lambert Smith Hampton's acquisition of BTW Shiells in Northern Ireland. The continued programme of growth in the Lettings business, which now accounts for circa 19% of total revenues, has enabled us to build a robust model for integrating acquired businesses, whilst generating strong recurring revenues. Our ability to achieve consistently improved margins through the adoption of improved back office processes has been particularly pleasing this year and further validates our business model.

During 2014 we continued to focus on finding innovative ways to combine our core capabilities and bring new propositions to the market. The best example of this was our residential property fund in partnership with Hermes Investment Management ('Hermes'), one of the UK's leading property fund managers which from a standing start already has around £14 million of assets under management. The fund is focused on owning and managing residential properties across the country for the UK's growing private rented sector and sees us combining Hermes' ability to bring capital with our expertise in utilising our data and property management capability.

The evolving market

The aspiration towards home ownership remains a core part of the UK consumer landscape, and the market is evolving to reflect the changing priorities of the generations. 2014 was another strong year for first time buyers entering the market, although the average age of those buyers crossed the 30 year old barrier for the first time. This dynamic is also evident in the growth of the private rented housing market in the UK. While the growth of the private rented sector has slowed in recent years, a product of better access to finance, it still seems likely that 100,000 more people (net) will become tenants in 2015. This rate of growth will continue to place upward pressure on rents for the foreseeable future. It is important to recognise that for many people, renting is now a choice, rather than a necessity, with a much improved selection of product available to them, together with the flexibility that renting offers over home ownership.

Access to credit also remains a key driver and the introduction of the Mortgage Market Review in April 2014 undoubtedly slowed demand in the housing sales market. Whilst the changes placed significant demand on the market, requiring considerable changes to the way a customer accesses mortgage credit, we welcome the change. We believe the underlying robustness of stress testing affordability and evidencing with customers, which supports the selection of the most appropriate choice of product and lender for them, underpins a strong and more secure future for the housing market going forward. Every one of our 600 plus mortgage consultants is trained and fully qualified to the FCA's required standard and our commitment to a robust quality and compliance framework remains resolute.

Consumers remained sensitive to wider economic conditions in 2014 and sensitivity to potential rate rises coupled with worries about fiscal changes, was a feature of slowing demand in the second half. The changes to Stamp Duty and Land Tax in both Scotland, and then latterly England and Wales impacted sales more acutely at the high end of the market where the impact was punitive – slowing sales in London being a particular outcome.

Our customers

Our emphasis on best in class service provision, sector expertise and efforts on behalf of our customers as well as our approach to investing in our employees, were recognised again in 2014 with our external awards reaching record levels. We received the following awards during the period:

- Lettings Agency of the Year – Countrywide (RESI Awards 2014);
- Best Large Chain (ESTAS 2014: Estate Agent Awards and Letting Agent Awards);
- Large Lettings Agency of the Year (The Negotiator Awards 2014);
- Property Management Company of the Year (The Negotiator Awards 2014);
- Employer of the Year – Countrywide (The Negotiator Awards 2014);

The Group's strategy

We aim to help more people move home in the UK than any other business and will focus on growing profitable market share.

Read more about our strategy
see pages 16 to 17

1 Channels to market

To optimise market share and maximise profitability while ensuring that our cost base remains flexible

2 Our products and services

Designed to meet their expectations and optimising profitability for the Group

3 Our people

The most dynamic, talented and professional people in the industry

4 Our infrastructure

A reliable, economic and scalable infrastructure enabling delivery of shared services to support all Group businesses

- National Estate Agency of the Year Gold Award (The Sunday Times Award 2014); and
- Best Surveyor/Valuer – Panel Managers (Mortgage Strategy Awards 2014).

Our people

2014 was another strong year for the performance of Countrywide's people. We invested in the creation of 1,400 jobs across our network and placed increased emphasis on bringing in young people starting their careers in the property sector. In our professional services businesses, we continued our commitment to training 92 new surveyors, with ages ranging from 24 to 55, who achieved a 93% qualification rate. Our conveyancing business took 34 graduates into its academy who are due to take their assessments during 2015. The success of our Hamptons Academy proved the value of creating fast track careers for school leavers and graduates and we will seek to widen these initiatives across the network in coming years.

External partners

Throughout the year we remained focused on building strong relationships with our partners in the interests of our mutual customers. We remained resolutely focused on working with the leading banks and financial services brands in the UK to bring improved products and services to the market. 2014 marked a milestone, with HSBC choosing Countrywide as its first ever intermediary partner for mortgage distribution in the UK – further underlining the importance of our ability to offer ready access to skilled and qualified advisors.

On behalf of Britain's top mortgage lenders, our 400 strong professional surveying team delivered over 300,000 valuations on homes across the UK, representing a substantial percentage of all valuations undertaken in the UK and our life and general insurance business, in partnership with AXA and Friends Life delivered insurance products to in excess of 150,000 customers for their personal protection needs.

Strategic opportunities

Throughout the year we have built on Countrywide's position as the clear market leader in all of its core UK businesses and been successful in delivering the strategy set out at the time of the Company's IPO. Of particular note is the significant progress we have made diversifying our revenue streams into more property activities that are independent of the housing transaction cycle and this trend remains a key tenet of our vision of how the business will continue to grow. Countrywide is already a highly integrated player, but there is a clear opportunity to expand further by fully leveraging the expertise and customer base of our substantial network of regional offices to offer our customers multiple services.

We will also continue to grow our lettings business, both through property management and by increasing our investment in the private rented sector. I believe that these activities, together with the escalation of our commercial real estate activities, where there are also many opportunities to grow recurring revenue streams, position us well to achieve our aim of building a business that can perform well and deliver robust shareholder returns throughout the market cycle.

As well as delivering strong growth in a challenging market, we have launched the 'Building Our Future' programme which is aimed at defining our ambitions for the future and establishing the ways in which we can become the stand out player in all of the markets and sectors in which we operate.

I look forward to leading the Group through the next chapter of growth for the benefit of our customers, employees and shareholders.

Alison Platt
Chief executive officer
26 February 2015

Strategic report

This strategic report was approved by the Board of directors on 26 February 2015 and signed on its behalf by:

Alison Platt
Chief executive officer

Our markets

Buoyant growth in the first half of 2014 tailed off in the second half

UK housing transactions

Building on the momentum of the second half of 2013 the housing market was buoyant in the first few months of 2014. However, following the introduction of new mortgage application procedures, as part of the Mortgage Market Review (MMR) the number of transactions started to decline as the deals took longer to complete. Furthermore, the number of properties on the market plunged, most notably in London, where a lack of new stock for sale placed upward pressure on house price. In the first few months of 2014, one in three properties in the capital went for more than the asking price.

While the Land Registry reported that house prices rose 7% in the year, 2014 was also a year which saw the number of sales increase substantially, some 16% as at October 2014. However, Bank of England mortgage approvals for new homes reported a much lower rise year on year, only 5%, indicating an increasing proportion of cash only house purchases. Regionally, London suffered the most significant fall in growth in transactions followed by Scotland and the South East which are proportionally the largest regions. Countrywide's regional footprint has benefited from the recovery outside of London as our branch network is weighted towards the South East, East Anglia, the North and South West; all of these regions have continued to grow in 2014.

Price bracket, rather than location has been the primary driver of transaction levels. Post downturn it was the highest value markets which bounced back most strongly. For the first time after the downturn, the latter half of 2013 and 2014 saw the number of sales in lower value markets grew faster than in higher value ones. With 94% (2013: 93%) of properties sold through Countrywide agents sold for less than £500,000, a continued recovery in lower value markets in 2015 will see transactions inch closer to pre-2008 levels.

The stamp duty changes recently introduced benefit all purchasers paying between £125,000 and £937,500. While this is not necessarily a large amount in the context of the value of a purchase, stamp duty cannot be added to a mortgage, and therefore represents a cost which has to be found by the purchaser directly. While this will impact the £1 million plus market, the effect will not be significant for Countrywide as over 99% of house exchanges arranged by us in 2014 were below this threshold.

Mortgage lending

The introduction of MMR in April served to place a degree of short term pressure on lender capacity and hence transaction numbers. It has also, however, had the effect of pushing borrowers in the direction of brokers. In the last three months, 62% of all mortgage applications were made through a broker, as borrowers increasingly sought professional advice on the best way of presenting themselves to a lender. For Countrywide, this presents an opportunity to offer other Group services to a growing pool of borrowers. Nevertheless, the protracted application process and stronger lending criteria contributed to a slowdown in mortgages for new homes. The remortgage market continued to grow throughout the first half of 2014 but fell back after the summer finishing 2% below 2013 levels. This background made business tougher for our Financial Services and Surveying divisions.

The private rented sector

While the downturn undoubtedly served as a catalyst for private rented sector growth, its expansion both pre and post-dates the downturn. Increased accessibility to finance for first time buyers will probably mean that official figures show that growth of the private rented sector slowed over the course of 2014; affordability constraints will continue to bite for new buyers. With would-be first time buyers spending longer periods of time in the private rented sector, the structural growth of the sector looks set to continue into 2015.

Rental growth picked up in the second half of the year, rising from an average of 3.7% during the first six months, to 4.2% in the second, as the sales market showed signed of cooling. This growth in rents coincides with the continued growth of the rental sector, which in England is expanding by an average of 100,000 households annually. While the sector's structural growth has slowed as the sales market has recovered, this growth looks set to underpin rents into 2015 and beyond.

In England, the number of moves into or within the private rented sector has grown from 790,000 in 2003 to 1.4 million in 2013. Letting agents are responsible for the vast majority of these moves. We recognise that this sector presents a big opportunity for Countrywide to lead the way and we have purchased 100 lettings businesses over the past five years (29 in 2014) increasing our share of the market from 5.4 to 6.8%. This meant that in 2014, Countrywide let 11% more properties than it did in 2013, a product of both increased activity in existing offices and new acquisitions. Even stripping out the effect of new acquisitions, the number of lets made by existing offices rose 6%.

Commercial property – the return of the regions

2014 was an outstanding year for the UK investment market, with around £60 billion of assets already known to have changed hands. However, for the first time since 2010, the regions made up more than half total of volume. This reflects the resurgence of domestic institutions in the market, buoyed by improving economic sentiment outside the capital. Investment in the regions has been underpinned by improving activity in the occupier markets. Indeed, many of the UK's key regional offices markets have recorded their best year of take-up since 2007, reflecting expansion in headcounts and confidence to relocate. This has put dwindling Grade A supply under the spotlight, and is expected to push headline rental levels forward over the medium term.

This positive momentum is highly pertinent to Lambert Smith Hampton. Improving activity in the regions among both investors and occupiers therefore bodes well for future prospects, given the firm's unrivalled network of offices throughout the UK. In addition, the firm should gain from its recognised agency strength in the industrial and offices sectors, which are the main beneficiaries of the recent recovery among the core sectors. Prospects of returning development outside of London will also provide a wider opportunity for consultancy advice.

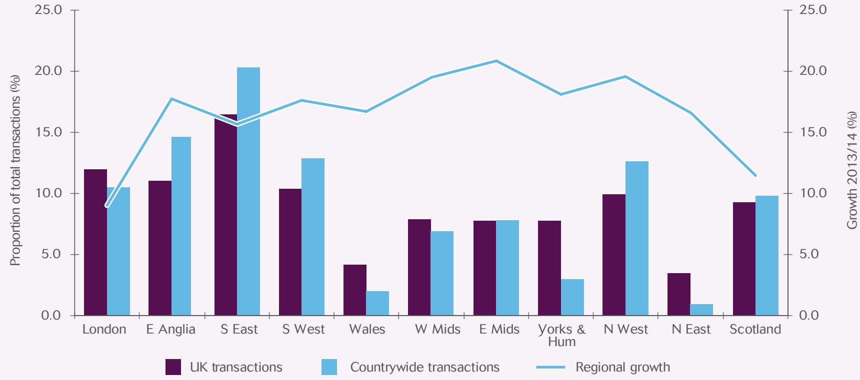
Outlook for 2015 and 2016

Uncertainty about the election, mansion tax and the pace of economic recovery will all dampen the prospects for the housing market in the first half of 2015. Some of this will be neutralised at the beginning of the year, however, as the reform of stamp duty provides an incentive to move sooner before price growth erodes the benefit of the tax cut. Further ahead we expect conditions to improve in 2016 as economic recovery becomes more established. While the prospect of interest rates remaining low until at least the autumn of 2015 has pulled mortgage rates down (making some affordability tests easier to pass), a Bank of England of credit conditions survey suggests lenders remain cautious.

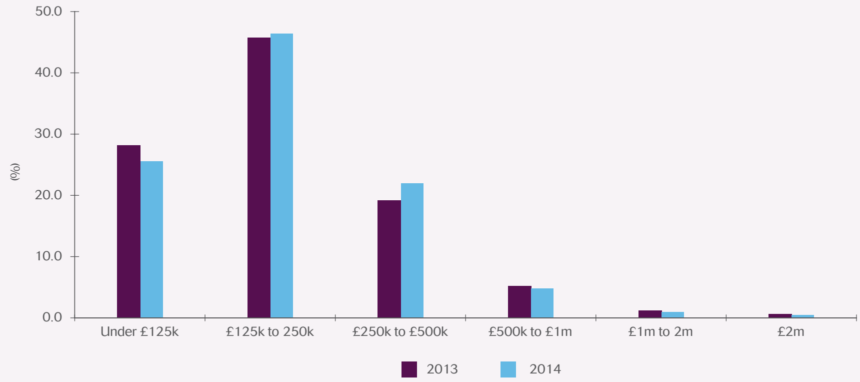
Impact on the Countrywide Group

Overall we expect house price and transactions growth to be fairly modest for the next twelve months. We are forecasting a modest rise in transactions in 2015, which from an overall market health and estate agency perspective is more important than house price growth. With first time buyers accounting for much of this growth, there is additional opportunity to generate value from the take up of other group services. Modest price growth, particularly in regions outside London, will also see the remortgage market grow, as the number of borrowers unable to obtain mortgage finance declines. As the UK's largest mortgage broker, Countrywide is well placed to identify these new borrowers.

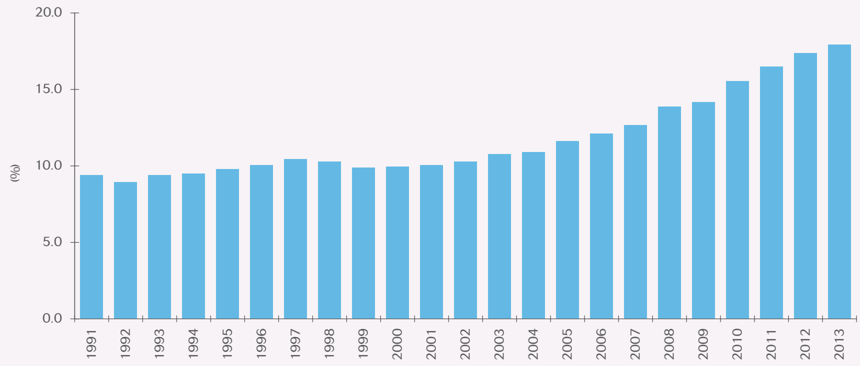
UK housing transactions



Proportion of Countrywide house sales



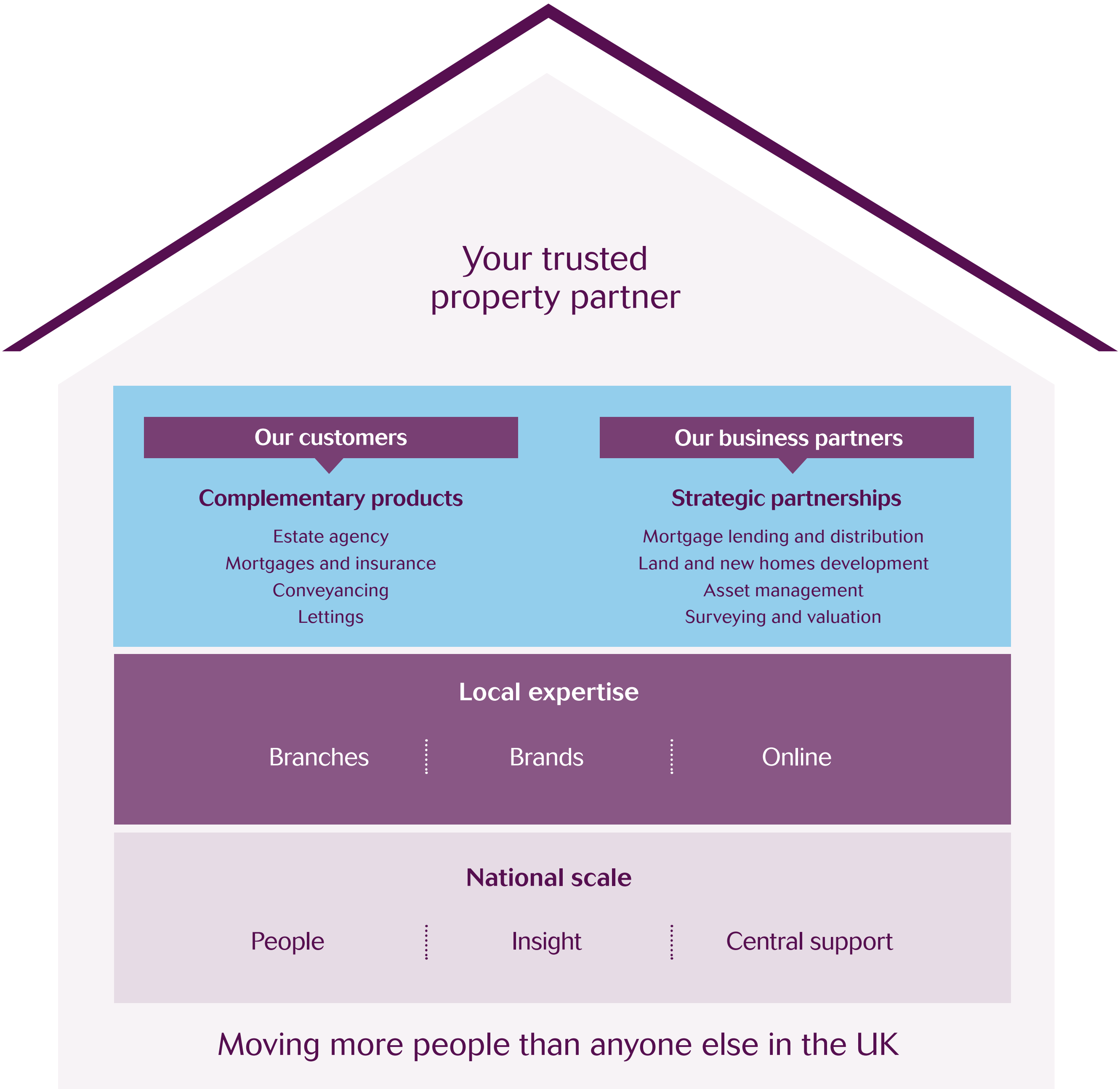
Proportion of households renting privately



Commercial investment

Our business model

We create value from a scalable, diversified business with significant recurring revenues through our national scale and local reach



What makes us different?

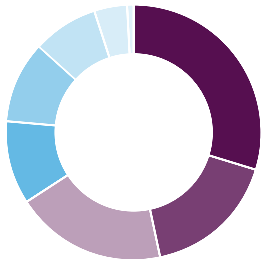
1. Our breadth of offering and expertise

Our breadth of offering
pages 04 to 05

2. Our people and their commitment

See our case studies within the segmental review
pages 20 to 33

3. Our diversified revenue and profit base providing growth and resilience in challenging markets



	Income £'m
Estate Agency	210.5
London and Premier	118.9
Lettings	134.6
Financial Services	73.7
Lambert Smith Hampton	72.8
Surveying Services	58.0
Conveyancing Services	28.6
Central services	5.2

Utilising our breadth of expertise for the benefit of our customers

Complementary products

Our business-to-consumer customers including vendors, purchasers and landlords access our complementary suite of services through our branches. We optimise revenue streams through appropriate cross-divisional referral of services. We underpin our products with a customer-focused approach to service

Strategic partnerships

Our business-to-business customers including financial institutions and national developers benefit from our scale and view our extensive network as an attractive route to market for their products. In return, we have access to exclusive deals and competitive rates, a mutually beneficial arrangement for all partners

Capitalising on our scale and diverse offering

Branches

Our national branch network is the foundation of the Group's operating model. We identify and target local markets to invest in with additional or enhanced branches

Brands

Through our multiple brand strategy we can focus on specific sectors of both regional and national housing markets and tailor products appropriately

Online

Our online presence through portals and our own website, www.propertywide.co.uk, ensures our clients have access to the latest properties and our mobile apps are popular with people on the move

Optimising our assets

Our people

We invest in talented and motivated teams who understand their local markets and the needs of our customers to ensure the delivery of high levels of customer service

Market insight and innovation

Access to and analysis of data leads to the development of products and services to meet our customers' needs and provides a basis for commentary on the market

Centralised support services

Support services are centralised to reduce duplication and waste while improving standards of service and enabling us to deliver cost efficiencies through economies of scale

What sets us apart?

Multi-brand approach with an all-market nationwide representation

> Our multi-brand approach and nationwide representation is supported by scalable, diversified infrastructure and expertise designed to deliver complementary services to each of our customers that meet their property needs.

Our scale and diverse offering makes us stronger

Description

Our risk-mitigated business is diverse by geography and business line. We fully understand the importance of our local expertise, local brands and the local communities they serve. Whilst we are the UK's largest property services group, we understand that big is not always best and so our aim is to be better than our peers, through our ability to outperform the market relying on our experience, capability, power and value.

Our progress in 2014

- Broadening of our base to capitalise on our nationwide network and increasing our business volumes through high quality, value adding acquisitions. As part of our targeted acquisition programme, we invested a record £48.9 million in acquiring key businesses and opening new branches in strategic locations we identified, further increasing our footprint and creating significant value to our bottom line.
- Launching the UK's pre-eminent residential property fund with Hermes Investment Management, with an initial seed equity of £95 million, giving investment capacity of well in excess of £100 million including debt.

Strong growth in a challenging market with diversified revenues from non-cyclical businesses

Description

The diversified nature of our business and our market coverage outside of London, coupled with our acquisitions programme, puts us in a strong position to capitalise further on any future market recovery. 40% of our profit is now generated from non-cyclical activities which are not directly related to the residential transactions market.

Our progress in 2014

- Record profits in 2014 validate our strategy of building a diverse business by geography and business line. Our business divisions are independent of cycles and deliver intangible benefits to each other.
- Implementation of centralised support services to offer a quality, full service provision and create a continuous customer relationship by optimising value from each transaction.

Our exceptional people understand their local markets and the needs of their customers

People are the key to the future of our business and therefore will always be the most important aspect of our business. Our focus is on putting our employees first and recruiting and retaining the best talent. We continue to invest significantly in graduate and trainee schemes as well as apprenticeships across the Group to continue building our future and ensure we recruit the best people.

- Continuing to develop the needs of our existing people by addressing the themes they feel most passionate about. Utilising learning and development tools, such as i-learn, and launching a Group-wide employee recognition scheme.

- Continuing to improve engagement in our MyCountrywide Survey with employee engagement up to 71%, a 4% increase on 2013.

Our innovation drives efficiency and growth in key markets

We are innovative and strive to deliver a consistent service whilst constantly improving and investing in the experience that we provide our customers and employees. Significant investment continues to be made in transforming our technology infrastructure through our partnership with CGI, including the implementation of common platforms and a centralised VoIP system.

- Launching of a unique property search platform called 'Traveltime' on our propertywide.co.uk and estate agency branded websites. 'Traveltime' enables people to find the property they want, by the time they're prepared to commute. Searching by Traveltime is boosting the conversion rates from our Propertywide website by 300%.

- Introducing Launchpad. This market-leading tablet technology makes the process of bringing a property to market quicker and easier than ever before, putting the customer at the centre of the process.

Our important relationships as a trusted property partner to all our customers

It is vital to recognise and acknowledge each and every customer as being an integral part of a true partnership by exhibiting a sustained sense of purpose and duty to them and their customers. Whilst we offer an unparalleled network of unique insight, resources, expertise, experience and support to assist customers, these are all combined with a dedication to making a real contribution to local communities throughout the UK.

- We consistently outperform the market, delivering more services and better options to ensure that we are the first choice for our customers. The strength of these partnerships has been demonstrated over the last twelve months with the retention of all of our existing contracts with key corporate clients, the winning of significant new contracts, such as our partnership with HSBC to sell mortgages in the UK intermediary market, and new valuations contracts with Barclays and Santander, which has ensured we finish the year as market leaders in the valuation and asset management markets.

Strategy

Transforming our business

Three years ago the Countrywide Board set out its second three year 'Distribution Strategy' covering the period 2012–2014. During the final quarter of 2014, the Board has commenced a strategic review which will drive objectives for the next five years.

During this period of development, we continue to report against the existing objectives as follows:

1 Our channels to market

We continue to build on our physical and online distribution capability in order to optimise market share.

Over the past six years we have invested significantly in lettings businesses through acquisitions and the new starts programme to build a scalable business with sustainable revenue streams. Other major acquisitions include Hamptons International (2010) and Lambert Smith Hampton (2013) as well as investment in the financial intermediary market.

Performance in 2014

- A further 28 strategic Lettings acquisitions were completed during 2014, continuing to strengthen revenue resilience and geographic footprint
- Launch of residential investment property fund with Hermes Investment Management with initial seed equity of £95 million (comprising £20 million from the Group of which £13.3 million has been drawn)
- Surveying Services secured major contracts with Barclays and Santander, further strengthening its position in the market

Going forward

- Continue targeted strategic acquisitions
- Further development of online solutions for Group products and services

Branches (Estate Agency and Lettings) (number)

1,372

+2%

2014	1,372
2013	1,344

2 Our products and services

We strive to provide customers with market-leading products and services designed to meet their expectations.

Tailoring our products and services to our customer base is key to meeting their needs. Where we identify opportunities in the market we invest and innovate to develop our product offering and provide complementary services to simplify the transactional process.

Performance in 2014

- Acquisition of BTW Shiells in June 2014 to further expand our commercial property offering
- Development of products with strategic partners aimed at specific market sectors, e.g. partnership with HSBC during the year to offer mortgages in the UK intermediary market
- Launch of our unique property search platform 'Traveltime' to facilitate customer searches and improve conversion rates

Going forward

- Continue to focus on appropriate referrals between divisions
- Further development of strategic partnerships aimed at specific markets or customer segmentation

Cross-sales (%)

54

+0%

2014	54
2013	54

3 Our people

We recruit, develop and retain the most dynamic, talented and professional people in the industry.

Our employees are our key resource. We are a people business and high levels of customer service are delivered by a motivated and talented team. Common to the industry we face high levels of staff turnover; reducing attrition levels will improve customer service levels and resultant profitability.

We run training programmes throughout the Group. The Lettings division has i-learn for their front office staff and AgencyPro is a market leading training and complaints handling system with City and Guilds accreditation. Through our talent management and leadership programme we are developing our future senior managers.

Performance in 2014

- Improved engagement in our My Countrywide employee survey, with engagement levels up to 71%, a 4% increase on 2013
- Successful completion of qualifications in surveying and conveyancing from our first graduate cohorts
- Roll-out of HR systems to wider Group, improving consistency of approach and visibility of management information

Going forward

- Continue to address key themes arising from employee engagement surveys to further improve our people's experience. Announcement of appointment of Group HR director to drive forward our people agenda
- Leverage existing successful practice in recruitment and induction training across the Group

Employee turnover (%)

36

+0%

2014	36
2013	36

4 Our infrastructure

We ensure our people have access to a reliable, economic and scalable infrastructure.

Since 2007 the Group has permanently removed £60 million in infrastructure costs. Further cost reductions will be achieved through investment in technology and shared services capability in order that the Group has a robust scalable infrastructure to support growth.

Underpinning this strategy is the significant task of transforming the Group's IT Infrastructure, which evolved over the years through bolt-on acquisitions and local development. We are nearing completion of IT our transformation programme.

Performance in 2014

- Significant progress in our IT transformation programme following implementation of common platforms and VOIP telephony systems
- Mobile technology implemented in Estate Agency with the introduction of Launchpad, our tablet technology, improving customer service
- Completion of over 120 branch refurbishments by our centralised team, ensuring improved customer and employee experience through managed cost base

Going forward

- Completion of IT transformation programme in partnership with CGI during the first half of 2015
- Implementation of Group-wide finance platform to improve visibility and opportunities for cost savings

Fixed cost ratio (%)

63

+0%

2014	63
2013	63

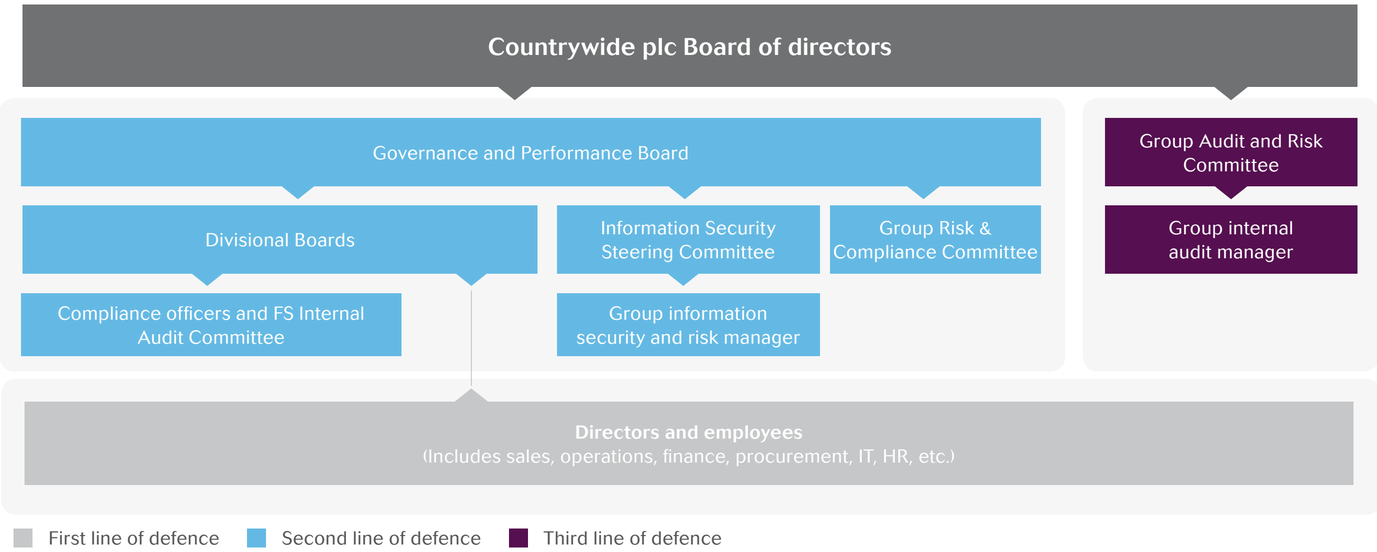
Risk and risk management

The Group is exposed to a number of risks and uncertainties which could have a material impact on its long term development and performance and management of these risks is an integral part of the management of the Group. The table below sets out the principal risks faced by the Group and examples of relevant key controls and mitigating factors. The Board considers these to be the most significant risks faced by the Group. They do not comprise all the risks associated with the Group and they are not set out in any order of priority.

The successful management of risk is essential to enable us to deliver on its strategic priorities. Whilst the ultimate responsibility for risk management rests with the Board, the foundation of effective day-to-day management of risk is in the way we do business and the culture of our team. Our flat organisational structure ensures close involvement of senior management in all significant decisions.

Change in the year — ↑ Increased risk — ↓ Decreased risk — – No change

Risk and impact	Mitigation	Change	Commentary
Market risk			
The UK housing market is highly cyclical and historically has been central to the strength of the UK economy. Changes in volumes and price are immediately realised in the results of the business, within both the Estate Agency division and also sales of complementary services throughout other areas of the Group. Increases in interest rates typically have a negative impact on the UK residential property market.	We carry out continual high level reviews of our markets to ensure we understand the opportunities they offer and review our products and services diversity and differentiation as part of our distribution strategy. For example, we continue to strengthen the Lettings division which,by its nature, is more stable and counter-cyclical to the housing market.	↑	During 2014 we have continued to acquire accretive residential lettings businesses, a further commercial consultancy business and jointly established a residential property investment fund with Hermes. These developments continue to increase resilience of revenue streams and diversity of our offerings. An ongoing programme of acquisitions is planned for the forthcoming year.
Availability of mortgage financing			
The parts of our business that do not relate to the prestige property market are particularly exposed to the level of mortgage approvals. The number of mortgage approvals can be affected by macro-economic factors; new regulatory requirements; and changes in lenders' approval policies.	We continue to review trends in market volumes and determine whether actions such as cost base reduction measures are required.	↓	The recent negative trend in mortgage approvals will impact transaction levels in the first half of 2015 which, together with the potential uncertainty over the outcome of the general election in May, is likely to create some sluggishness in market trends in the first half of 2015.
Loss of a major business partner or outsourcing partner			
There are a number of important commercial relationships which affect more than one area of the business. Loss of key customers or contracts, or significant reduction in volumes combined with pressure on fees, would have a significant impact on our profitability. The failure of a significant supplier could impair our ability to operate effectively.	We centralised the team responsible for liaising with key customers and developing new contracts. The operating divisions carry out regular reviews with key customers. We carry out regular reviews with key suppliers and operate appropriate contingency measures in the event of supplier collapse.	↓	We continue to benefit from our strong relationships with our corporate partners and we have retained, as well as won, a number of contracts with key clients. We have been selected by Santander as one of its formal valuation partners from 1 January 2015. This comes following our appointment earlier in 2014 as a key business partner on valuations for Barclays.
IT infrastructure and information security			
Dependence on efficient systems for operational performance and financial information would be impacted by significant failures or interruptions to IT services. In addition, data security is also essential to the secure processing, storage and transmission of routine personal, confidential and proprietary information, failure of which could lead to financial and reputational damage.	There has been significant continual investment to support operational expansion and as part of the planned transformation and maintenance of operational systems and infrastructure. Routine penetration testing is also conducted in respect of data security.	–	The transition of our IT infrastructure via outsourcing to CGI has continued at pace and in accordance with plan throughout 2014 and into the first quarter of 2015. The Information Security Steering Committee has met regularly throughout the year in order to co-ordinate Information Security best practice and to ensure continuing accreditation within business-to-business operations.



Risk and impact	Mitigation	Change	Commentary
Professional indemnity			
The previous downturn in the UK housing market and impact of sub-prime lending exposed the group to a higher level of professional insurance claims within the Surveying Services division.	Monitoring arrangements include operational controls implemented for review of surveyor outputs and targeted use of Automated Valuation Models in perceived higher risk cases, as well as maintenance of risk management arrangements. In respect of legacy issues, we continue to review the judgements and estimates underpinning the existing professional indemnity provision.	↑	Our year-end review resulted in an exceptional charge of £15.2 million principally due to an unexpected level of claims brought about under common law outside of the primary statutory limitation period together with a slight deterioration of claims previously notified and an increase in the average loss per claim (in line with industry trends). We continue to monitor developments in claims reporting.
Financial misstatement and fraud risk			
Financial misstatement may arise due to error or fraud, in the form of fraudulent financial reporting or misappropriation of assets. Reputational damage, and inappropriate decision making data availability to management, may arise from non-fraudulent misstatement in financial reports and financial loss to the Group may occur as a result of misappropriations.	Embedded financial controls, incorporating appropriate segregation of duties, operate within the businesses to ensure robust preventative and detective controls are in place. Independent financial reviews are undertaken within the operational divisions as an additional, high-level, detective control. These reviews are also supplemented by centralised monitoring of financial performance against budgets and operating targets. Misappropriation of funds is mitigated by centralised treasury monitoring of all bank accounts, with embedded operational controls ensuring appropriate delegation of authority, restricted access to accounts and appropriate segregation of duties and mandated dual authorisation controls.	–	Whilst the profile of inaccurate financial reporting has been raised recently, we have continued to monitor embedded controls and independent management reviews across our divisions. We ensure that where best practice developments emerge these are shared within the Group and implementation plans are developed accordingly. In addition, we adopt recommendations arising from internal and external reviews.
Regulatory compliance			
Failure to comply with legislation and regulatory requirements could result in reputational and financial damage, including withdrawal of authorisation/licences for the conduct of business streams.	Expertise within the operational divisions is also supported by centralised legal and compliance teams who closely monitor existing business practices and any reform proposals. Employees receive appropriate training. Managers attend industry forums and government consultations. Robust complaints management systems are in place across all operating divisions.	↑	The new FCA regime and Mortgage Market Review have been assimilated within the business in accordance with plans. We continue to monitor regulatory developments across our divisions and develop implementation plans accordingly and adopt recommendations arising from external reviews.
Attracting, developing and retaining excellent people			
Our success depends on the services provided by, and experience of, our employees. There is also substantial competition for qualified employees in an industry characterised by high levels of employee turnover.	Remuneration policies are regularly reviewed to ensure employees are appropriately incentivised. Succession planning and development of key employees are also considered by the Board. Management reviews trends, including the views of leavers in exit interviews, and the views of employees which are expressed in our annual employee engagement surveys to develop action plans accordingly.	–	We have continued to strengthen our leadership and development programme, scrutiny of people-related KPIs and related action plans to address these. The second 'My Countrywide' survey has been concluded during 2014, with a 69% response rate and a 4% increase in employee engagement levels (to 71%).

Segmental review

Estate Agency

The Estate Agency division is the UK's largest by market share, operating 31 brands across 815 branches. As well as providing estate agency services it plays a key role in driving revenue of other Countrywide divisions.

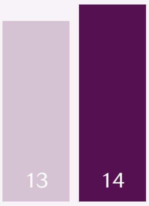
KPIs

Total income (£m)

210.5

+9%

2014	210.5
2013	193.0

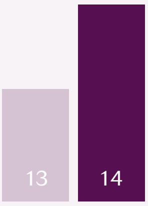


EBITDA (£m)

28.2

+75%

2014	28.2
2013	16.1

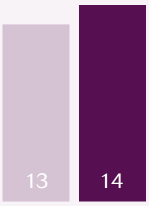


House exchanges (number)

66,022

+11%

2014	66,022
2013	59,471



Highlights

- EBITDA growth 75%
- 9% income growth
- 8% increase in average house prices
- Continued growth in our Land & New Homes business
- Awarded Sunday Times Best National Estate Agency of the Year

Operating review

The Estate Agency division saw a 9% increase in income to £210 million. With a relatively small increase in operating costs, the additional income contributed to growth in EBITDA of 75%.

2014 saw continued growth in the UK housing market with market transactions at their highest level for seven years. The second half of the year did see a slowdown in growth with uncertainty caused by the Mortgage Market Review (MMR), as well as the timing and scale of interest rate rises. Estate Agency house exchange volumes increased by 11% over the previous year, comprising 20% growth in the first half of the year and 4% in the second half of 2014.

Transactional growth was seen across the country with all our regional businesses experiencing a higher level of exchange volumes than the previous year. Growth rates were marginally higher in the South (11%) than the North (9%). Despite increased competition in the Estate Agency market, the division saw a modest increase in the average fee generated per exchange.

Performance on cross-sales into other divisions remained strong in 2014 with penetration rates into our Conveyancing, Financial Services and Surveying divisions remaining stable in 2014. The most significant area of growth came in our high value conveyancing service where instruction levels increased 63% versus the prior year.

We achieved further consolidation of our back office functions during the year with administrative support for our Auctions and Land & New Homes business moving to our National Sales Support Centre in Cheadle, Greater Manchester. This continues to provide the division with significant cost savings compared to our previous model of branch and regionally based administration, as well as improvements in the quality and consistency of processing. This has ultimately provided a better service for our customers. The centre also assisted our branch network in a number of customer support functions. This has included handling call overflow from our branches, dealing with complaints, handling leads from portals and assisting in the progression of sales through to exchange. As well as supporting the Estate Agency division the centre also generated a number of appointments for our branch-based mortgage consultants.

With the increase in divisional exchange volumes of 11%, the greatest area of investment was in our employees, with average headcount increasing by 5%. The efficiencies offered by the National Sales Support Centre are illustrated by headcount in our branch network increasing by only 3%. Careful management of our cost base ensured that 69% of the additional income generated by the division dropped through to bottom line profit.

Branch numbers in the division increased by eleven in the year to 815. This included new office openings, new co-located offices with our Lettings colleagues and the successful integration post-acquisition of Tucker Gardner in Cambridgeshire and Lampons in East Sussex. Tucker Gardner in particular has enjoyed a successful first year of operation, exceeding sales and profits targets set as well as achieving some of the best sales rates per office seen across the division.

Market challenges

The improving transaction volumes bring new entrants to the market and increased competition for new instructions and pressure on fees, particularly from low-cost 'no frills' agents. The Estate Agency division did, however, experience improving fee rates on new instructions in the second half of the year as the market began to tighten. The rate at which the pipeline of sales agreed converted to income also slowed in the year, as larger, more complex chains of housing transactions became more difficult to convert in the year.

The stamp duty changes announced during the Government's autumn budget statement will mean that less stamp duty will be paid by purchasers on the vast majority of house sales handled within the Estate Agency division.

The year also saw the emergence of a new funded-by-agents property portal, OnTheMarket.com. Inclusion on this portal requires the agent to move away from either Rightmove or Zoopla, something Countrywide believes is not in the best interest of the vendor.

Land & New Homes

Income in our Land & New Homes division increased 8% in 2014. With improved market conditions the division has seen a shift towards SME developers and away from the larger PLCs who sell more plots ahead of build and without assistance from estate agents during periods of higher demand.

With the lack of housing still an issue in the UK, 2014 was the third year of substantial investment in this area of the business with headcount growing 9% in the year and further increases planned in 2015.

Asset management

Despite repossession volumes estimated to fall by 25% in 2014, our Asset Management business, Countrywide Corporate Property Services (CCPS), saw an increase in the number of repossession mandates it received in the year. During the year the division managed to secure a significant new contract with Lloyds Banking Group as well as retaining contracts with RBS and Santander. In Q3 2014 CCPS handled one in every five of all repossessions in the market.

Focus on: Barry Lee

Barry Lee previously worked in retail, but decided to move into Estate Agency with an office-based job with more reasonable hours.

Barry joined Taylors and worked his way up to branch manager in two years, and then to senior branch manager. After his success in estate agency, Barry decided to learn the financial services side of the business and became a mortgage consultant. Barry enjoyed the financial aspect of the role, broadening his skill set and adding yet another feather to his hat.

Outside of work, Barry is involved in youth projects and training including life skills, interview techniques and motivational speaking. In February 2014, Barry was asked to become a trainer for Countrywide. Barry jumped into the role, using his troubleshooting skills to identify development issues and provide strategies or solutions. A great example of Barry's success is when he helped a branch in Edgware double their number of houses taken on. Barry's experience of both the Estate Agency and Financial Services businesses enable him to empathise with the colleagues he trains. We're delighted that Barry's enjoying his role as a trainer and whatever he decides to do next – we're sure he'll be great at that too.

Segmental review continued

London & Premier

London & Premier aims to be the foremost agency in its markets providing an unrivalled customer service.

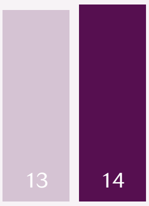
KPIs

Total income (£m)

118.8

+3%

2014	118.8
2013	115.6

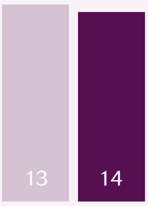


EBITDA (£m)

23.3

-4%

2014	23.3
2013	24.2

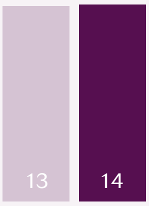


House exchanges (number)

6,383

+1%

2014	6,383
2013	6,338



Highlights

- Successful acquisition of Preston Bennett, Humphreys Skitt and the Humberts lettings portfolio
- Lettings revenue growth up 8% on 2013
- Largest Land & New Homes pipeline ever
- Sales revenue growth (excluding prime London area) of 9%

Operating review

In spite of overall revenue growth and geographic expansion, 2014 was a challenging year for London & Premier. The strong first half of the year, was followed by a slower second half as segments of the London property market cooled in particular at the top end of the prime central London market. Whilst the surprise December stamp duty changes led to a flurry of exchanges on the day of announcement, this did not inject enough momentum into the end of the year to offset the general slower market sentiment of the second half of 2014.

Annual revenues across the division were 3% higher than in 2013 supported by the acquisition programme undertaken during the year. Preston Bennett, Humphreys Skitt and the lettings portfolio of Humberts were all acquired in 2014, alongside several smaller lettings portfolios. These acquisitions performed well and were successfully integrated into the division and Group. Removing the impact of the acquisitions, like-for-like estate agency exchanges were virtually identical year on year.

As a consequence of a slower prime central London market and relative growth in our country and outer London branches (where the margins are lower), overall EBITDA margin dropped from 21% to 20%. It remains our medium term aim to improve this and take it beyond 25%.

The slowing of the London prime markets also impacted our average fee, contributing to the overall reduction in estate agency income streams of 3%. This decline in revenue was in spite of the expansion of the division's geographic footprint. This expansion saw us move into the markets of Stanmore (Preston Bennett), Greenwich and Blackheath (Humphreys Skitt) via acquisitions and new branch openings in Salisbury, Sherborne and Taunton (supported by the Humberts lettings acquisition). With the exception of Preston Bennett, all of these new and acquired branches were branded under the Hamptons International banner. During 2014 our average fee dropped from 1.41% in 2013 to 1.37% due to the increased weighting of transactions outside London.

Our transactional volumes outside of prime central London increased by 5% year on year which, while diluting out the cash average fee from £12,689 to £12,203, also provided valuable protection to our revenues in 2014 following the decline of central London sales. Average house prices for the division in both years remained flat at just under £900,000. The reality of these statistics is that we saw transactional and house price growth in outer London and our country markets, with the opposite being true in the capital. Many London homeowners elected to 'cash in' on their home and move out of the capital to acquire a larger property, accepting a longer commute at the same time.

Lettings and management revenues grew by 6% due to Hamptons International's branch expansion, a robust lettings market in London and an ever growing portfolio of managed units. Further expansion of our lettings business into the residential agency branch network remains an ongoing priority.

London & Premier's New Homes division was bolstered significantly by the acquisition of Preston Bennett in Stanmore, a business with a considerable new homes operation and pipeline. Combining the Hamptons International and Preston Bennett offerings in this area across north London and beyond remains one of the most exciting opportunities in 2015.

Our International department grew further with strategic partnerships now established in the USA, the Caribbean, France, Italy, Spain, Portugal, Cyprus, Switzerland, South Africa, Dubai and Oman. We represent in excess of 100,000 international listings and consistently identify international opportunities from our network of UK offices. 2015 will see the extension of the Hamptons 'International' model into other Group brands starting with John D Wood and Co. The weakening Euro is likely to create increased interest from British second home buyers this year.

During the year we decided to dispose of our Sotheby's International Realty franchise business as part of a strategic refocus on our wholly owned branded estate. Looking forward to 2015, we expect to see a quiet start to the year with the general election looming large on the horizon in May. History tells us that activity levels running up to general elections of the past have cooled, to be followed by an increase in market transactions for the rest of the year.

Focus on:
Pooja Kandola

Pooja Kandola always knew that she wanted to practice law, but she had learnt that law firms appreciate graduates who study a more diverse degree as they bring a different perspective to the firm. With this in mind Pooja graduated from the University of Westminster with a degree in criminology and psychology in July 2007.

Pooja then went on to complete a graduate diploma in law at the College of Law and in July 2010 she completed a legal practice course. Pooja joined Hamptons International in October 2010 as maternity cover in a combined legal and customer care role.

Pooja wanted to gain more experience and when the legal manager went on maternity leave in January 2011, Pooja was given the opportunity to cover that role. Pooja enjoyed the challenge and Hamptons International had just been acquired by Countrywide, so she was delighted to have support from the Countrywide Legal team too.

Gareth Williams, head of legal and Group company secretary, alongside Hamptons International HR, encouraged Pooja to research the Solicitors Regulation Authority to discover how we, as an organisation, could become a training establishment. Pooja investigated what the Company needed and what she as a trainee would be required to do. Pooja proposed a training plan, received sign off, and set up the training course to commence in September 2013. Another colleague has now also enrolled on this programme and will begin their journey later this year.

Pooja's dedication to the whole Countrywide Group is impressive. As part of her training, Pooja has moved around the Group in six month placements, working for not only Hamptons International, but also for Countrywide Legal, Lambert Smith Hampton and Countrywide Conveyancing Services, when she relocated to Cardiff. Pooja will complete her last training placement with an external law firm to give her experience in commercial litigation.

At the end of September 2015, Pooja will have completed her training, becoming a fully qualified solicitor. Pooja hopes to stay at Countrywide and we hope she does too. Her familiarity with the Group and the skills and experience she has gained in her time here really add value to the Countrywide Group.

Segmental review continued

Lettings

2014 was another record year of growth in the Lettings business. Continued investment in all areas of the business delivered results.

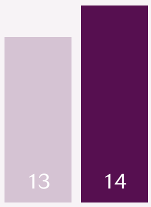
KPIs

Total income (£m)

134.6

+20%

2014	134.6
2013	112.5

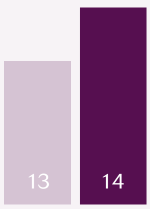


EBITDA (£m)

39.3

+37%

2014	39.3
2013	28.6

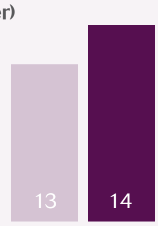


Retail properties under management (number)

65,334

+25%

2014	65,334
2013	52,181



Highlights

- Record revenue – £134.6 million – up 20% on 2013
- Record EBITDA – £39.3 million – up 37% on 2013
- Continued selective acquisitions – 28 deals for consideration of £37.6 million
- Multiple award winning – including best National Letting Agent
- New Starts Programme continues to mature to profit

Summary and market

The Lettings market remained stable throughout 2014 with continued demand for renting with Countrywide registered 490,000 applicants and agreed 49,000 lets, a record number for the business. Retail properties under management increased by 25% to 65,334 at the end of the year.

Although demand continued to grow, this was not matched by the growth of available properties in the market. Supply has been constrained by limited levels of new build activity and mortgage financing for Buy-to-Let properties. The Countrywide Rental Price Index that we publish monthly has shown that the rent for new lets in 2014 has increased at 3.8% per annum as a result of demand exceeding supply. However, the overall rent paid by existing tenants increased below inflation at 1.8% with over 70% of renewals not seeing any increase to their rent.

Our customers

We continue to look for ways to enhance the experience of our customers, whether they are landlords or tenants, making dealing with us simpler and more satisfying. Improved online systems for landlords, extended opening hours and call overflow supported by our support teams all go towards these goals which continue to be our ongoing priority.

Working with other parts of the Group means we can help our customers with any of their property needs. This could include referring them to our Financial Services division in relation to re-mortgages or our sales division if a landlord wished to buy or a tenant wishes to enter the property ladder. The reverse is also true with our Estate Agency and Financial Services divisions which are able to refer their own Buy-to-Let customers for us to help them with their letting needs.

People development

We recognise that committed and engaged people will provide great customer service and we have worked hard to help our people deliver for our customers. We provide a fantastic range of training opportunities led through our innovative online learning management system, 'i-learn' which we have continued to update throughout the year. We made available 95 courses during 2014 and our employee network of 2,435 employees completed 37,000 training courses. This includes mandatory training for all new employees as part of their induction to ensure that Countrywide delivers an industry leading standard with fully trained employees.

The Countrywide graduate programme is now entering its fourth year with the first set of graduates fully integrated throughout the business in various roles. The business also offers a senior management programme for the next generation of senior managers with both internal and external training to support our succession strategy.

Our commitment to our people has been recognised by winning the Employer of the Year award at the prestigious industry Negotiator Awards 2014.

Growing our network

Balancing the strong organic growth through our New Start and New Opening programmes, we have continued to selectively acquire businesses that add value to our network and can be readily integrated to the wider business without affecting the ongoing customer relationships that these businesses have built up over years. During 2014 we acquired 28 businesses including some larger businesses and brands such as Tucker Gardner in Cambridge and the upper market businesses of CHK Mountford and APW in Surrey. Most acquisitions are, however, small single branch businesses which are quickly integrated and adopt the trading name of the most appropriate Group business. As businesses are integrated they benefit from the systems, services and scale economies that we can deliver whilst still retaining the things their customers value. Our core business model often means that new revenue streams, for example, insurance sales and cross referrals, can be delivered.

Our New Opening programme continued our expansion into the rental market across the UK by opening a further eleven branches. The number of new branches that Countrywide has opened over the last four years now stands at 168. All branches opened as part of our New Starts programme in 2010–2012 are now fully integrated into the business and contributed £19 million of revenue through organic growth.

Supporting the business

We continue to invest in systems and processes that support our customers and the business. The Landlord Portal continues to be developed and is being increasingly used by our customers as a valuable tool to access key information. We will continue to develop this over the coming years.

Our support teams continually review processes and ways to ensure that engagement with customers is seamless – the introduction of new a national phone system has meant that customers receive a more immediate and better quality service.

Awards

As previously mentioned, we are delighted that the hard work and dedication of our wonderful people has been recognised by winning 18 awards during 2014 including:

- Lettings Agency of the Year – Countrywide (RESI Awards 2014);
- Best Large Chain (ESTAS 2014);
- Large Lettings Agency of the Year (The Negotiator Awards 2014);
- Property Management Company of the Year (The Negotiator Awards 2014); and
- Employer of the Year – Countrywide (The Negotiator Awards 2014).

Focus on: Katy Flay

Katy Flay grew up in Leeds with nine siblings and left school with no GCSEs, joining Countrywide as a Negotiator in April 2007. Katy quickly demonstrated excellent sales skills and continued to develop, rapidly progressing and becoming branch manager.

When we opened our Bridgfords flagship branch at the Haçienda in Manchester, Katy was a natural choice to head the new branch. With a brilliant knowledge of the fast paced market that exists in city centres, particularly in Manchester. Katy also understands the motivation and demands of a city centre customer; both landlords and tenants.

Katy led her team to expand the Manchester city office from managing just 56 units, to producing over £1 million in revenue a year, sitting comfortably as one of the top players in Manchester city centre's letting market. Katy also worked on the Curtis & Bains acquisition, taking responsibility for three city centre businesses.

Katy is now a business development manager, working closely with our Land & New Homes division, bringing new business into the Haçienda.

Katy takes pride in giving back to the community through charitable work. Her advice is to 'be passionate about what you do' – a great lesson which she lives and breathes. We hope Katy enjoys her new role and continues to excel.

Segmental review continued

Financial Services

The Financial Services division is the third largest mortgage distributor in the UK, with just over 5% of the total £205 billion UK mortgage market.

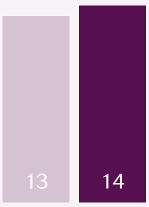
KPIs

Total income (£m)

73.7

+14%

2014	73.7
2013	64.9

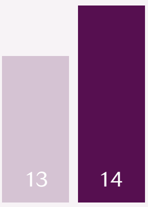


EBITDA (£m)

16.4

+34%

2014	16.4
2013	12.2

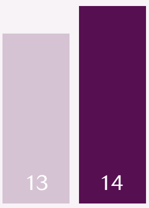


Total mortgages arranged (number)

70,529

+16%

2014	70,529
2013	60,640

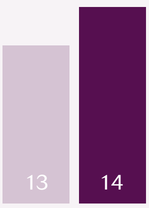


Mortgage value (£bn)

10.3

+24%

2014	10.3
2013	8.3



Highlights

- EBITDA growth 34%
- 18% increase in general insurance income
- 14% increase in life insurance exchanged annual premium equivalent (APE)
- Strong growth from Capital Private Finance, our London brokerage, where profits grew over 63% and our Mortgage Intelligence network which also had an excellent year
- Productivity per Countrywide Estate Agency mortgage consultant has increased by 4% year on year

Operating review

Market conditions in the first four months of 2014 were very encouraging, with signs of UK economic recovery gathering pace and the Government's 'Help To Buy 2' (HTB2) initiative for First Time Buyers fully deployed across most lenders. This contributed to strong consumer optimism, making it easier for borrowers to access mortgages and enabling more First Time Buyers to enter the housing market. Implementation of the Mortgage Market Review regulations in late April slowed consumer sentiment, with some concerns about affordability of borrowing, although the regulatory changes have generally been well deployed. Across the industry both lenders and mortgage advisors alike have taken time to become accustomed to the changes in requirements, and mortgage productivity has slowed in the second half of 2014 as a result of embedding these regulatory changes. Despite this, 2014 Group mortgage advances completed totalled £10.3 billion; a 24% increase on the prior year.

In October we launched a new partnership with HSBC; the first time they have entered the Intermediary Broker market, where they delivered a range of exclusive mortgage products to the Countrywide Estate Agency customers. This new relationship reflects the confidence of our lender partners in the Group's ability to reach customers and the growing importance of distribution of mortgage products through the intermediary channel. Consumers are increasingly selecting brokers because of the choice, convenience and advice they get from the channel, particularly when discussing the affordability of their mortgage.

This year we have achieved exceptional results in partnership with our chosen general insurance providers – delivering both high quality insurance products for our customers as well as 18% growth in our insurance income. An element of the increased profitability has been attributed to the stable weather conditions experienced in the UK in 2014, coupled with the finalisation of profit share payments relating to prior periods. This enabled the profit share for household insurance sales to be £2.7 million higher than expected; a situation that is not expected to be repeated in 2015.

Overall, despite the weakening market sentiment in the second half of 2014, our income is 14% higher than last year and we have been able to utilise our infrastructure to deliver a strong profit performance in 2014 with 34% EBITDA growth.

Market 'mix'

The Estate Agency distribution was unsurprisingly oriented around home movers and First Time Buyers and benefited more from HTB2 and 95% lending than some other brokers. A large element of our Estate Agency growth has been seen in second-hand house transactions, with Mortgage Intelligence benefiting more from remortgages and buy-to-let opportunities. As outlined earlier, this was driven as a result of positive housing market sentiment in the first half of the year.

Recruitment
The significant investment made in retaining and growing the Estate Agency mortgage consultant sales force during the second half of 2013 and the first half of 2014 assisted our revenue growth as the market gained momentum in early 2014. Total mortgage consultant headcount closed the year at 681; an increase in headcount of 70 in comparison to the end of December 2013 (headcount of 611). Due to the extensive training and mortgage lead times, new recruits take up to six months to become revenue generating, so it is satisfying to see that that this investment is starting to pay dividends. We enter 2015 with a sufficient workforce to be able to service our customer requirements in the current climate and have no plans to increase further.

Mortgage market

The recent Bank of England decision to hold base interest rates steady provides borrowers with shelter from interest rate instability in the near to medium term and will not lead to any dramatic increase in remortgaging activity. This coupled with the backdrop of the upcoming general election, the uncertain consumer sentiment, and elevated Quarter 1 2014 activity pre MMR and HTB2 will dampen comparable mortgage activity in the first half of 2015.

The regulatory environment continues to evolve and we will continue to invest strongly in our infrastructure, resourcing and systems in order to maintain our high quality service, and ensuring we offer expert advice and positive outcomes for all our customers.

Despite the inherent uncertainty in the market, the Financial Services division is seeing positive momentum in 2015, with an average loan value 7% higher than last year.

Focus on: Phillipa Legg

Phillipa Legg lives in Henton, Oxfordshire with her parents. She spends most of her spare time walking her dog, caring for her horse and competing in dressage, show jumping and cross country.

Phillipa developed an interest in marketing when she studied business studies at A level. She considered going to university, but in September 2011, Phillipa began an apprenticeship where she could develop her interest and work towards a Chartered Institute of Marketing (CIM) Professional Certificate in Marketing.

In January 2012, the company that Phillipa had started her apprenticeship with went into administration, and Phillipa joined Countrywide Financial Services as a CRM marketing assistant. We continued to support Phillipa's CIM qualification and further development, and within a year, Phillipa attained the qualification and was promoted to marketing executive, giving her more managerial responsibilities which she enjoyed.

In April 2013, Phillipa became a business development executive, a broader role that catered to Phillipa's strength of being a people person. Phillipa worked closely with Claire Limon, Group insurance director, to create a group insurance plan to centralise our insurance costs, supplier management and processes. The purpose of the plan is to improve our customers' experience, so they know exactly what they are getting and where it is from, no matter which part of the Countrywide Group they interact with. In November 2014, Phillipa became our Group insurance manager, working on the Group insurance plan in full force. Phillipa's role is about bringing people together to ensure we're all going in the same direction. She has built good relationships and isn't afraid to ask questions and look for facts when she doesn't have the answer. Phillipa's career journey has been rapid, and in just three years she has proven herself a valuable member of the team with a bright future ahead of her.

Segmental review continued

Surveying Services

The Surveying Services division is a leading provider of residential valuations, surveys and panel management services in the UK with over 400 employed qualified surveyors covering most of the UK.

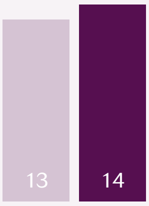
KPIs

Total income (£m)

58.0

+8%

2014	58.0
2013	53.6

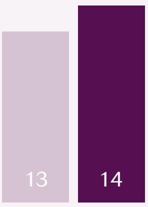


EBITDA (£m)

13.6

+15%

2014	13.6
2013	11.8

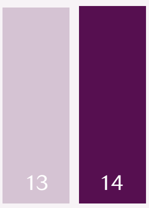


Total valuations and surveys completed (number)

332,290

+1%

2014	332,290
2013	330,121



Highlights

- Further year-on-year income growth of 8% delivering an EBITDA result 15% above prior year
- Extension of the division's impressive client base with a successful contract win introducing Barclays as a key partner and improved allocations from other key lenders
- Excellent results from the division's trainee programme delivering a material increase in the Surveying division's capacity going forward

Operating review

2014 saw further growth for the Surveying division; mainly delivered by the investments made in our industry-leading trainee programme, started at the end of 2013. The results have provided significant growth in our in-house surveyor capacity (+26%). This increased scale has been underpinned by a growing customer base of blue chip lenders with targeted contracts being successfully won in the year and also impressive growth in work derived from B2C customers.

We saw a 15% increase in our trading EBITDA to £13.6 million. This was achieved via income growth of £4.4 million above 2013 levels, undertaking ten thousand more surveys whilst also importantly improving our average fee by 8%. The growth in headcount and investment in the trainee programme increased our cost base by 10%. The trainee programme costs in the region of £1.5 million, in line with expectations, with the first six months of the year having no associated income assigned to this cost. The unquestionable success of the scheme has enabled us to already pay back the investment and puts Countrywide Surveyors on a strong platform to head into 2015 and beyond.

The market

The division started the year very strongly with the market exceeding expectations in H1 2014, and saw us fully utilise our in-house workforce whilst also fully optimising use of our consultant network through Countrywide's ownership of United Surveyors. During this time, we continued to ensure our customers' needs were met with communication and flexibility of service being key focus areas of excellence. In H2, market growth slowed and, despite attractive products being released by many lenders, very little growth in the re-mortgage market was experienced.

Risk management

Our focus on risk management is unrelenting and we have invested heavily over the last couple of years across all aspects of this area with technology improvements, increased training, bonus elements linked to quality, and increases to staffing all playing their role in protecting the business going forward.

The Group established an exceptional provision in 2012 to cover the estimated cost of claims arising in the division relating to the period 2004 to 2007. In 2012 we estimated the likely impact of future claims to be received as well as the cost of claims already in the system. The second half of 2014 was always seen as a key period in assessing this issue as the six year primary statutory limitation period came to an end. High levels of claims continue to be an issue across the industry. As announced on 22 January 2015, we have performed a detailed review of the latest data and trends on PI and as a result we believe it is prudent to increase our provision, which has resulted in an exceptional charge in the 2014 financial results of £15.2 million. The key elements behind this charge are an unexpected level of claims brought about under common law outside of the primary statutory limitation period, rather than under contract law together with a slight deterioration of claims previously notified, and an increase in the average loss per claim.

Customers and service

We move into 2015 with a balanced portfolio of key customers, following the successful award of contracts with Barclays and Santander as two of the major success stories of 2014. Continued growth in the B2C market has also been impressive with Countrywide continuing to benefit from working closer together as a Group and ensuring all our customers' property needs are met.

Countrywide Surveyors continues to place customer service at the heart of its operation and always working with our customers and our technology partners has, and will continue to drive improvements.

The Surveying team

With a rapidly growing workforce, we have also placed a further emphasis on the support and development of all of our remote surveyors. Many of the initiatives rolled out in 2014 come from the front line and we continue to benefit from a hugely experienced and committed workforce.

Focus on: Rory Fitzpatrick

Rory Fitzpatrick from Glasgow always wanted to be a surveyor. In his youth, Rory met people who worked as surveyors and saw that they were doing well, so he decided to complete a building surveying degree at Glasgow Caledonian University. Rory graduated in 2008 and worked for a surveying firm both during and after completing his degree until the market downturn in 2009, when he was made redundant.

In March 2009, Rory met Jim Gibson, managing director of Harvey, Donaldson & Gibson (HDG). This meeting changed Rory's perceptions about the current state of the surveying market, giving him the insight into life working as a residential surveyor. Rory decided this was the role for him; he wanted to be out in the field 90% of the time, rather than sat behind a desk. Rory was not a chartered surveyor and due to the market, there were no opportunities available for a trainee in March 2009. Rory was offered a job with another firm in June 2009, but turned it down to pursue his goal of working for HDG and becoming a residential surveyor.

During this time Rory worked hard, finding any paying job to tie him over including working as a waiter, bartender and even as a curry delivery man. Jim and the team at HDG put Rory into a talent pool and in August 2009 they were able to offer him a role.

Rory has gone from strength to strength in his role as a residential surveyor, he passed his AssocRICS in October 2010 and in October 2014, Rory became a chartered surveyor. Rory explained that this qualification gives him a new sense of determination and direction, with a willingness to progress and establish himself within the organisation. We're looking forward to seeing what the future brings for Rory.

Segmental review continued

Conveyancing Services

The Conveyancing Services division has had a year of solid year-on-year growth for the division with in-house lawyers helping 18% more customers to move into their homes.

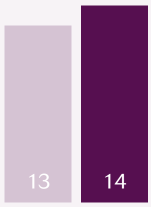
KPIs

Total income (£m)

28.6

+11%

2014	28.6
2013	25.7

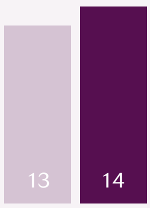


EBITDA (£m)

9.3

+10%

2014	9.3
2013	8.4

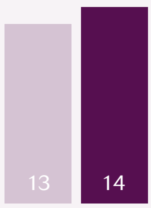


Conveyances completed* (number)

36,441

+9%

2014	36,441
2013	33,285



* Excluding third party.

Highlights

- A focus on service and working together with the Group's estate agent colleagues have ensured the division has managed over 25,000 home moves
- Increased lawyer capacity through the successful acquisition of a law centre in Bridgend and successful results from the trainee programme launched in 2013
- Significant investments in technology providing an exciting platform for the division and its customers for 2015 and beyond

Operating review

2014 was a year of growth for Countrywide Conveyancing Services with the division delivering an EBITDA of £9.3 million (10% above 2013). This result was delivered through an 11% increase in income, mainly driven by an enhanced focus on the level of referrals from our Estate Agency colleagues. This facilitated our ability to manage an additional 3,156 instructions above 2013 levels whilst also ensuring optimisation of the panel of lawyers we also manage.

Whilst we have a variety of important income streams, concentrating on Countrywide's core business is very much at the centre of our strategy. This not only represents an exciting area for further growth, but is also our biggest area where we can be instrumental in supporting and caring for customers throughout the house buying process. Throughout 2014 there have been significant investments in technology, process improvements and the training of teams in both the Conveyancing and the Estate Agency Divisions to ensure we maximise this opportunity.

Investments made in trainee programmes at the end of 2013 have been vital in growing the internal capacity of the business with the division ending 2014 with 17% of its lawyer workforce being home-grown. Three separate trainee programmes have been run throughout 2013/14 with each one having been a success, producing fee earners who are trained to the highest standard and focussed on delivering exceptional customer service. The training programme achieved external accreditation this year from the Chartered Institute of Legal Executives (CILEx).

Sustained growth has enabled us to acquire our third legal centre in February 2014 with the acquisition of Runnett and Co in Bridgend. This strategic investment expanded Countrywide's legal headcount by 11% and importantly secured further capacity to support the growth plans of the business. 2014 was a year of transition for the Bridgend team and progress has been made throughout the whole division to align working practices and systems to ensure the centre has a great platform to grow in 2015 and beyond.

2014 saw a strong start for the division, mainly driven by completions from a decent opening pipeline carried over from the prior year. In a similar way to the overall market, instructions in Q1 and Q2 were above or in-line with expectation although instructions in Q3 and Q4 slowed and were below expectation. Whilst much of the story of our instructions was driven by the movements in the overall market, there were (and are) still large opportunities for the Group to outperform the market through improved sales penetration rates within our Estate Agency division.

Customer focus

Whilst we pride ourselves on being one of the biggest conveyancing practices in the industry, great customer service for each and every individual is a critical focus area. We employ a customer experience team whose role is to constantly monitor feedback and drive improvements into the business.

Legal excellence

Supporting and safeguarding the business and its customers is, and always will be, fundamental to our success. We have a strong and established team leading this area, who pride themselves on ensuring compliance and professionalism is engrained into the business whilst also looking at new ways of driving improvements for the business and the industry. The claims record of the division is very good and the regulator commended the robust risk and compliance governance in place following a successful inspection in August 2014.

Focus on: Natalie McGuinness

Natalie McGuinness, a mother of two from Old Trafford previously worked in debt recovery. With a young child and a full time job on her hands, Natalie also followed her passion and went back to college to become a qualified beauty therapist.

Natalie joined Countrywide in September 2009 as a case progressor, keeping our clients and colleagues in Estate Agency and Mortgage Services updated with the Conveyancing process. Natalie settled into the role very quickly with her natural flair for customer service and gained a promotion to senior case progressor in October 2010.

We always strive to increase capacity, helping us to move as many customers as we can while providing the best service possible. In 2013, we recognised that we were best placed to impact the whole property sector and decided to continue our commitment in driving more capacity into the conveyancing workforce. We had already established a very good in-house training course, and the job market was awash with students leaving university, looking for career development. We adopted a new approach to training and created a training academy-style learning environment which would develop individuals into property lawyers over a period of 12 to 18 months. To support this, we invested in a senior manager and a legal skills trainer.

24 people joined the academy beginning in January 2014. Our trainees are a mix of external candidates and existing employees from our Conveyancing sites in Cardiff and Manchester. Despite not having a legal qualification under her belt, Natalie's determination and passion for the opportunity shone through at interview, earning her a place on the training academy.

Natalie has gone from strength to strength since her move to the academy. She has dealt with 'live' files and received some excellent feedback from her clients, who scored Natalie 100% for her customer service. Natalie has produced over 100 contract exchanges and completions in her time as a trainee property lawyer. To crown her achievements this year she won the Countrywide prize for the student with the most potential.

Natalie's natural customer service ethos and passion to become a property lawyer has enabled her to succeed and flourish with the dedicated support provided by the training academy.

We're delighted with Natalie's achievements to date and we're sure there will be more to come. Natalie said that she's looking forward to gaining experience in all different types of properties – firstly on the residential side but eventually looking at commercial.

The training academy is a three-year investment with our next cohort joining us around summer 2015.

Segmental review continued

Lambert Smith Hampton

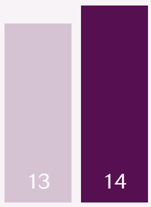
Lambert Smith Hampton delivered a financial performance ahead of plan in its first year at Countrywide and is now poised for further expansion.

KPIs

Total income (£m)

72.8

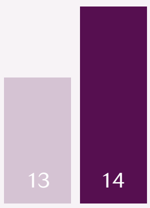
2014	72.8
2013*	16.6



EBITDA (£m)

8.4

2014	8.4
2013*	2.3



* 2013 comparative for both income and EBITDA is three month period only.

Highlights

- Turnover 16% ahead of the same period last year
- EBITDA growth 118%
- LSH acquired BTW Shiells, the biggest property consulting company in Northern Ireland

Operating review

2014 was the first full year for Lambert Smith Hampton as part of the Countrywide Group. Buoyed by strong commercial market fundamentals, both in London and across our regional footprint, Lambert Smith Hampton saw an increase of 118% in EBITDA from £3.8 million for the same period last year to £8.4 million. The favourable variance was achieved from a solid income performance which finished at a six year high of £72.8 million. Although overall direct costs increased year on year, these were somewhat offset by much lower costs in other areas. The increase in direct costs were directly attributable to tactical investment in key growth areas for our business; in particular Property Management and Public Sector divisions in London where year on year head count has increased following new contract wins. We expect income from these contracts to flow into 2015.

While there has been improvement this year in the UK transactional commercial markets, we are also pleased to report income growth in our consulting specialisms which now account for 60% of our overall revenue in 2014 and grew by £5.6 million during the year. Most notable performance was from the Valuation division where turnover increased year on year by £1.7 million/20%. The agency side of our business had a solid year reporting increases of £2.7 million in income year on year, with some significant office agency and industrial agency deals contributing to this performance.

Our Capital Markets business performed well again this year achieving success in advising on non-performing loan portfolios, with Lambert Smith Hampton having advised on over €38 billion of distressed debt portfolios to date.

In terms of geographies, we saw growth across most of our office network but in particular significant levels of growth came from our key hubs, namely London where income grew by £2.7 million/13% year on year. East of England where income increased year on year by £0.9 million/11%, where growth in public sector work in the region contributed to this and Birmingham with income growth of £0.3 million/5.7% year on year, one of the main drivers being the strong performance from the Valuation team.

Looking at the London market, which accounted for 32.5% of the overall revenue for 2014, significant growth came from four areas: the Consultancy divisions, comprising Valuation with an increased turnover of £0.7 million, Property Management £0.5 million; and from and Planning and Development £0.5 million; and from the agency side of the business, Office Agency saw an increase in turnover of £0.5 million.

This year also saw Lambert Smith Hampton completing its first acquisition. BTW Shiells was the largest property consulting business in Northern Ireland. In the first six months of trading under the Lambert Smith Hampton brand the new Northern Ireland office performed significantly ahead of expectations for both income and EBITDA.

Investment demand for so-called 'alternative' sectors (e.g. private rented sector, healthcare, student accommodation) has increased sharply, and 2014 was a record year for investment. With plenty of money still looking to invest, we expect this to be a key opportunity in 2015.

While 2015 does bring greater uncertainty, both economically and politically, consensus points to another year of robust growth for the UK economy and its commercial property markets. Overall, 2015 should be another good year for commercial property supported by improving occupational markets, although the pace of growth should moderate to more sustainable levels. While the risks have increased, on balance, the outlook remains favourable for both investors and occupiers over the year ahead.

Focus on: Lawrence Slater

Lawrence Slater from Watford, grew up around family members who worked in property, so Lawrence decided it was something he would enjoy learning about.

Lawrence spent a few summers working on building sites and went to the University of Sheffield to study surveying. After graduating, Lawrence decided to find a job in property and read several commercial property magazines noting the firms listed in them. Lawrence wrote to all of the firms, asking them for a job. He received a few responses, but in November 2003 Lambert Smith Hampton (LSH) offered Lawrence a graduate role in the St Albans office which Lawrence was pleased to accept.

Lawrence finished his graduate rotations in April 2006 and worked in lease advisory and property management as an assistant until he became a qualified surveyor. Lawrence now works as a senior surveyor with Hertfordshire County Council as his main contract. He enjoys the diversity and variety of work, including getting out on site.

Lawrence talks at local schools in Hertfordshire to promote surveying and career opportunities at LSH. After one of Lawrence's talks, a student contacted him to see if a week-long work experience placement could be arranged. It was, and the student was able to complete his work experience at the St Albans office, where he was shown several aspects of the business. Lawrence is also involved in forums with graduates, improving their experience at LSH, and he is currently acting as a supervisor and counsellor for graduates within his office that are working towards becoming qualified chartered surveyors.

Commenting on Countrywide's acquisition of Lambert Smith Hampton in September 2013, Lawrence said that it was a nice change – he'd been through the good times in commercial property industry. However, the housing market downturn had a difficult impact on the whole market, making things pretty difficult for a few years. Lawrence believes that Countrywide gave LSH a nice change and a push. It is another property firm, mainly on the residential side, which is a good fit with LSH's commercial expertise.

Lawrence lives with his partner who also works at LSH and their five year old daughter. We are hoping she will become a surveyor too.

Group financial review

Strong growth in improved market, underpinned by organic growth as well as strategic acquisitions.

Jim Clarke
Group chief financial officer

Segmental results

	Total income			EBITDA		
	2014 £'000	2013 £'000	Variance %	**2014 £'000**	2013 £'000	Variance %
Estate Agency	**210,495**	192,968	+9	**28,195**	16,131	+75
London & Premier	**118,843**	115,634	+3	**23,274**	24,176	-4
Lettings	**134,629**	112,515	+20	**39,266**	28,624	+37
Financial Services	**73,720**	64,944	+14	**16,386**	12,213	+34
Surveying Services	**57,986**	53,621	+8	**13,603**	11,834	+15
Conveyancing Services	**28,570**	25,695	+11	**9,310**	8,435	+10
Lambert Smith Hampton	**72,798**	16,582	n/a	**8,357**	2,304	n/a
Central services	**5,160**	2,809	+84	**(17,288)**	(17,087)	-1
Total Group	**702,201**	584,768	+20	**121,103**	86,630	+40

2014 saw a strong financial performance across the Group with income up 20% to £702.2 million and EBITDA increased by 40% to £121.1 million. This resulted in an improvement in the Group EBITDA margin from 15% in 2013 to 17% in 2014, the highest ever recoded.

Excluding acquisitions undertaken in 2014 and the removal of Lambert Smith Hampton results in both years, underlying business EBITDA growth achieved was 21%.

All of our divisions reported improvements in income, with all except London and Premier recording growth in EBITDA (the latter impacted by the slowdown associated with Central London activity and stamp duty reform). Our central costs remained comparable to 2014, partially due to the offset of non-recurring benefits of circa £3 million, but are likely to increase in coming years as the Group continues to grow.

Depreciation and amortisation

Flowing through from EBITDA, our depreciation and amortisation charge continues to be separated to indicate the depreciation and amortisation that relates to assets purchased for use in the business and amortisation arising on those intangible assets that have been recognised as a result of business combinations. The underlying depreciation and amortisation charge increased by £3.2 million, the principal drivers of which were increases of £0.8 million and £1.5 million for computer software and hardware respectively as a result of the strategic investment to replace our infrastructure through the seven year outsourcing partnership with CGI which commenced in 2012. Amortisation of intangible assets recognised through business combinations has increased by £2.0 million as a result of the incremental rate of growth in acquisitions during the year. Whilst we expected amortisation charges to increase due to our acquisition strategy, it should be noted that £6.6 million of the annual charge relates to intangible assets recognised in 2007, when the Group was taken private, and this will end in 2017.

Share-based payments

Share-based payment charges are also reported separately on the face of the income statement. The most significant proportion of this charge relates to a specific scheme granted at the point of the IPO last year. Immediately following the capital reorganisation in March 2013, we granted 7.2 million options to employees who were former equity holders of Countrywide Holdings, Ltd under the IPO Plan. These are nil cost options which will vest based on adjusted Group EBITDA for 2014. 80% of these options will vest in March 2015 and the balance in March 2016.

The charge to the income statement in 2014 was £10.6 million (2013: £6.9 million) with an additional related employers' national insurance charge of £1.3 million (2013: £1.7 million).

In addition, we also operate annual grants under a three year Long Term Incentive Plan (LTIP) to senior managers which commenced in September 2013. These are nil cost options which will vest subject to certain performance criteria disclosed within the remuneration report. The charge for the year was £2.1 million (2013: £0.4 million for a four month period) plus employers' national insurance of £0.3 million (2013: £0.1 million). Our SIP scheme also has a three year vesting period and, having only commenced in October 2013, the cost is incrementally growing and will build over time to around £0.9 million in 2016.

Exceptional items

We have reported a net exceptional income of £1.9 million, which comprises non-recurring costs of £15.2 million in respect of professional indemnity provisions charges, offset by £2.5 million of deferred income in respect of our contract with Zoopla (which will continue to recur for a further year) and £14.6 million of gains arising on the partial disposal of our shareholding in Zoopla.

Professional indemnity claims

It has been a challenging year in respect of our experience of PI claims. The number of claims being received has reduced substantially and significant progress has been made closing claims but we have seen a marked increase in claims for surveys over six years old: over 69% for surveys up to and including 2007 and the remainder principally relating to 2008. We have updated our financial models reflecting the latest inputs and trends as well as taking into account available information in respect of all open claims. As a result we have increased our provision by £15.2 million.

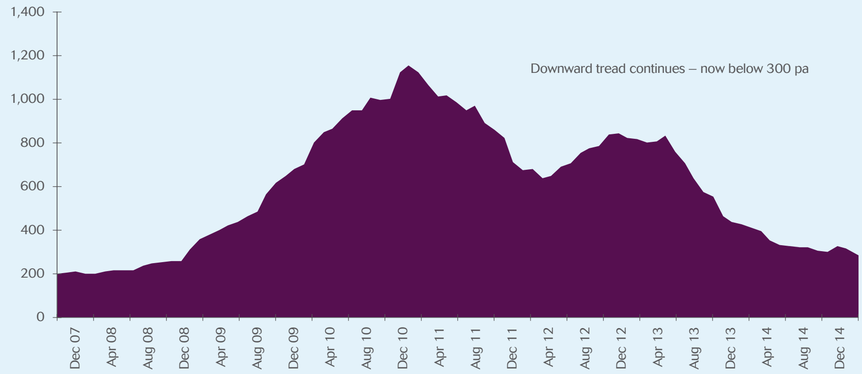
Evaluating these potential liabilities is highly judgemental and as we are now dealing with smaller numbers of claims, older more complex cases, our estimates can be significantly affected by the outcome, good or bad, of a handful of claims.

Finance charges

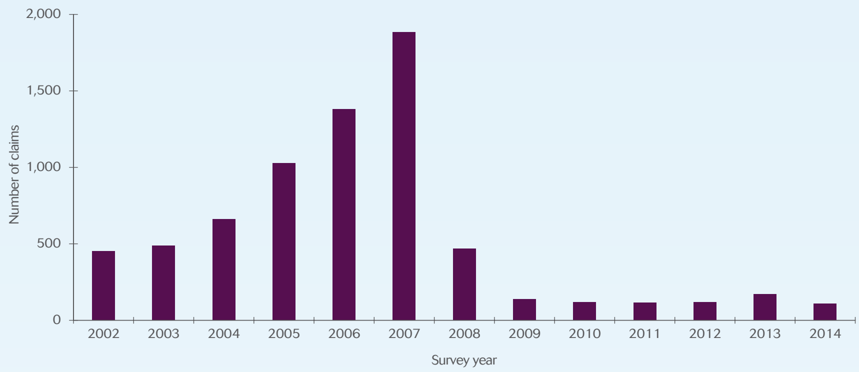
During the prior year, with the proceeds from the IPO and £75 million drawn from our finance facilities, we repaid the £250 million 10% fixed interest debt in May 2013, incurring £4.5 million of exceptional costs as part of this process. Consequently our finance costs have reduced by £13.2 million and are now incurred at a margin of 1.75% over LIBOR.

Finance income earned reflects an average rate of 0.5% earned on our free cash balances over the year, reflecting lower returns offered in 2014.

Moving annual total of mortgage valuation claims recieved



Mortgage valuation by year of survey



Group financial review continued

Excluding acquisitions undertaken in 2014 and the removal of Lambert Smith Hampton in both years, underlying business EBITDA growth achieved was 21%

Taxation

Our total tax change for 2014 of £11.7 million represents an effective tax rate of 14.7%. The principal reasons for the lower effective rate are: reduction in the tax rate to 20% generated a £1.2 million deferred tax credit; and utilisation of unprovided capital losses of £4.9 million.

Countrywide's business activities operate predominantly in the UK. All businesses are UK tax registered apart from some small operations in Hong Kong, Italy and Ireland. We act to ensure that we have a transparent and constructive relationship with HMRC and enjoy a low risk rating. We conduct our tax compliance with a generally risk averse approach to all tax obligations whilst endeavouring to maintain shareholder value. Tax planning is done with full disclosure to HMRC when necessary and being mindful of reputational risk to the Group. Transactions will not be undertaken unless they have a business purpose or commercial rationale.

While our contribution from corporation tax was low, largely due to the utilisation of unprovided capital losses, our businesses generate considerable tax revenue for the Government in the UK.

For the year ended 31 December	2014 £m	2013 £m
Corporation tax paid on profits for the year	**17.2**	7.5
Employment taxes collected	**132.0**	113.0
Employment taxes incurred by the Group	**47.0**	30.0
VAT collected	**95.0**	75.0
VAT incurred by the Group	**1.9**	1.6
Business rates paid	**11.0**	10.0
Stamp duty land tax collected through conveyancing business	**42.6**	34.0

Net assets

At 31 December 2014, our net assets per issued share were 242.2 pence, a total of £531.6 million (2013: £521.2 million) an increase of £10.4 million, or 2%, driven by a post-tax profit for the year of £67.9 million offset by returns to shareholders of £57.2 million (£43.9 million dividends and £13.3 million share buy backs).

We hold 4.0% of the share capital of Zoopla Property Group plc which we report as an available-for-sale financial asset and we will continue to monitor the developments of that business.

Capital expenditure

Throughout the prolonged market downturn, we carefully managed our level of capital expenditure to protect our overall cash position. As planned, during 2013 we commenced a programme of branch refurbishments using our centralised refit teams which carried on throughout 2014. The most significant increase in capital expenditure relates to our ongoing IT transformation project with CGI. Our seven year contract with CGI included transformation services, new data centres, software, telephony and refreshing the hardware across most of the Group. We have capitalised appropriate amounts and accounted for these as a finance lease. Consequently we have recognised significantly higher capital expenditure, the cost of which will be spread over the contract.

	2014 £m	2013 £m
Refurbishments	**13.0**	8.6
IT ongoing	**10.4**	6.6
Cash paid capex	**23.4**	15.2
IT transformation (finance leases)	**6.6**	11.9
	30.0	27.1

“

£80 million invested in new business and capital projects. £57 million cash returned to shareholders

“

All of our divisions reported improvements in income

Net debt

At 31 December 2014 we had cash balances of £28.6 million (2013: £36.3 million) and a £100 million (2013: £75 million) term loan repayable in three annual instalments from March 2015: £20 million, £25 million and £55 million. Additionally we had a £50 million revolving credit facility (RCF) available, of which £20 million was drawn down at the year end.

In February 2015, we renegotiated our facility to a to £250 million revolving credit facility with a reduced margin and a longer term.

	2014 £m	2013 £m
Cash	**28.6**	36.3
Debt*	**(131.7)**	(84.7)
Net debt	**(103.1)**	(48.4)

* Net of capitalised banking fees.

Cash flow

Net cash generated from operating activities increased by £46.9 million to £88.0 million for the year (2013: £41.1 million) representing 40.1 pence per share (2013: 18.7 pence based on number of shares currently in issue). Both years have been impacted by payments to settle PI claims. Payments in 2014 were lower than expectations at £14.4 million compared to £18.1 million of payments in 2013, principally due to the timing of settlements.

We increased our investment in new business and capital projects by £17.1 million to £80.5 million (2013: £63.4 million) and returned £57.2 million to shareholders (2013: £4.4 million) funded in part by the sale of Zoopla shares, realising £21.1 million, and drawing £45 million from our banking facilities.

Dividend

The Board has recommended a final dividend of 10.0 pence (net) per share (2013: 6.0 pence), giving a total 2014 dividend of 24.0 pence (net) per share (2013: 8.0 pence). Subject to approval at the AGM, to be held on 29 April 2015 the dividend will be paid on 7 May 2015 to shareholders on the register at 27 March 2015.

Jim Clarke
Group chief financial officer
26 February 2015

Corporate responsibility

A full corporate social responsibility policy statement is included on our website, but key areas are summarised below

Striving to be a good citizen

The Group strives to be a good corporate citizen. Through its managers and its people, Countrywide is committed to promoting protection of the environment; supporting charities and local communities; promoting equal opportunities; ensuring safe and efficient working practices; and working with suppliers who uphold similar values.

Gender diversity

* 'Senior management' comprises employees with responsibility for planning, directing or controlling the activities of the Group or a strategically significant part of it. (Directors of subsidiary companies are included only to the extent that the subsidiary is significant in the context of the Group as a whole.)

Employees

We recognise that our employees are our greatest asset and key to continued growth and success and, as such, we are committed to providing careers and working environments in which our people can achieve to their fullest potential.

Development and training

Developing future talent is fundamental to Countrywide. Talent management and leadership development programmes are operating for promising senior management within the business, whilst we continue to recruit and invest in trainee and graduate talent to help meet our future management requirements. New apprenticeship and graduate recruitment schemes have been implemented in several divisions of the Group, alongside City and Guilds accredited training for employees within our retail operations, including the opportunity of sponsorship to achieve recognised professional qualifications that are relevant to our sector. Details of specific case studies are included within our operational reviews. We provide full visibility of our customer facing employees including their levels of training and experience to our customers and prospective customers through our online Register of Property Agents (www.agencypro.co.uk). The Register provides assurance that our estate agency employees all meet the requisite standards of professionalism that our customers will expect when we advise them and represent their interests during one of the most significant transactions that they are likely to undertake in their lifetime.

We:

- provide clear and fair terms of employment for our employees;
- provide clean, healthy and safe working conditions;
- have a fair remuneration policy everywhere we operate;
- strive for equal opportunities for all present and potential employees;
- encourage employees to develop skills and progress in their careers;
- do not employ underage employees;
- ensure that employees are aware of the Group's policies on insider trading, bribery and inappropriate gifts, money laundering and whistle-blowing; and
- encourage a harmonious working environment with zero tolerance to bullying or to any form of harassment linked to an individual's sex or other personal characteristics.

Communication

We recognise the importance of good communication with our employees and have continued to keep them informed on matters affecting them as employees. To support this we have a Group-wide newsletter, 'Inside Countrywide', as well as specific publications to keep our employees up to date and informed. The newsletter focuses on communicating operational changes, examples of best practice and highlight specific sales activities, success stories and teamwork around the business. Employees can access our intranet to obtain other general information on the Group. Our second Group-wide employee engagement survey was conducted in June 2014. Feedback from the initial consultation in September 2013 was rolled into a continual improvement programme and during the period employee engagement rates increased by 4% to 71% and further work is ongoing to continually improve the experience of our people. Employees are also encouraged to discuss operational issues with their line management and to suggest ways to improve performance and efficiency.

Our people are also encouraged to become shareholders in the Company. The Group Share Incentive Plan (SIP) has been running successfully since its inception in October 2013. It is open to all employees with more than 18 months' continuous service and the Company gives one matching share for every two shares purchased by the employee (within the maximum investment terms established by HMRC).

Equal opportunities

We are committed to a policy of equal opportunity and diversity in employment and recognise that this is essential to ensuring the success and growth of the organisation.

To this end, we make every effort to select, recruit, train and promote the best candidates for the job; to treat all employees and applicants fairly, regardless of race, gender, marital status, age, nationality, ethnic origin, religious belief, sexual orientation or disability; and to ensure that no employee suffers harassment or intimidation.

Employment opportunities are available to disabled persons in accordance with their abilities and aptitudes on equal terms with other employees. If an employee becomes disabled during employment, we make every effort to enable them to continue employment by making reasonable adjustments in the workplace and retraining for alternative work where necessary.

Information security

We have achieved and maintain the ISO 27001 accreditation in our major business to business operating divisions and aspire to operate in line with the International Standard for Information Security Management, ISO 27001, in all of our major retail operations.

A dedicated Group Information Security Manager is responsible for the strategic management of information security, including risk management, together with implementation and enforcement of the Information Security Policy.

Charitable giving

Countrywide supports a Workplace Charitable Giving scheme so that employees can donate to their favourite charities tax efficiently through payroll deduction, donating over £19,000 during 2014. Countrywide also supports two national charities – Shelter (helping the homeless) and Cancer Research UK.

The subsidiary businesses are also encouraged to support causes within their local communities and employees from across the country participated in a number of local initiatives. We operate in local markets; our people are local and our brands are local, making our contribution to the local community an important part of our charitable giving.

During 2014 we have given over £80,000 to local charities and causes.

Human rights

While the Group is accountable to investors, we take into account the interest of all our stakeholders including our employees, our customers and our suppliers, as well as the local community and the environment in which we operate.

Countrywide's reputation is one of its key assets and, as a major player in the UK property services sector, adhering to the highest standards of integrity, personal conduct, ethics and fairness is deemed to be of vital importance.

Due to the regulatory requirements in the UK we have judged that human rights are not a material risk for the business. We do, however, work closely with our third party external suppliers to ensure their human rights and ethics policies are aligned with those of Countrywide. Our support function in India, WNS, has a foundation called WNS Cares Foundation. It takes care of providing education and a lot of other facilities and benefits to the children in the society. This foundation exists in all the countries WNS operates from and is actively involved in child education. More information on the foundation can be found by visiting www.wnscaresfoundation.org.

Environmental matters

Environmental savings make good business sense. Our primary objective is to minimise our carbon footprint and any negative impact we have on the environment. We recycled over 40,000 bags of rubbish during 2014.

We are committed to the following:

- to meet or exceed the requirements of relevant legislative, regulatory and environmental codes of practice;
- to identify, reduce and dispose of waste arising from our operations in a manner that minimises harm to the environment and prevents pollution of land, air and water;
- to reduce the consumption of energy and water and use renewable and/or recyclable resources wherever practicable;
- to encourage our suppliers and subcontractors to implement good environmental practices and procedures which support our own objectives and targets; and
- to take responsibility for the maintenance and revision of our environmental policy, which is reviewed on a regular basis, in order to set environmental objectives and targets for continual improvement, as we recognise the need for sustainable development.

The following initiatives are in place:

- We use paper that is made from agricultural waste and not wood, holds the full FSC accreditation and is compliant with ISO 9001:2008, ISO 14001:2004 and OHSAS 80001:2007.
- We launched local initiatives to ensure branches recycle office waste and our Head Office recycles all waste and uses Fair Trade produce. We are working in partnership with a waste management provider with the aim to increase our recycling volumes to zero waste to landfill.
- Employees are encouraged to dispose of all paper waste in secure bins, 100% of which is recycled.
- Recycling of used printer cartridges and mobile phones. 95% of our toner cartridges are recycled in partnership with our printer suppliers.
- Epayslips were introduced for all Group employees in 2010, which reduced our carbon footprint and print and postal costs.
- With effect from July 2011, we opted to ensure that all newly ordered company vehicles had a CO_2 emission of no greater than 160gsm. This was further reduced to a cap of 130gsm on the introduction of a new fleet policy in January 2013.
- In 2011 we launched a Cycle to Work scheme, in order that employees can tax efficiently purchase bicycles for cycling to work.
- During 2013 we introduced a half hourly meter pilot to monitor and reduce electricity usage and also commenced a voltage optimisation pilot to reduce energy consumption.

For our greenhouse gas emissions, please see the directors' report on page 70.

We are committed to supporting best practice in corporate governance

The Board provides leadership to the Group and is collectively responsible for the long term success of the Company. It sets the strategy and oversees its implementation, ensuring that acceptable risks are taken and appropriate governance structures and controls are in place.

Corporate governance

Letter from the chairman

Introduction

At Countrywide, we are committed to the delivery of high standards of corporate governance.

Dear shareholder

I am very pleased to introduce my first corporate governance statement as chairman of the Board of Countrywide plc, having moved from the post of chief executive officer on 1 September 2014. The corporate governance statement that follows intends to give shareholders a clear understanding of the Group's corporate governance arrangements and their operation during the year, including an analysis of the level of compliance with the principles of the UK Corporate Governance Code (the 'Code').

Board composition

In his Chairman's statement last year, David Watson noted both my desire to step down as chief executive officer during 2014 and agreement to accept appointment as chairman once a new chief executive officer was in post; and the plan to progress the appointment of two independent non-executive directors to return the composition of the Board to a majority of independent non-executive directors and compliance with the Code.

Further details in respect of the search and selection process conducted for the new chief executive officer and non-executive directors are contained within the Nomination Committee report. As a result of the unplanned resignation of Sandra Turner, a third independent non-executive director was also sought and appointed.

The Board's decision in respect of my own appointment as chairman, having previously been chief executive officer of the Company, was obviously a significant topic for consideration by the Nomination Committee and wider Board, following consultation with major shareholders in advance of that appointment. This transition from chief executive officer to chairman does place us in non-compliance with provisions A.3.1 and B.1.1 of the Code, but additional checks and balances have been instigated to counter my inability to meet independence criteria (due to employment as an executive director within the last five years and participation in a long term incentive pay arrangement during that period of employment which have not yet vested). The rationale for my appointment and the conditions in place have been detailed in the Nomination Committee report on page 46.

Board effectiveness

The Board appreciates the insights to be gained from an external evaluation of its effectiveness and that of its Committees. Such an evaluation has been commissioned and will be concluded during the second half of 2015. This planned process, and the completion of an internal performance evaluation process, is discussed in further detail on page 47.

Your Board is fully committed to supporting both the principles and application of best practice in corporate governance. I believe we continued to strengthen effective corporate governance procedures during 2014 and these will underpin the continued success of the Group.

Future priorities

As chairman, my main responsibility is to lead the Board and ensure that it is operating effectively and focusing its time, energy and attention on the right areas. On completion of the externally facilitated Board effectiveness review, we will agree a set of priorities against which we will report progress in future years. Our aim will be to ensure that we, as a Board, are doing the right things the right way and are leading from the front in providing the right example for Countrywide.

Grenville Turner
Chairman
26 February 2015

> "We continued to strengthen effective corporate governance procedures during 2014 and these will underpin the continued success of the Group

Board of directors

Our team

As at the date of signing the directors' report, the following people were directors of the Company:

1. Grenville Turner

Chairman

Grenville joined the Group in August 2006 and became Group chief executive in January 2007. Taking the Group private in 2007 he then led the Group's return to the public market in 2013 and became non-executive chairman on 1 September 2014.

Grenville has almost 40 years' experience in retail banking and the property sector. Past directorships have included Rightmove.co.uk, St James's Place Plc, Sainsbury's Bank Plc and Realogy, the largest realtor in the US. In addition to being non-executive chairman of Countrywide plc, Grenville is currently Chairman of Knightsbridge Student Housing Ltd and Bellpenny Ltd. He is also a non-executive director of the Zoopla Property Group and DCLG. Grenville is a qualified chartered banker and holds an MBA from Cranfield School of Management.

N

2. David Watson

Deputy chairman and senior independent non-executive director

David joined the Group in September 2013. He was appointed non-executive director of the Company and chairman of the Company's Audit and Risk Committee on 2 September 2013. David is currently a non-executive director of Charles Taylor plc, Kames Capital plc, Hermes Fund Managers Limited and T R Property Investment Trust plc. He chairs the audit committees of Charles Taylor plc, Hermes Fund Managers Limited and T R Property Investment Trust plc. He has extensive industry and accounting experience. David has had a distinguished career as a finance director. Most recently he was finance director for the general insurance division of Aviva plc and prior to that he held various other senior financial roles at Aviva as well as Prudential Group and NatWest Markets. David is a chartered accountant and a graduate of City University Business School.

A N R

3. Alison Platt

Chief executive officer

Alison joined the Group in September 2014. Alison was previously managing director at Bupa plc, responsible for international development markets, and has held a range of senior posts including chief operating officer of UK private hospitals business at Bupa and a number of key positions in British Airways.

In June 2012 Alison joined the board of Cable & Wireless Communications plc as a non-executive director and between 2009 and 2013 Alison was chair of Opportunity Now, which seeks to accelerate change for women in the workplace. Alison was also a non-executive director of the Foreign & Commonwealth Office (FCO) between 2005 and 2010, and in the 2011 New Year Honours Alison was appointed a CMG for her services to the Board of the FCO.

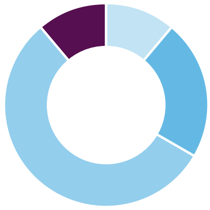
4. Jim Clarke

Chief financial officer

Jim joined the Group in November 2007. He was previously finance director and company secretary of JD Wetherspoon and has previously worked for David Lloyd Leisure (a division of Whitbread plc) and HP Bulmer Holdings plc. Jim is a graduate of Stirling University and he qualified as a chartered accountant in 1984.

Key to committee membership:

- A Audit and Risk Committee
- N Nomination Committee
- R Remuneration Committee
- Chairman



Chairman	1
Executive directors	2
Independent non-executive directors	5
Non-independent non-executive director	1

5. Cathy Turner

Independent non-executive director

Cathy joined the Group in July 2013 and was appointed non-executive director of the Company and chairman of the Company's Remuneration Committee on 31 July 2013. She is currently a vice president of UNICEF UK and a member of the board of the Royal College of Art and the Institute of Financial Services. She has extensive industry experience working with Deloitte & Touche, Ernst & Young and Watson Wyatt as a compensation and benefits consultant in her early career. She subsequently joined Barclays PLC, where she was a member of the group executive committee with responsibility for human resources, corporate affairs, strategy and brand and marketing. During her time with Barclays she was also director of investor relations for four years and had extensive experience in remuneration in her many roles. Most recently, she was chief administrative officer of Lloyds Banking Group PLC. She is a graduate of the University of Lancaster.

A N R

6. Richard Adam

Independent non-executive director

Richard was appointed as a non-executive director of the Company on 9 June 2014 and became chairman of the Audit and Risk Committee on 1 August 2014.

A chartered accountant qualifying with KPMG in 1982, Richard has nearly 30 years of experience as finance director of private and listed businesses. Since April 2007 Richard has been group finance director of Carillion plc and before that of Associated British Ports Holdings plc. He was previously non-executive director and chairman of the audit committee of SSL International plc.

He is a graduate of the University of Reading.

A N R

7. Jane Lighting

Independent non-executive director

Jane has spent her career in broadcast media, including chief executive officer of Channel 5 Broadcasting for five years until 2008. She was formerly a non-executive director of Paddy Power plc and is currently non-executive director and senior independent director of Trinity Mirror plc.

A N R

8. Rupert Gavin

Independent non-executive director

Rupert has a range of board positions, at both chairman and director level in a variety of businesses, with a strong consumer bias. Most recently he was chief executive officer of Odeon and UCI Cinemas Group between 2005 and 2014. He was previously at the BBC where he was chairman and chief executive of BBC Worldwide and also at BT where he was managing director of the consumer division, prior to which he was at the Dixons Stores Group latterly as deputy managing director.

N R

9. Caleb Kramer

Non-executive director

Caleb joined the Group in May 2009 and was appointed as a director. He is a managing director and portfolio manager (Europe) at Oaktree Capital Management (UK) LLP. Prior to joining Oaktree in 2000, Caleb co-founded Seneca Capital Partners LLC, a private equity investment firm. From 1994 to 1996, Caleb was employed by Archon Capital Partners, an investment firm. Prior to 1994, Caleb was an associate in mergers and acquisitions at Dillon Read and Co. Inc. and an analyst at Merrill Lynch and Co. Inc. Caleb received a BA degree in economics from the University of Virginia.

Corporate governance statement

Introduction

This statement describes how the principles of the UK Corporate Governance Code (the 'Code') issued by the Financial Reporting Council in September 2012 have been applied to the affairs of the Company. The Code can be viewed at www.frc.org.uk.

Compliance with the 2012 Code

The directors have considered the contents and requirements of the Code and note the following instances, and periods, of non-compliance:

- The appointment of Grenville Turner as chairman on 1 September 2014, having held the position of chief executive officer immediately prior to that date, results in non-compliance with provisions A.3.1 of the Code that a chief executive should not go on to be chairman of the same company. Additional counterbalances have been identified in the Report of the Nomination Committee on page 46. In addition, he does not meet the independence criteria set out in B.1.1 of the Code on appointment.
- Following the resignation of Robert Davies on 7 November 2013, the Board did not consist of a majority of independent non-executive directors (excluding the chairman) in accordance with provision B.1.2 of the Code. However, compliance with this provision was achieved on 9 June 2014, following the appointment of two independent non-executive directors.

The corporate governance statement includes pages 44 to 53. Additional information in respect of the operation, and terms of reference, of the Remuneration Committee is included within the separate Directors' remuneration report.

The role of the Board and division of responsibilities

The Board provides leadership to the Group and is collectively responsible for the long term success of the Company. It sets the strategy and oversees its implementation, ensuring that acceptable risks are taken and appropriate governance structures and controls are in place. It ensures that the right people and resources are in place for the Group to meet its objectives, review management performance and deliver long term value to shareholders and other stakeholders.

In pursuit of these leadership objectives, specific actions taken by the Board were as follows:

Responsibility	Specific actions during period		
Setting and reviewing the Group's long term objectives and commercial strategy	Annual strategy meeting dedicated to reviewing Group's strategic direction and agreeing regular Board updates.	Overseeing and approving the Group's agreement with Hermes for the Residential Property Fund.	Receiving reports from senior management on trading, business performance, financing, acquisitions and key operational projects.
Risk management and accountability controls	Discussing risk management and internal control processes and reviewing key risk areas, including recommendations from external assurance reports received.	Discussion and challenge to the Group risk register and related heat map recording concluded during the year.	Reviewing and approving the Group's regulatory results announcements and annual report.
Governance structures	Approving the new chairman's appointment and deputy chairman's role.	Discussion of Board composition and approving the appointment of a new chief executive officer and three new non-executive directors.	Approving and implementation of corporate governance arrangements and policies.
Oversight of operational aspects of the Group	Approving the annual budget, the business plan for the Group and material acquisition or capital expenditure projects.	Receiving update reports on and discussing the Group's human resources, marketing and commercial initiatives.	Receiving reports on the IT transformation project and monitoring implementation and pace of change.

The Board retains control of key decisions and has put in place a formal schedule of matters specifically reserved for its approval. The roles of chairman and chief executive are separated, clearly defined and approved by the Board. A copy of matters reserved for Board approval and the division of responsibilities between the roles of the chairman and the chief executive is available to view on the corporate governance section of the Company's website at: www.countrywide.co.uk/investor-relations/corporate-governance. These documents are also accompanied by the terms of reference for each of the three Board committees listed below.

The Board delegates matters to the three Board committees, identified below, in line with their terms of reference and the formal schedule of matters reserved for Board approval. Further information on the work of these committees during the year can be found in each of their separate reports following this corporate governance introduction. The Board delegates the detailed implementation of matters approved by the Board and the day-to-day operational aspects of the business to the executive directors.

The directors' attendance at the scheduled Board meetings and Board committee meetings is shown in the table opposite. Attendance is expressed as the number of meetings that each director attended out of the number they were eligible to attend as Chairmen or Committee members (ie excluding attendance where this was by invitation only).

Director	Date of appointment	Board meetings	Audit and Risk Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
Grenville Turner	19 February 2013	**9/9**	—	—	—
Alison Platt	1 September 2014	**2/2**	—	—	—
Jim Clarke	28 December 2012	**9/9**	—	—	—
Caleb Kramer*	19 February 2013	**6/9**	—	—	—
David Watson	2 September 2013	**9/9**	4/4	2/2	4/4
Cathy Turner	31 July 2013	**9/9**	4/4	2/2	4/4
Richard Adam	9 June 2014	**4/4**	2/2	—	2/2
Jane Lighting	9 June 2014	**4/4**	2/2	—	2/2
Rupert Gavin*	25 June 2014	**3/4**	—	—	1/2
Sandra Turner	18 March 2013; resigned 9 June 2014	**5/5**	2/2	1/2	2/2

* Caleb Kramer was engaged in various overseas activities which meant that his attendance was intermittent. Rupert Gavin was also absent from one Board and one Remuneration Committee meeting due to commitments made prior to his appointment as a director.

The Company maintains directors' and officers' liability insurance cover for its directors and officers. The Company has made qualifying third party indemnity provisions (as defined in the Companies Act 2006) for the benefit of its directors during the year; these provisions remain in force at the date of this report.

Independence

The Code notes that the Board should identify in the annual report each non-executive director that it considers to be independent. Each of the non-executive directors is considered to be independent, with the exception of:

- Caleb Kramer as he holds the position of managing director at Oaktree Capital Management (UK) LLP, a substantial shareholder of the Company; and
- Grenville Turner as he was an employee of the Company in his role as chief executive officer and became chairman on 1 September 2014. In addition, he retains an interest in the performance of the Company through unvested long term incentive plans (detailed in the remuneration report on page 63).

The Code recommends that at least half the Board, excluding the chairman, should comprise non-executive directors determined by the Board to be independent. Since, excluding the chairman, there are five (of a possible six) non-executive directors determined to be independent and two executive directors, the Board now complies with recommendation B.1.2. Similarly, the composition of the three Board Committees complies in all respects with the independence provisions of the Code.

Shareholder engagement

As chairman, I ensure that views of shareholders are communicated to the Board as a whole and offer non-executive directors the opportunity to attend discussions with major shareholders. David Watson, as senior independent director, attends a significant number of these meetings to ensure that he develops a balanced understanding of any issues arising and can provide context back to the Board Committees (as he sits on all three Committees).

We actively seek channels through which to engage with investors and during 2014 the Company undertook a wide variety of investor relations activities. Institutional shareholders represent the largest group of shareholders and much of the activity is focused on this group. The chief executive officer and chief financial officer host or attend the majority of the events held, whilst key senior executives also participate in meetings and activities with institutional shareholders.

Shareholder relations are given high priority by the Board. The prime means of communication with the majority of our shareholders is via the interim and annual reports, supplemented by interim management statements, which aim to provide shareholders with a clear understanding of the Group's activities and results. General presentations are given to both shareholders and analysts following the publication of the interim and annual results.

Shareholders have the opportunity to address questions to the chairman and the Chairmen of the Audit and Risk, Remuneration and Nomination Committees at the AGM, where all directors will be in attendance. All shareholders are encouraged to attend the AGM. Shareholders wishing to lodge questions in advance of the AGM, or to contact the Board at any other time, are invited to do so by writing to the company secretary at the registered address given on page 123.

Report of the Nomination Committee

The Committee's terms of reference are available at: www.countrywide.co.uk/investor-relations/corporate-governance

Dear shareholder

I became chairman of the Nomination Committee with effect from 1 September 2014 and would like to thank my predecessor, David Watson, for his leadership of the Committee during a period of significant transformation of the Board.

2014 saw the Committee focus on Board and Board Committee composition and succession planning, resulting in a number of new appointments to the Board and changes to Board Committee membership. These included my own move to chairman; the appointment of a new chief executive officer; and the appointment of three independent non-executive directors including a new Chair for the Audit and Risk Committee.

Role and responsibilities

The Committee is responsible for ensuring that the composition of the Board and its Committees is appropriate and enables them to function effectively. This requires evaluation of the balance of skills, experience, knowledge and diversity and the resultant identification of any gaps, either in the short, medium or longer term, and recommendations to address these. Succession planning for key Board positions forms part of our wider remit and as such we have insight into the Group's Leadership and Development Programme.

We are also responsible for agreeing the annual Board effectiveness review process and monitoring any actions arising.

Committee composition

The membership of the Committee, together with appointment date, is set out below:

Member	Nomination Committee member since
Grenville Turner (chairman)	1 September 2014
Caleb Kramer	19 February 2013
Cathy Turner	31 July 2013
David Watson	2 September 2013
Richard Adam	9 June 2014
Rupert Gavin	25 June 2014
Jane Lighting	9 June 2014

The composition of the Committee changed during the period with Sandra Turner resigning from the Board and Committee in June 2014, and the appointment of Richard Adam, Rupert Gavin and Jane Lighting in the same month. We thus remained in full compliance with the Code recommendation that a majority of members should be independent non-executive directors throughout the period.

Attendance by members at the meetings is shown on page 45.

The Committee's work
The Committee held two formal meetings during 2014 which were held to debate the Company's appointment of a new chairman, a new Chief Executive and also new non-executive directors. The main matters that the Committee considered during the year are described below.

Board and Committee composition

As described above, the Board went through a period of significant refreshment during 2014, with four new directors having joined and one having resigned.

The first matter considered by the Committee in their meeting in January 2014 was around my ongoing involvement in the business. Obviously at this point I was not a member of the Committee and so was not a party to these discussions or the decision making process.

Given the Code provision that a chief executive officer should not go on to be chairman of the same company and should be independent on appointment (A.3.1 and B.1.1 respectively), the Board consulted at length with major shareholders in advance of the proposed appointment. A lengthy Board debate of pros and cons was also recorded, along with consideration of skills and experience against the job specification and assessment of available time and required commitment. The final consensus reached was that the best option to protect and enhance shareholder value, and to allow us to consider a wider talent pool in the search for a new chief executive officer was to offer the position to me. This was agreed with the following conditions:

- that the appointment to chairman would be for a limited period of up to two years, to provide a period of continuity in the business prior to appointing an independent chairman;
- that David Watson be appointed to a newly created position of deputy chairman which would provide enhanced independent oversight;
- that as a result there would be a strong preference for the new chief executive officer to be an external appointment; and
- that the Committee acknowledged that there would need to be considerable effort and focus by the Board to ensure that the documented separation of roles and responsibilities between chairman and chief executive officer was upheld and that collectively they enabled both appointments to have the space and confidence to fulfil their responsibilities.

In light of the discussion held which concluded my own appointment, no use was made by the Nomination Committee of an external search agency or open advertising for the appointment of chairman.

In light of my decision to step down as chief executive officer and take on the role of non-executive chairman, the Committee considered the skills and experience desired in my successor and prepared a candidate profile. Following a number of interviews and presentations by short-listed suppliers, the Committee appointed an independent search and selection agency, Lygon Group, to assist in the search for suitable candidates. Lygon Group had no prior connection with the Group. A list of candidates, both internal and external to the Group, was presented to the non-executive directors and me for discussion. Following interview by Lygon, this was reduced to a short-list of candidates who were initially interviewed by members of the Committee (David Watson and Cathy Turner) and also interviewed by me as the incumbent chief executive officer. A final shorter list of preferred candidates were then taken through an independent capability assessment performed by Spencer Stuart, an executive search consulting firm, using proprietary tools.

Based upon a combination of the feedback from all of the interviewers, the skills and capability assessments and references taken, the Committee, with me in attendance, met to agree the preferred candidate and proposed remuneration terms. The remuneration terms were formulated using independent data provided to the Committee by New Bridge Street (advisors to the Remuneration Committee).

The Committee appointed an independent search and selection agency, Egon Zehnder, to assist in the identification of suitable non-executive candidates to join the Board and achieve full Code compliance. In making recommendations to the Board, the Committee specifically considered the existing non-executive experience and skill sets and the desirable experience in suitable candidates. In particular the Committee sought candidates with commercial, retail and technology skills. The Committee chairman led the selection process interviewing a selection of short-listed candidates and proposing a narrower list of possible appointees to be interviewed by the remainder of the Board. Following these interviews, the chairman made recommendations to the Board based upon the consensus expressed by all interviewers.

The Company believes that diversity of experience and approach, including gender diversity, amongst Board members is of great importance and it is the Company's policy to give careful consideration to issues of Board balance and diversity when making new appointments. The search for candidates and any subsequent appointments are, therefore, made purely on merit regardless of gender, race, religion, age or disability. Given our commitment to appointing the best people and ensuring that all employees have an equal chance of developing their careers within the Group, we do not think it is appropriate to set targets for Board appointments. As gender diversity remains a topic of significant discussion, we note that three of the nine members of our Board are female. In addition to Board diversity, we believe in promoting diversity at all levels of the organisation and further details of our workforce diversity are set out on page 38.

Following appointment to the Board, all directors received a tailored induction programme, providing an opportunity to gain an understanding of the Group business and organisation, operations and governance environment, allowing them maximise their contributions to the Board as quickly as possible. Key stages of the induction programme are: provision of documents in relation to the Board, strategy, performance and corporate governance; meetings with the executive directors to gain an overview of the business, current trading and key commercial issues; meetings with other directors and senior executives to discuss commercial issues and projects; and site visits, as required, to key locations to gain an understanding of the business and operations.

All directors are also offered subsequent training to suit their needs and continuous professional development requirements. All directors also have access to the advice and services of the company secretary in addition to access to independent professional advice at the Company's expense where they judge it necessary to discharge their duties as directors.

Board effectiveness

A formal internal evaluation of the performance of the Board, its Committees, the directors and the chairman has been conducted in the period under review. Given the changes in the Board composition during the year, it was determined that this would be undertaken by an internal questionnaire process. For the Board itself, this process was led by the chairman and included separate discussions with each director as required to follow up on specific feedback and is supported on an ongoing basis by the practice of the chairman meeting with the non-executive directors, without the executive directors being present, following each Board meeting. In respect of evaluation of the performance of the chairman, this was conducted by the deputy chairman by discussion with each of the non-executive directors without the chairman or executive directors being present. For the Board Committees the process was collated by the company secretary and responses and actions were discussed and agreed at their respective committees.

> “2014 saw the Committee focus on Board and Board Committee composition and succession planning, resulting in a number of new appointments to the Board

The Board intends to undertake an externally facilitated exercise in the final quarter of 2015 at which time the current Board memberships will have been in operation for a full year and will thus provide a well grounded base of experience to enable an effective discussion of opportunities to improve Board effectiveness. This will also comply with the Code recommendation for triennial external evaluation. Further details of the process and recommendations of the externally facilitated evaluation will be provided in our 2015 annual report.

Following the internal performance evaluation conducted during the period, I am pleased to confirm the effective performance of each non-executive director and the time commitment of each non-executive director. I am therefore confident that each of them would be in a position to discharge their duties to the Company in the coming year and, accordingly, as detailed in the notice of the AGM, all directors will stand for re-election.

Grenville Turner

Grenville Turner
Chair of the Nomination Committee
26 February 2015

Report of the Audit and Risk Committee

The Committee's terms of reference are available at:
www.countrywide.co.uk/investor-relations/corporate-governance

Dear shareholder

I became chairman of the Audit and Risk Committee with effect from 1 August 2014, having been a member since joining the Countrywide Board as an independent non-executive director on 9 June 2014. I would like to thank my predecessor, David Watson, for his assured leadership of the Committee and continued membership.

The Committee's role is to assist the Board in fulfilling its financial oversight responsibilities by:

- assessing the integrity of the Group's financial reporting and satisfying itself that any significant financial judgements made by management are sound;
- evaluating the effectiveness of the Group's risk management and internal control processes; and
- scrutinising the activities, performance, independence and effectiveness of the auditor.

This report describes how the Committee discharged its responsibilities over the last year, setting out the key tasks and major areas of activity undertaken. The assurance framework required by the Committee is provided by complementary contributions from management reports, internal and external audit reports, and from risk management and compliance reports. However, as chairman of the Committee I have also held meetings with both the Company's internal and external auditors, the chief financial officer (CFO) and senior members of the Group finance department, and other senior executives in which key issues relevant to the Committee's work were discussed.

In light of the industry developments in respect of historic professional indemnity provision increases, and our own detailed year-end review of claims data resulting in a £15.2 million exceptional charge, the Committee has reviewed and provided robust challenge to the documentation and initial conclusions reached by management. The second half of 2014 was always seen as a key period in assessing this issue as the six year primary statutory limitation period came to an end. It is disappointing to see that high levels of claims continue to be an issue across the industry, with an unexpected level of claims brought about under common law outside of the primary statutory limitation period rather than under contract law. However, changes to the claim rate, claim liability rate and average loss per claim will remain a regular topic for discussion, as they have been at each Committee meeting this year, to ensure that appropriate independent oversight and governance are evidenced.

I will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Richard Adam
Chair of the Audit and Risk Committee
26 February 2015

> "Professional indemnity provisions will remain a regular topic for discussion, as they have been at each committee meeting this year, to ensure that appropriate independent oversight and governance are evidenced

How the Audit and Risk Committee works

Committee composition

The membership of the Committee, together with appointment date, is set out below:

Member	Audit and Risk Committee member since
Richard Adam (chairman)	9 June 2014
Jane Lighting	9 June 2014
Cathy Turner	31 July 2013
David Watson	2 September 2013

The composition of the Committee changed during the period with Sandra Turner resigning from the Board and Committee in June 2014, and the simultaneous appointment of Richard Adam and Jane Lighting, but remained in full compliance with the Code recommendation of a minimum of three independent non-executive directors throughout the period.

The Code requires at least one member of the Committee to have recent and relevant financial experience. Two members of the Committee (Richard Adam and David Watson) are considered by the Board to have competence in accounting and recent and relevant financial experience. Both have professional qualifications with the Institute of Chartered Accountants of England and Wales. The biography of each member of the Committee is set out on pages 42 to 43.

Attendance by members at the meetings is shown on page 45. Meetings were held at key times within the reporting and audit calendar and were also attended by the chief financial officer, Group financial controller, Group finance manager, the company secretary, the head of internal audit and the Company's external auditor, PricewaterhouseCoopers LLP (PwC). In addition, internal risk management and compliance representatives and other advisors to the Company were invited to attend. The Committee held regular private sessions with both the external and internal auditors which were not attended by management.

The Committee's work

The Committee has an annual work plan, developed from its terms of reference, with standing items that the Committee considers at each meeting in addition to any matters that arise during the year. In addition to its annual performance evaluation, the Committee carried out a review of its terms of reference to align with best practice.

The agendas for the four scheduled meetings of the Committee during 2014 were organised around the Company's reporting schedule. The chairman of the Committee reports at each subsequent Board meeting on the business of the Committee meeting and recommendations made by the Committee. The main matters that the Committee considered during the year are described below.

Financial reporting and significant judgements

Financial reporting

The Board and the Committee have reviewed this annual report, the half year financial statements, as well as the going concern basis of preparation of the Group's consolidated financial statements at these points, in particular the underlying assumptions and sensitivities.

We considered the presentation of the financial statements and, in particular, the compliance with financial reporting and disclosure requirements associated with premium listing. In respect of each of these matters, the Committee reviewed papers presented by management and discussed critical judgements and estimates inherent within the conclusions, providing challenge where necessary. The Committee also reviewed the reporting from the external auditor, incorporating accounting and reporting matters, internal control findings and their management representation letter to ensure that all these matters had been considered and consistent conclusions had been reached.

> “After careful review and consideration of all relevant information, the Committee was satisfied that, taken as a whole, the annual report is fair, balanced and understandable and has affirmed that view to the full Board

The Committee assesses whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements. The Committee also considered the Group's existing tax strategy and concluded that management's current approach to tax remained appropriate.

At the request of the Board, the Committee also considered whether the 2014 annual report was fair, balanced and understandable and whether it provided the necessary information for the shareholders to assess Countrywide's performance, business model and strategy. The Committee took into account its own knowledge of the Group, its strategy and performance in the year; internal verification of the factual content within the document; comprehensive reviews undertaken at different levels in the Group to ensure consistency and overall balance; and detailed review by senior management and the external auditors. After careful review and consideration of all relevant information, the Committee was satisfied that, taken as a whole, the annual report is fair, balanced and understandable and has affirmed that view to the full Board.

Report of the Audit and Risk Committee continued

Financial reporting and significant judgements continued

Financial reporting continued

Accounting judgements and estimates

In the year under review, the Committee considered the following significant matters, which include an element of judgement, in relation to the financial statements:

Matter	Action the Committee has taken
Professional indemnity provisions	We reviewed the methodology and resultant professional indemnity provision prepared by management and regularly compared the emerging pattern of settled claims to assess whether the methodology and assumptions were appropriate. Where management have updated their financial models to reflect the latest inputs and trends, and to accommodate aged claims where there is limited prior experience on which to statistically model outcome, as well as taking into account available information in respect of all open claims we have provided robust challenge to any underlying assumptions adopted in respect of claim rates, claim liability rates, average loss per claim and provisions on discrete cases of significance based on current legal advice. The Committee concluded that the methodology and assumptions adopted were reasonable, but note that evaluating these potential liabilities is highly judgemental and in smaller populations of claims, including older more complex cases, estimates can be significantly affected by the outcome, good or bad, of a limited number of claims. Accordingly additional sensitivity disclosures have been provided in note 3.
Impairment of goodwill and intangibles with an indefinite life	We reviewed discounted cash flows and sensitivities prepared by management, discussing assumptions adopted, and concurred that a prudent approach underpinned the conclusion of no impairment being required.
Acquisition accounting	We reviewed a management paper summarising the acquisitions undertaken during the year. These all followed existing models and methodologies in relation to the valuation of intangible assets. We were satisfied with the fair value accounting approach and intangible asset valuations proposed by management.
Accounting treatment of transactions in relation to Zoopla Property Group plc	Due to the potential complexities of the transactions, we reviewed a management paper summarising the transactions undertaken during the year in relation to Zoopla shares held and the impact of the: • sub-division of existing equity shares held at the point of the restructuring of Zoopla Property Group Limited; • warrants arising on the signing of a new agreement in March 2014 and crystallising additional shares at the point of the Zoopla IPO; • treatment of the deferred income arising on the agreement, spread to release as income over the underlying three year period 2016–18 of the revised contract; • purchase of additional shares under a members' subscription agreement on the Zoopla IPO; • disposal of a proportion of the shares at the point of the Zoopla IPO; and • application of 31 December share price to the valuation of remaining shares held at the year end. We were satisfied that the transactions, as well as the straightforward mark-to-market at the year end, were calculated and disclosed and appropriately.
Share-based payments	We reviewed the methodology and conclusion presented by management in relation to the various share-based payment arrangements, notably in relation to the IPO plan vesting in March 2015. The assumptions made were reviewed and agreed as reasonable. For more detail in respect of share-based incentives and valuation methodologies see note 27.

The accounting treatment of all significant issues and judgements was subject to review by the external auditors. For further information on the critical accounting estimates and assumptions refer to the notes of the consolidated financial statements on page 86. For a discussion of the areas of particular audit focus by the auditors, refer to page 73 of the independent auditor's report.

Risk management and internal control

The Board is responsible for the Group's system of internal control, including its risk management procedures, and for reviewing its effectiveness. This has been designed to manage, rather than eliminate, the risk of any failure to achieve its strategic objectives. It can provide reasonable, rather than absolute, assurance against material misstatement or loss. The Board's approach to risk management is supported by an oversight structure, as detailed on page 19, which includes the Committee.

The Board has an ongoing process to identify, evaluate and manage the significant risks faced by the Group. This was in place throughout the year and up to the date of the approval of the annual report. This process is regularly reviewed by the Board and accords with the Turnbull guidance. Management is responsible for the identification and evaluation of significant risks applicable to its areas of the business together with the design, operation and monitoring of suitable controls. These risks are assessed on a continual basis at divisional Board meetings and updated accordingly in the Group risk register.

In addition, the Committee and the Board reviewed the effectiveness of the risk management and internal control systems, including the financial, operational and compliance controls. This was primarily achieved by:

- reviewing the reporting from the Group Risk and Compliance Committee arising from its update to the Group's risk register through liaison with each of the divisions, update to the control risk assessments and the resultant residual risk map reporting to ensure that this aligned with the Board's risk appetite;
- reviewing control findings from the internal audit team, which reports to the chief financial officer but has direct access to the chief executive and chairman of the Committee. Internal audit carries out audits to assess the adequacy and effectiveness of internal controls over the key risks faced by the business and reports its findings to management and the Committee. The internal audit programme of work is presented to and approved by the Committee on an annual basis, and updated on a rolling basis as required.

  Where the programme of internal audit work is revised, pre-approval from the Committee is required and consideration of amendments to resourcing requirements is also made. During January 2015 an initial six month agreement was signed with Deloitte to outsource internal audit capability under the guidance of the head of internal audit and his team. Following completion of this initial contract period, further consideration will be given to potential extensions of the agreement;
- reviewing the recommendations to improve the system of internal control arising from the internal audit team. The implementation of these recommendations is followed up and reported on at each quarterly Committee meeting;

> "During 2015 an initial six month agreement was signed with Deloitte to outsource internal audit capability

- reviewing the recommendations arising from an initial high level review of the risk and governance structure undertaken by PricewaterhouseCoopers (PwC) during the period;
- reviewing annually the Group's system of internal control. This includes a summary of key risks and associated controls and a report from the internal audit team on its work;
- monitoring the risks and associated controls over the financial reporting processes, including the process by which the Group's financial statements are prepared for publication;
- reviewing reports from the external auditor on any issues identified during the course of its work, including a report on control weaknesses identified; and
- a process of internal control sign-off is used in the Group where directors are required to detail completion of the Group risk register (and associated control documentation) and certify that controls are in operation to ensure that the control environment is appropriate. They confirm annually in writing that risk management process and appropriate controls are in place and operating effectively.

Report of the Audit and Risk Committee continued

Risk management and internal control continued

No material failings or weaknesses were identified during the review of the risk management and internal control system.

The Committee has also reviewed whistle-blowing arrangements allowing employees to raise concerns on a confidential basis and ensures that investigation of any whistle-blowing incidents is undertaken.

Oversight of the external audit

The Committee's oversight of the external auditor includes reviewing and approving the annual plan. In reviewing the plan, the Committee discuss and challenge the auditor's assessment of materiality and financial reporting risk areas most likely to give rise to material error.

PwC reported to the Board and confirmed its independence in accordance with ethical standards and that it had maintained appropriate internal safeguards to ensure their independence and objectivity. PwC operates a five year rotation policy for audit partners for a listed entity and, as a result of this being his final year of signing the audit report, the current engagement partner will rotate off during 2015. His successor has been introduced to the Committee and attended year-end clearance meetings within the Group, culminating in the February Committee meeting, to allow a smooth transition.

Assignments awarded to PwC have been, and are, subject to controls by management that have been agreed by the Committee to monitor and maintain the objectivity and independence of the external auditor. A copy of the non-audit services policy is available on our website at www.countrywide.co.uk/investor-relations/corporate-governance, providing details of prohibited, audit-related and permitted services. The policy requires approval by the Chief Financial Officer of any work undertaken by PwC and mandates Committee approval, prior to the commencement of work, of all non-audit assignments with an individual fee above a de minimis threshold of £50,000, or going beyond an aggregate annual spend of £100,000.

The total of non-audit fees and audit fees paid to PwC during the year is set out in the table below. In order to maintain its independence and objectivity, PwC undertook its standard independence procedures in relation to these engagements. The Committee received a report at each meeting from management and PwC regarding the extent of non-audit services performed.

Matter	**2014 £'000**	2013 £'000
Audit-related assurance services	**44**	44
IPO fees (including £54,000 of subsequent remuneration advice)	**—**	1,054
Tax advisory services	**60**	48
Due diligence on acquisition targets	**97**	152
Review of risk and governance structure	**19**	—
Access to PwC inform	**1**	—
Non-audit fees	**221**	1,254
Audit fees (excluding audit-related assurance services)	**556**	501

A copy of our non-audit services policy is available on our website at: **www.countrywide.co.uk/investor-relations/corporate-governance**

Amounts paid to PwC were reported to and considered by the Committee. Non-audit fees incurred in 2014 represent 40% of the recurring base audit fee, falling below the 70% cap set by the European Union) and will remain subject to scrutiny and approval by the Committee.

We also adopted a formal framework to conduct our review of the effectiveness of the external audit process and audit quality and applied this to the completion of the 2014 Group audit cycle. The framework takes the form of an annual questionnaire covering all key aspects of the audit, including the effectiveness of contribution of divisional and Group management to the audit process, and is completed by each member of the Committee and by the chief financial officer. Feedback is also sought from other members of the Group finance team, divisional management and the head of internal audit. Based on responses to the questionnaires, management produces a report for detailed consideration by the Committee. The feedback from this process is considered by the Committee and is provided to the auditor and to management, with action plans developed accordingly and reviewed by the Committee. In addition, the Committee consider the findings of the Audit Quality Review team's report into the conduct of PwC audits generally.

In its evaluation of the external audit function, the Committee concluded that it was satisfied with the work of PwC and that PwC continued to be effective, objective and independent. Accordingly, the Committee recommended to the Board the reappointment of PwC and for this to be put forward to shareholders at the 2015 AGM. At the Annual General Meeting in 2014, 97.24% of votes cast by shareholders were in favour of reappointing PwC as auditor.

The Code requires that the external audit contract should be put out to tender at least every ten years. As PwC was appointed as auditor to the Company in 2007, and has not been subject to a re-tender for the contract since then, the Committee intend to put the contract out to tender during 2017. However, we may put the audit out to tender at any time before a regulatory retendering date if we were to conclude that this is in the Group's interest. There are no contractual obligations restricting our choice of external auditor and no auditor liability agreement has been entered into.

The Competition and Markets Authority (CMA) issued The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ('the Order') in September 2014. Whilst this first applies to financial years beginning on or after 1 January 2015 we have chosen to make a statement of compliance with the provisions of the Order in the current year as follows:

- the last competitive tender process for an auditor appointment was undertaken in 2007 and resulted in the appointment of PwC;
- the Company proposes that it will complete the next competitive tender process during 2017, which is deemed to be in the best interest of the shareholders in order to allow full consideration of and preparation for the tender process;
- the statutory audit fee and the scope of the statutory audit have been approved between the Audit and Risk Committee and the auditor;
- the Committee has influenced the appointment of the successor to the current audit engagement partner and only it has concluded on his progression in the role, permitting this without recourse to a competitive tender process;
- only the Committee will initiate and supervise the planned competitive tender process and make recommendations to the Board in respect of any subsequent auditor appointments; and
- the Committee authorises, prior to the commencement of work, the provision of non-audit services by the incumbent auditor subject to a pre-approval of permitted non-audit services with an individual fee above a de minimis threshold of £50,000, or going beyond an aggregate annual spend of £100,000 (full details of the policy are available on our website at www.countrywide.co.uk/investor-relations/corporate-governance).

Directors' remuneration report

The Committee's terms of reference are available at:
www.countrywide.co.uk/investor-relations/corporate-governance

Dear shareholder

On behalf of the Board, I am pleased to present our directors' remuneration report for the year ended 31 December 2014. I hope that you find this report informative about how we remunerate and incentivise our directors through a remuneration policy that is supportive of, and aligned to, the Company's strategic aims and objectives. The policy, approved at the AGM last year, continues to be appropriate and therefore there has been no change to the policy from the prior year. Two new independent directors have joined this Committee during 2014, further strengthening the capability and competence of the Committee.

2014 performance and reward

In 2014, Countrywide has reported strong results and has delivered sustainable returns and growth for our shareholders as shown in the graphs at the bottom of this page.

Remuneration is weighted towards variable pay, dependent on performance. This ensures that there is a clear link between the value created for shareholders and the amount paid to our executive directors. Performance is assessed against a range of financial and longer term returns, ensuring value is delivered to shareholders and participants are rewarded for the delivery of the key strategic objectives of the Group, specifically growth and returns on a sustained basis. In addition, assessment of qualitative measures and personal contributions are considered as well as financial outturn in determining annual bonuses.

The key remuneration outcomes for 2014 were:

- 67% of maximum annual bonus, reflecting the strong financial performance and the continued growth and development of the Group; and
- 83% vesting of IPO options based on EBITDA performance over the period ended 31 December 2014. The IPO options relate to a pre-IPO management incentive plan which was rolled over, rather than the normal approach of crystallising value at IPO, in order to retain and incentivise the management team to deliver earnings growth and shareholder return post-IPO. In considering the vesting level, the Committee increased the performance targets to reflect the benefit to EBITDA from material acquisitions during the performance period. For executive directors participating in the plan 50% of awards are expected to vest in March 2015 with the remainder vesting in March 2016.

Executive director changes during 2014

During the year under review, the Committee spent time considering the remuneration implications of Grenville Turner's appointment as non-executive chairman and the appointment of a new chief executive officer.

In respect of Grenville Turner, who stepped down as chief executive officer and became non-executive chairman on 1 September 2014, the Committee agreed that he should receive his base salary and benefits and a pro-rated annual bonus, paid at the normal post-year end payment date. Outstanding share awards will continue to vest based on their original terms. Since his appointment as non-executive chairman, he has received a fee of £150,000 per annum.

Alison Platt was appointed chief executive officer from 1 September 2014 on a package consistent with the approved remuneration policy, comprising a base salary of £575,000, a 15% of salary supplement in respect of pension, annual bonus potential of up to 120% of base salary (with a third deferred into shares) and a 150% of salary LTIP award. In addition, Alison Platt was compensated for lost incentives in respect of leaving her previous employment in accordance with the remuneration policy approved at the 2013 AGM. Further details are provided in the annual report on remuneration.

Remuneration policy for 2015

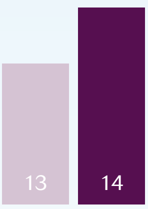
The Committee regularly reviews the remuneration policy to ensure it is transparent and aligned to the interests of shareholders; is weighted to incentivise sustainable performance; is structured to ensure higher rewards are only achieved for exceptional performance against challenging targets and encourages an appropriate level of risk taking commensurate with the risk profile of the business. The Committee's most recent conclusions are that the existing remuneration policy remains appropriate and should continue to operate for 2015.

Adjusted EBITDA[1] (£m)

121.1

+40%

2013 86.6

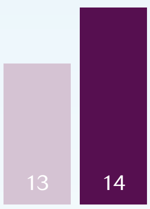


Adjusted basic EPS[2] (p)

36.7

+50%

2013 24.4

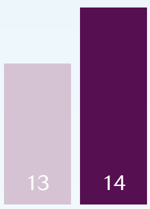


Total dividends[3] (p)

24.0

+200%

2013 8.0



1 Earnings before interest, tax, depreciation, amortisation, exceptional items, management fee, share-based payments and share of profits from joint venture, referred to hereafter as 'EBITDA'.

2 Adjusted earnings is calculated on profit for the year before exceptional items, amortisation of acquired intangibles and share-based payments (net of taxation impact).

3 Including proposed final dividend, net per share.

Remuneration policy report

The key points to note are as follows:

- base salary levels, benefits and pension provision are considered to be at appropriate levels;
- the structure and quantum of the annual bonus, with one third of any award deferred into shares, continues to work well. As such, the 2015 annual bonus framework will remain largely consistent with the 2014 annual bonus; and
- the long term incentive grant policy, whereby nil-cost awards are granted annually with vesting based on earnings per share (two-thirds) and relative total shareholder return (one-third) performance conditions and continued service, provides a strong alignment between the senior executive team and shareholders. Grant levels and performance targets for LTIP awards to be granted in 2015 are expected to be consistent with the normal grant policy.

The Committee believes that the current remuneration policy continues to incentivise the delivery of strong yet sustainable financial results and the creation of shareholder value. Further details on how the policy will be applied in practice for the 2015 financial year are set out in the annual report on remuneration on page 60.

Shareholder support

Under the new voting regime, two resolutions were put to shareholders at our first AGM on 30 April 2014. The Committee was delighted to receive positive support from the shareholders who voted on our remuneration policy (92%) and our 2013 remuneration report (the annual statement and annual report on remuneration) (99%). We remain committed to ongoing engagement with our shareholders and take an active interest in their views and voting on this remuneration report.

Cathy Turner

Cathy Turner
Chair of the Remuneration Committee
26 February 2015

Introduction

With effect from its approval on 30 April 2014 at the Company's first AGM, this policy report sets out the framework that will shape the Company's remuneration strategy for an anticipated period of three years, ensuring that the structure and levels of executive remuneration continue to remain appropriate for the Company.

The following section explains:

- our remuneration strategy and policy;
- how this strategy is reinforced by alignment of key components of our remuneration packages;
- why we have selected the performance criteria for variable pay; and
- other information required to provide the wider Group context for the directors' service agreements.

Remuneration strategy

Our remuneration strategy is underpinned by remuneration packages that are designed to motivate high performing people to deliver our strategy. These packages:

- are transparent and aligned with the interest of our shareholders;
- are weighted to incentivise performance over the short and long term;
- are structured to ensure higher rewards are only achieved for exceptional performance against challenging targets; and
- encourage management to adopt a level of risk commensurate with the risk profile of the business as approved by the Board.

Statement of employment conditions elsewhere in the Company

The remuneration policy described within this report provides an overview of the structure that operates for the most senior executives in the Group. The remuneration policy for the executive directors is more heavily weighted towards variable pay than for other employees to make a greater part of their pay conditional on the successful delivery of the business strategy.

This aims to create a clear link between the value created for shareholders and the remuneration received by the executive directors. When setting the policy for remuneration for the executive directors the Committee takes into account the overall approach to reward for employees in the Group, including consideration of salary increases for the general employee population (disclosed in the annual report each year); overall spend on annual bonus; Group-wide benefit offerings; and any other relevant factors as determined by the Committee.

Although the Company has not carried out a formal employee consultation regarding Board remuneration (policy or implementation), in accordance with prevailing commercial practice, it does comply with regulations and practices regarding employee consultation more broadly. The Group head of human resources ensures that the Committee is made aware of any relevant employee feedback regarding the Company's remuneration policy.

Further information about our engagement with employees across the Group is provided within our corporate responsibility report on page 38.

Statement of consideration of shareholder views

The Company welcomes dialogue with its significant shareholders and, in the event that material changes to the policy are proposed, will consult with major shareholders and representative bodies in advance of changes being made.

Directors' remuneration report continued

Remuneration policy report continued

Summary remuneration policy

The remuneration policy continues to be appropriate and therefore there has been no change to policy from the prior year. The key components of the remuneration packages offered to our directors are as follows:

Future policy table

Component	Purpose/link to strategy	Operation
Salary and fees	• To aid the recruitment, retention and motivation of high performing people • To reflect their experience and importance to the business	• Fixed annual sum normally payable monthly and reviewed annually • Review reflects changes in scope of role and responsibility, personal and Group performance, increases throughout the rest of business • Salary of newly appointed directors may be phased to take account of experience
Benefits	• To provide support and protection and the ability to focus on effective delivery	• Benefits currently include company car allowance, private medical insurance and life assurance. Other benefits may be provided where appropriate
Annual bonuses	• To incentivise the delivery of stretching short term business targets and strategic and/or personal objectives • To recognise performance through variable remuneration, allowing flexible control of the cost base and response to market conditions	• All measures and targets are reviewed and set by the Committee at the beginning of the year and payments determined after the year end, based on performance against targets • One-third of any bonus payable from 2014 will normally be deferred into options/awards over ordinary shares with a three year vesting period • Non-pensionable • Dividend equivalent payments (cash and/or shares) may be payable on awards to the extent they vest
Long Term Share Incentive plans	• To incentivise value creation over the long term and reward execution of our strategy • To align the long term interest of directors and shareholders • To promote retention	• Annual grant of awards • Structured as nil cost options/conditional awards • Non-pensionable • Dividend equivalent payments (cash and/or shares) may be payable on awards to the extent they vest
Pensions	• To help recruit and retain high performing executives • To reward continued contribution to the business by enabling executive directors to build long term savings	• Participation into a money purchase pension scheme and/or cash equivalent
All Employee Share Plans	• To encourage all employees to make a long term investment in the Company's shares in a tax efficient manner	• Share Incentive Plan and/or Save As You Earn Plan as per HMRC approved rules
Share ownership guidelines	• To provide close alignment between the longer term interests of directors and shareholders in terms of the Company's growth and performance	• Executive directors to retain no less than 50% of net of tax shares from vesting of share options/awards until such time as a shareholding equivalent in value to 100% of base salary has been achieved
Non-executive directors	• To provide fees reflecting time commitments and responsibilities of each role, in line with those provided by similarly sized companies	• Cash fee paid on a monthly basis • Fees are reviewed annually

Opportunity	Applicable performance measure
• The maximum annual salary increase will not normally exceed the average increase which applies across the wider workforce • The Committee is guided by the general increase for the broader employee population but may decide to award a lower increase or a higher increase for executive directors to recognise, for example, an increase in the scale, scope or responsibility of the role, to apply salary progression for a newly appointed director and/or to take account of relevant market movements	• n/a
• n/a	• n/a
• 120% of salary	• Majority (if not all) based on financial targets • Minority based on personal/strategic targets • Malus and clawback provisions operate for deferred bonuses
Grant policy • Up to 150% of salary per annum **Maximum limit** • 200% of salary per annum **Exceptional limit** • 300% of salary per annum	• Earnings per share, financial targets and/or total shareholder return related targets • 25% vests at threshold increasing to 100% vesting at maximum • Malus and clawback provisions operate
• Directors will receive a pension contribution appropriate to their role	• n/a
• Consistent with prevailing HMRC limits	• n/a
• n/a	• n/a
• There is no prescribed maximum fee increase • The Committee is guided by market rates, time commitments and responsibility levels • No additional fees are payable for membership of Board committees, though additional fees are paid for specific additional responsibilities such as Chair of Audit and Risk Committee, Chair of Remuneration Committee and senior independent director	• n/a

Notes to summary policy table

1 A description of how the Company intends to implement the remuneration policy for 2015 is set out in the following annual report on remuneration.

2 The annual bonus performance measures are currently focused on Group EBITDA measures to reflect how successful the Group has been in managing its operations.

3 The long term incentive performance measures, currently EPS and TSR targets, have been selected to reward significant long term returns to shareholders and long term financial growth. EPS growth is derived from the audited financial statements. Targets take account of internal strategic planning and external market expectations for the Company. Only modest rewards are available for achieving threshold performance with maximum rewards requiring substantial out-performance of challenging strategic plans approved at the start of each year.

4 The Committee operates incentive arrangements for executive directors in accordance with their respective rules and the Listing Rules and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plan rules. These include (but are not limited to) the following:

- who participates;
- the timing of grant of award and/or payment;
- the size of an award (up to plan/policy limits) and/or a payment;
- the result indicated by the performance conditions;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

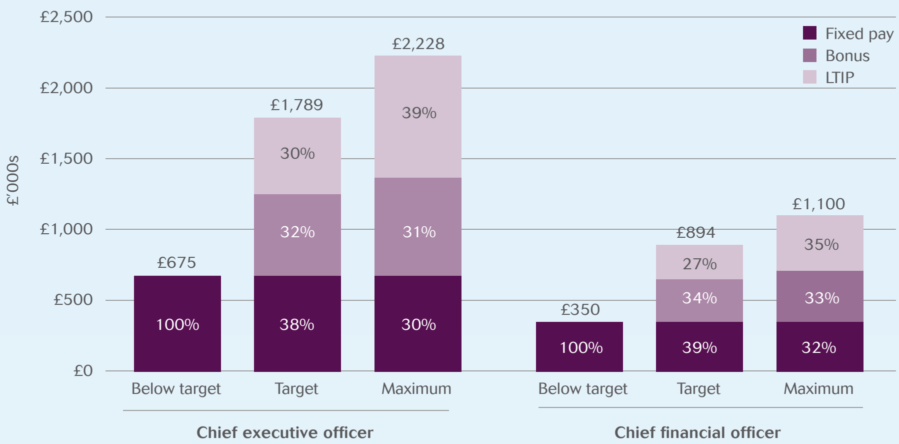
5 For the avoidance of doubt, in approving this directors' remuneration policy, authority was given to the Company to honour any commitments entered into with current or former directors (such as the payment of a pension or the vesting or exercise of past share awards).

Directors' remuneration report continued

Remuneration policy report continued

Illustration of the application of the remuneration policy

Our aim is to ensure that superior rewards are only paid for exceptional performance, with a substantial proportion of executive directors' remuneration payable in the form of variable, performance-related pay. The charts that follow illustrate the opportunity at different levels of performance for the remuneration policy.



The above scenarios adopt the following assumptions:

- fixed pay consists of base salary as at 1 January 2015, benefits and pension allowances. The value of benefits has been estimated;
- on-target performance is based on the value of fixed pay plus on-target incentive pay, based on 83% of the maximum bonus and 62.5% of the maximum long term incentive award values;
- maximum performance is based on the value of fixed pay plus maximum incentive pay (i.e. a 120% of base salary annual bonus and a 150%/130% of salary LTIP award). IPO options, as described in the annual report on remuneration, have been excluded from the above analysis as they do not form part of the ongoing remuneration policy; and
- no assumptions have been made as to the share price growth and any dividend accrual has been excluded from the above.

Recruitment of executive directors and promotions

When setting the remuneration package for a new executive director, the Committee will apply the same principles and implement the policy as set out in the table on pages 56 to 57. Base salary will be set at a level appropriate to the role and experience of the director being appointed. This may include setting a below-market salary with an agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to performance, where this is considered appropriate. Our policy on maximum annual bonus and LTIP awards would apply.

In relation to external appointments, the Committee may structure an appointment package that it considers appropriate to recognise awards or benefits forfeited on resignation from a prior position, taking into account timing and valuation and other specific matters it considers relevant. This may take the form of cash and/or share awards. The maximum payment under any such arrangements (which may be in addition to normal variable remuneration) would be no more than the Committee considers is required to provide reasonable compensation to the incoming director and would not go beyond a like-for-like compensation. If a director is required to relocate in order to take up the position, the Company may consider reasonable relocation, travel, subsistence and any other incidental payments as appropriate. Any such payments will be at the discretion of the Committee.

In the case of an employee who is promoted to the position of director, it is the Company's policy to honour pre-existing commitments in accordance with their terms.

Service agreements and letters of appointment

Each of the executive director's service agreements is for a rolling term and may be terminated by the Company or the director by giving twelve months' notice.

The non-executive directors of the Company (including the chairman) do not have service agreements. The independent non-executive directors are appointed by letters of appointment and have an initial two year term. Caleb Kramer's services are provided to the Company under an agreement between the Company and Oaktree Capital Management FIE LLC which runs for an initial period of three years. The initial terms of the non-executive directors' positions are subject to their re-election by the Group's shareholders at the AGM.

The dates of appointments of the non-executive directors in office as at 31 December 2014 are set out below:

Non-executive director	Commencement date of current term	Unexpired term as at 29 April 2015 AGM
Grenville Turner	1 September 2014	1 year, 4 months
David Watson	2 September 2013	4 months*
Cathy Turner	31 July 2013	3 months*
Richard Adam	9 June 2014	1 year, 1 month
Rupert Gavin	25 June 2014	1 year, 1 month
Jane Lighting	9 June 2014	1 year, 1 month
Caleb Kramer	19 March 2013	11 months*

* Individuals will be subject to re-election at the 2015 AGM.

The directors' service agreements and letters of appointment are available for inspection at the Company's registered office and will be available at the AGM.

Policy on payment for loss of office

If an executive director's employment is terminated, in the absence of a breach of service agreement by the director, the Company may (although it is not obliged to) terminate the director's employment immediately by payment of an amount equal to the basic salary and specified benefits (including pension scheme contribution or equivalent salary supplement payment) in lieu of the whole or the remaining part of the notice period. Discretionary bonus payments will not form part of any payments in lieu of notice. Annual bonus may be payable with respect to the period of the financial year served although it would be paid in cash and pro-rated for time and paid at the normal payout date. Payments in lieu of notice may be paid in monthly instalments over the length of the notice period with such instalments to be reduced or to cease upon the director receiving payment from a new position.

Any share-based entitlements granted to an executive director under the Company's share plans will be determined based on the relevant plan rules.

The default treatment under the LTIP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as ill health, injury or disability, retirement, transfer of the employing company outside of the Group or in other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on the normal vesting date, subject to the satisfaction of the relevant performance conditions and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Committee has discretion to determine that awards for good leavers vest at cessation and/or to disapply time pro-rating. In the event of death, awards will normally vest on the date of death subject to performance conditions and time pro-rating although the Committee has discretion to determine that awards vest at the normal vesting date and/or to disapply time pro-rating.

The default treatment under the IPO options, the rules of which were drafted to replicate the pre-admission long term incentive plan (see annual report on remuneration), is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, permanent disability, retirement, transfer of the employing company outside of the Group, employment being terminated within twelve months of a material acquisition, cessation between the second and third anniversary of Admission where the chief executive officer or chief financial officer either receives a payment in lieu of notice or otherwise leave without notice or in other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on the normal vesting date, subject to the satisfaction of the relevant performance conditions. Other than where the chief executive officer or chief financial officer ceases employment between the second and third anniversary of Admission in circumstances where the individual receives a payment in lieu of notice, IPO options will be reduced pro-rata to reflect the proportion of the vesting period served although the Committee has discretion to disapply time pro-rating.

The default treatment for deferred bonus awards is that any outstanding awards vest on cessation of employment unless cessation is as a result of dismissal for gross misconduct or a similar 'bad leaver' reason.

External appointment of executive directors

The Board allows executive directors to accept appropriate outside commercial non-executive director appointments provided the aggregate commitment is compatible with their duties as executive directors. The executive directors concerned may retain fees paid for these services, which will be subject to approval by the Board. Details of such appointments and fees retained for 2014 are disclosed on page 61.

Directors' remuneration report continued

Annual report on remuneration

Implementation of the remuneration policy for the year ending 31 December 2015

Details of how the Committee intends to operate the remuneration policy for directors for the year ending 31 December 2015 are set out below.

Base salary

Base salaries for the executive directors are reviewed annually by the Committee, taking account of the director's performance, experience and responsibilities. When determining base salaries, the Committee also has regard to economic factors, remuneration trends and the general level of salary increases awarded throughout the Group. Current base salaries are as follows:

	1 January 2014* £'000	**1 January 2015 £'000**
Alison Platt	575	**575**
Jim Clarke	300	**300**

* Or appointment if later.

Benefits in kind and pension

Executive directors will continue to receive benefits in kind including a company car allowance, life assurance, private medical insurance and permanent health insurance. Jim Clarke will receive a company pension contribution of up to 12% of base salary, whilst Alison Platt will receive a salary supplement in lieu of pension entitlement of up to 15% of base salary.

Annual bonus

For 2015, the annual bonus will continue to be based on Group EBITDA targets, although assessment of qualitative measures and personal contributions will also be considered as well as financial performance in determining annual bonuses. The Committee has chosen not to disclose the performance targets in advance for 2015 as these include items which the Committee considers commercially sensitive. Retrospective disclosure of the targets and performance against them will be presented in the 2015 annual report on remuneration.

The maximum bonus potential will continue to be 120% of salary for executive directors for 2015 and one-third of any bonus payable will be deferred into Company shares for a period of three years. Malus and clawback provisions will operate in respect of deferred bonus awards.

Long term incentives

The annual award of LTIPs to be granted in 2015 will be assessed over the three year performance period from 1 January 2015 to 31 December 2017 and will be subject to the following targets:

- absolute EPS (two-thirds) – 25% of this part of an award will vest for EPS growth of 10% per annum increasing pro-rata to 100% vesting for EPS growth of 25% per annum; and
- relative TSR (one-third) – the Company's TSR measured against the constituents of the FTSE 250 (excluding financial services companies and investment trusts). 25% of this part of an award will vest for performance at median of comparator group, increasing pro-rata to 100% vesting at upper quartile.

The Group chief executive officer will receive an LTIP award over shares worth 150% of salary and the Group chief financial officer will receive an LTIP award over shares worth 130% of salary. Malus and clawback provisions will operate.

Shareholding guidelines will continue to operate. Executive directors will be required to retain no less than 50% of net of tax shares from vesting of share options or awards until such time as a shareholding equivalent in value to 100% of base salary has been achieved.

Non-executive directors

Non-executive director fee levels for 2015 are as follows:

Director	Committee chairman role	2014 £'000	**2015 £'000**
Grenville Turner	Chairman, Nomination	n/a	**150**
David Watson	Deputy chairman and senior independent director	150*	**95**
Cathy Turner	Remuneration	55	**55**
Richard Adam	Audit and Risk	n/a	**55**
Rupert Gavin	—	n/a	**45**
Jane Lighting	—	n/a	**45**
Caleb Kramer	—	40	**40**

* David Watson acted as interim chairman from 8 November 2013 until 1 September 2014. This entitled him to an additional fee of £95,000 p.a. on top of his £55,000 normal fee as chairman of the Audit and Risk Committee. His fee was set at £95,000 p.a. upon appointment as deputy chairman and senior independent director from 1 September 2014.

Executive director changes during 2014

Grenville Turner stepped down as chief executive officer on 1 September 2014. He received his base salary and benefits and a pro-rated annual bonus (awarded at the normal post-year end date with one-third deferred into shares) up to this date. Outstanding share awards will continue to vest on their original terms. Upon being appointed non-executive chairman, he received a fee of £150,000 per annum.

Alison Platt was appointed chief executive officer from 1 September 2014. Her package, which is consistent with the approved remuneration policy, comprises a base salary of £575,000, a 15% of salary supplement in respect of pension, annual bonus potential of up to 120% of base salary (with a third deferred into shares) and a 150% of salary LTIP award. In addition, to compensate for incentives forgone in respect of leaving in her previous employment and as agreed as part of her recruitment arrangements and consistent with the remuneration policy, Alison Platt received a payment of £329,000 following the end of the financial year ended 31 December 2014 in respect of annual bonus forgone and an LTIP award with a face value equal to £387,500 granted on 8 September 2014 with performance targets aligned to the main March 2014 LTIP awards. The Committee is satisfied that the structure and quantum of the buyout awards is appropriate and aligned to that forgone in respect of currency, payment/vesting dates and performance targets.

Directors' remuneration for the year ended 31 December 2014 (audited)

The remuneration of the directors for the years 2014 and 2013 was as follows:

	Salary and fees		Taxable benefits[3]		Annual bonuses[4]		Long term incentives		Pension[5]		Other[6]		Total	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Executive directors														
Alison Platt[1]	**192**	—	**5**	—	**—**	—	**—**	—	**29**	—	**329**	—	**555**	—
Grenville Turner[2]	**317**	470	**10**	14	**253**	475	**7,116**	—	**48**	56	**—**	—	**7,744**	1,015
Jim Clarke	**300**	289	**15**	14	**240**	300	**4,269**	—	**35**	35	**—**	—	**4,859**	638
Non-executive directors[7]														
Grenville Turner[2]	**50**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**50**	—
Caleb Kramer	**40**	35	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**40**	35
David Watson	**132**	33	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**132**	33
Cathy Turner	**55**	23	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**55**	23
Richard Adam	**31**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**31**	—
Rupert Gavin	**24**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**24**	—
Jane Lighting	**25**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**25**	—
Sandra Turner	**20**	37	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**20**	37
Former directors[8]	**—**	152	**—**	—	**—**	—	**—**	—	**—**	—	**—**	201	**—**	353
	1,186	1,039	**30**	28	**493**	775	**11,385**	—	**112**	91	**329**	201	**13,535**	2,134

1 Alison Platt was appointed chief executive officer from 1 September 2014.

2 Grenville Turner stepped down from his role as chief executive officer on 1 September 2014, taking on the role of non-executive chairman from that date. In addition to the above, Grenville Turner was chairman of Knightsbridge Student Housing Limited and Bellpenny Limited, was a non-executive director of Zoopla Property Group Ltd and the Department of Communities and Local Government (DCLG). During his period as chief executive, he received fees in respect of his role with Knightsbridge Student Housing Limited amounting to £33,333, Zoopla Property Group Ltd of £10,000 and DCLG of £10,000. Alison Platt also acts as a non-executive director for Cable & Wireless Communications plc and retains an annual fee of £65,000.

3 Benefits consist of the provision of a car allowance, life assurance, private medical and health insurance.

4 Details of the annual bonus targets and payments for 2014 are set out overleaf. Grenville Turner remained eligible for a 2014 annual bonus, pro-rated for his timed served as chief executive officer, in accordance with the bonus plan rules. Similarly, in accordance with the bonus plan rules, as detailed on the previous page, one-third of any bonus is subject to deferral into shares, normally vesting after three years, subject to continued service. As such, £84,000 and £80,000 have been deferred in relation to Grenville Turner and Jim Clarke respectively.

5 Alison Platt receives a 15% of salary supplement in lieu of pension entitlements and Jim Clarke receives a pension contribution to the defined contribution section of the Group scheme of 12% of his base salary subject to his personal contribution of 9% of his base salary.

6 As described above, to compensate for lost bonus opportunity in respect of leaving her previous employment, and as agreed as part of her recruitment arrangements and consistent with the remuneration policy, Alison Platt received a payment of £329,000 following the end of the financial year ended 31 December 2014.

7 Richard Adam and Jane Lighting were appointed on 9 June 2014; Rupert Gavin was appointed on 25 June 2014. Sandra Turner stepped down on 9 June 2014.

8 Former directors relates to Sanjay Patel, Robert Davies and Neville Richardson who were all non-executive directors and who all stepped down during 2013.

9 Matching shares are also issued to the eligible executive directors under the Share Incentive Plan from December 2013, following the introduction of the employee-wide share incentive plan. The aggregate value of these in each year in respect of each executive director is disclosed within the SIP share awards overleaf.

Directors' remuneration report continued

Annual report on remuneration continued

2014 annual bonus award (audited)

Executive directors had the potential to receive an annual bonus of up to 120% of base salary. The primary driver of any award is based on Group EBITDA performance relative to targets set at the start of the financial year. In assessing the final award, the required Group EBITDA is adjusted up or down dependent upon the actual market size relative to the plan. The market size is measured based on the independent Land Registry data (as at the end of October 2014) plus full year indicative estimates after considering all relevant information on the size of the market, including Bank of England mortgage approval levels, in the final two months of the year. Group EBITDA is also adjusted for any significant benefit and costs associated with major unplanned initiatives such as acquisitions. To receive an award, an executive director must also have performed at an individual level.

In determining the 2014 annual bonus award, the Committee considered:

- Group EBITDA of £121.1 million, which represents outperformance of the target Group EBITDA of £118.9 million in the plan;
- an estimated market size considerably larger, +11%, than anticipated; and
- the strong personal performance of each executive director.

Whilst performance against the original plan would have triggered a bonus of 105% of base salary, the larger than expected market size resulted in a flexing downwards of the annual bonus award to 80% of base salary (i.e. 67% of the maximum).

The following table illustrates the performance measures and Group targets, their significance in terms of value and the respective outcomes:

		Performance required				
Measure	Weighting	Threshold	On-target	Maximum	Actual	Payout
Flexed Group EBITDA	100%	£103.2m	£129.1m	£138.1m	£121.1m	67% of maximum

In line with deferral policy, one-third of any bonus payable will be deferred into Company shares for a period of three years.

Vesting of scheme interests in respect of the year ended 31 December 2014 (audited)

Awards made under the IPO option plan in March 2013, which was designed to roll over the management incentive plan awards granted pre-IPO and which would have ordinarily crystallised at IPO, are due to vest in 50% March 2015 and 50% March 2016 based upon the EBITDA performance for the year ended 31 December 2014 as follows:

	Threshold target[1] 0% vesting at or below	Maximum target[1] 100% vesting at or above	Actual EBITDA	Vesting %[2]
EBITDA for the year ended 31 December 2014	£83.1m	£129.1m	£121.1m	83%

1 The EBITDA threshold and maximum targets were originally set at £74 million and £120 million respectively although as disclosed in the Prospectus, the Remuneration Committee retained the discretion to toughen the targets in light of material acquisitions during the performance period (i.e. to ensure that management could not simply acquire businesses to achieve the targets). As such, following a review of material acquisitions made during the performance period, the Committee considered it appropriate and in the interests of shareholders to increase the threshold and maximum EBITDA targets by £9.1 million (based on the aggregate planned 2014 EBITDA for the following acquisitions: LSH, Tucker Gardner, Preston Bennett and APW).

2 Percentage based on pro-rata vesting between the threshold and maximum targets.

Based on the above, the outstanding IPO options held by Directors are expected to vest as follows:

Executive	Award granted	Number of shares vesting[1] (83%)	Number of shares lapsing (17%)	Estimated value of shares at vesting[2] £000	Value of dividend equivalents[3] £000	Estimated total value of awards at vesting[2] £000
Grenville Turner	1,828,045	1,517,277	310,768	6,782	334	7,116
Jim Clarke	1,096,827	910,366	186,461	4,069	200	4,269

1 50% of the above awards will vest on 18 March 2015, with a further 50% held to vest on 18 March 2016.

2 The estimated values above are based on the average share price in the three months ended 31 December 2014 being 447 pence.

3 Dividend equivalents will be cash settled in line with the default treatment in the IPO option plan rules.

Scheme interests awarded during the year (audited)

LTIP awards

The following LTIP awards, structured as nil cost options, were granted to executive directors during 2014:

Executive	Date of grant	Basis of award granted	Share price at date of grant (pence)	Number of shares	Face value of award at grant* £'000	% of face value that would vest at threshold performance	Vesting determined by performance over	Normal vesting (exercise) date
Alison Platt	08/09/2014	150% of salary plus £387,500 in recognition of forfeited shares from previous employer	508	246,305	1,250	25%	Three year period ending 31 December 2016	8 September 2017 (8 September 2024)
Jim Clarke	21/03/2014	130% of salary	660	58,735	390	25%	Three year period ending 31 December 2016	21 March 2017 (21 March 2024)

* Based on the share price at grant multiplied by the number of shares awarded.

Performance targets for these awards are as follows:

- absolute EPS (two-thirds) – 25% of this part of an award will vest for EPS of 58 pence increasing pro-rata to 100% vesting for EPS of 70 pence for the year ending 31 December 2016; and
- relative TSR (one-third) – the Company's TSR measured against the constituents of the FTSE 250 (excluding financial services companies and investment trusts). 25% of this part of an award will vest for performance at median of comparator group, increasing pro-rata to 100% vesting at upper quartile.

Outstanding share awards

	Date of grant	Interest at 1 January 2014	Options/awards granted during the year	Options/awards lapsed during the year	Options/awards exercised during the year	Interest at 31 December 2014	Exercise price pence	Expected exercise/vested to expiry date (if appropriate)
Alison Platt								
LTIP	08/09/14	—	246,305	—	—	246,305	—	08/09/17 (08/09/24)
Grenville Turner								
IPO options	18/03/13	1,828,045	—	—	—	1,828,045	—	50% 18/03/15 50% 18/03/16
LTIP	06/09/13	129,545	—	—	—	129,545	—	06/09/16 (06/09/23)
Jim Clarke								
IPO options	18/03/13	1,096,827	—	—	—	1,096,827	—	50% 18/03/15 50% 18/03/16
LTIP	06/09/13	70,909	—	—	—	70,909	—	06/09/16 (06/09/23)
	21/03/14	—	58,735	—	—	58,735	—	21/03/17 (21/03/24)

Directors' remuneration report continued

Annual report on remuneration continued

Outstanding share awards continued

The executive directors' interests in ordinary shares of the Company under the SIP as at 31 December 2014 are shown in the table below. The shares are held under a SIP trust and will vest based on service conditions of continued employment and have a vesting date of a minimum holding period of three years from each rolling monthly award date.

	Total SIP shares at 1 January 2014	Partnership shares purchased	Matching shares awarded	Dividend shares purchased	**Total SIP shares at 31 December 2014**
Jim Clarke	66	322	161	1	**550**

Alison Platt is not eligible to join the SIP scheme until she has completed 18 months' service.

The matching shares were awarded each month in the ratio of one matching share for every two partnership shares purchased at the prevailing market price on the date of the award.

Statement of directors' shareholding and share interests (audited)

The interests of the directors who served on the Committee during 2014 have been subject to audit and are set out in the table below:

	Legally owned		LTIP awards		IPO options				
	31 December 2014	31 December 2013	Unvested	Vested	Unvested	Vested	SIP matching share awards restricted	**Total 31 December 2014**	Shareholding guideline (100% of salary)[2]
Alison Platt	**—**	—	246,305	—	—	—	—	**246,305**	187%
Jim Clarke	**1,088,596**	1,579,941	129,644	—	1,096,827	—	183	**2,315,250**	3,372%
Grenville Turner	**1,071,524**[1]	2,633,206[1]	129,545	—	1,828,045	—	—	**3,029,114**	n/a
David Watson	**12,578**[1]	—	—	—	—	—	—	**12,578**	n/a
Cathy Turner	**9,747**	—	—	—	—	—	—	**9,747**	n/a
Richard Adam	**10,000**	—	—	—	—	—	—	**10,000**	n/a
Rupert Gavin	**4,550**	—	—	—	—	—	—	**4,550**	n/a
Jane Lighting	**9,500**	—	—	—	—	—	—	**9,500**	n/a
Caleb Kramer	**—**	—	—	—	—	—	—	**—**	n/a
Sandra Turner	**—**	—	—	—	—	—	—	**—**	n/a

1 Includes jointly controlled shares held by close family members.

2 Actual beneficial share ownership as a percentage of salary calculated as at, and based on the share price of £4.37 on, 31 December 2014.

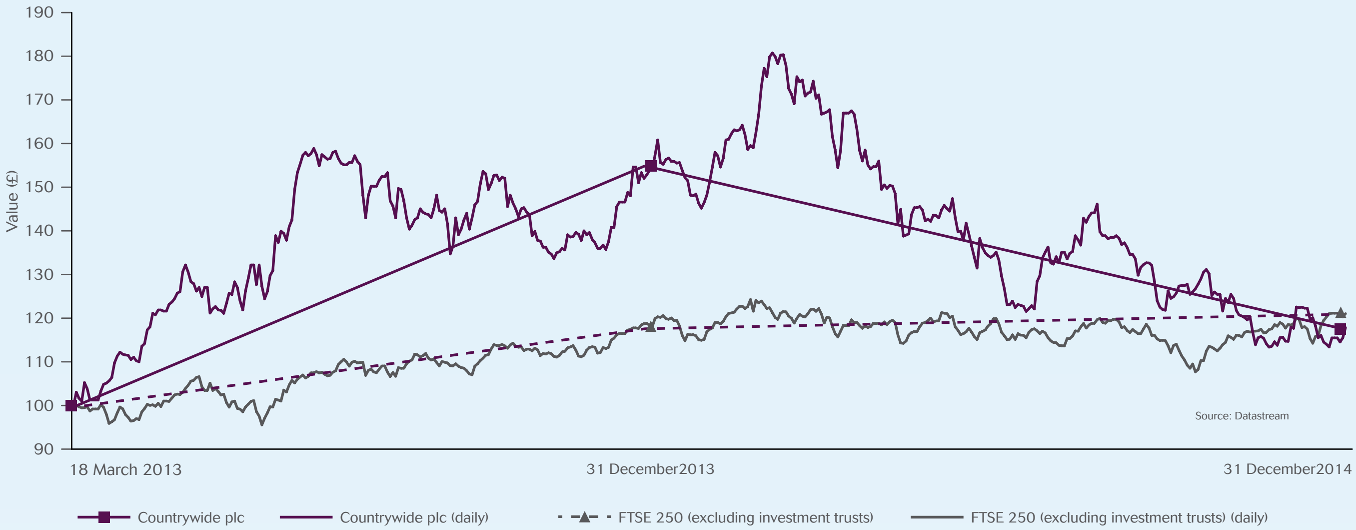
There have been the following changes in the interests of any director between 1 January 2015 and the date of this report:

- purchase of SIP partnership shares by Jim Clarke (64 shares); and
- issue of SIP matching share awards to Jim Clarke (32 shares).

Payments to past directors and payments for loss of office (audited)

There have been no payments made to directors following their resignation and no payments have been made for loss of office.

Performance graph and table



The graph shows the value, by 31 December 2014, of £100 invested in Countrywide plc in March 2013 (IPO) compared with the value of £100 invested in the FTSE 250 Index (excluding investment trusts). in the opinion of the directors, this index (excluding investment trusts) is the most appropriate peer group and also closely aligns with the comparator group used for the LTIP plans, which comprises the FTSE 250 Index excluding investment trusts and financial services companies.

The table below sets out the details for the director undertaking the role of chief executive officer:

Year		Chief executive officer single figure of total remuneration £'000	Annual bonus payout against maximum %	Long term incentive vesting rates against maximum opportunity %
2014	Alison Platt[1]	555	n/a	n/a
2014	Grenville Turner[2]	7,744	67	83
2013	Grenville Turner	1,015	83	n/a
2012	Grenville Turner	914	83	n/a
2011	Grenville Turner	689	46	n/a
2010	Grenville Turner	892	79	n/a
2009	Grenville Turner	972	100	n/a

1 Alison Platt was appointed chief executive officer from 1 September 2014.

2 Grenville Turner stepped down as chief executive officer with effect from 1 September 2014.

Directors' remuneration report continued

Annual report on remuneration continued

Percentage change in remuneration of director undertaking the role of chief executive officer

The table below shows the percentage change in remuneration of the director undertaking the role of chief executive officer and the Company's employees as a whole between the years 2014 and 2013:

	Percentage increase in remuneration in 2014 compared with remuneration in 2013	
	Chief executive officer	Average pay based on all Countrywide employees
Salary and fees	0%	4.4%
All taxable benefits	0%	13.7%
Annual bonuses/variable pay	(20)%	4.4%

Given the change in chief executive officer during the year, the value included for salary and benefits above is the value devised by prorating Grenville Turner's salary for a full year period, and applying the bonus out turn to this figure. As Grenville Turner occupied the role for the majority of the year, this value is considered most representative.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends, tax and retained profits:

	2014 £'000	2013 £'000	Change %
Employee costs	**392,794**	332,606	18
Dividends	**43,889**	4,389	900
Tax charge	**11,712**	3,832	206
Retained profits	**24,047**	29,904	(20)

The Remuneration Committee and its composition

The Committee's composition, responsibilities and operation comply with the principles of good governance (as set out in the UK Corporate Governance Code). The full terms of reference of the Committee are available on request to shareholders and on the Company's website at www.countrywide.co.uk. The terms of reference are reviewed annually by the Board and, if necessary, updated.

The membership of the Committee, together with appointment date, is set out below:

Member	Remuneration Committee member since
Cathy Turner (chairman)	31 July 2013
Richard Adam	9 June 2014
Rupert Gavin	25 June 2014
Jane Lighting	9 June 2014
David Watson	2 September 2013

The composition of the Committee changed during the period with Sandra Turner resigning from the Board and Committee in June 2014, and the simultaneous appointment of Richard Adam and Jane Lighting, with Rupert Gavin also joining later in the month. Attendance by members at the meetings is shown on page 45. All members of the Committee are considered independent non-executive directors.

The chairman of the Committee reports on the Committee's activities to the Board at the meeting immediately following the Committee meeting.

Consideration by the directors of matters relating to directors' remuneration

Membership of Board committees that considered remuneration (both the Remuneration Committee and the Nomination Committee (when directors are appointed)) are disclosed within the corporate governance section of the annual report. Invitations to attend are also extended to executive management where appropriate. The Committee received advice on remuneration from New Bridge Street, part of AON plc, during 2014. New Bridge Street is not connected to the Group, is a member of the Remuneration Consultants Group and a signatory to its Code of Conduct, and in 2014 received fees of £30,140 (2013: £10,000) in connection with its work for the Committee.

Shareholder voting and engagement

At the Company's Annual General Meeting held on 30 April 2014, the resolutions in respect of the remuneration report and the remuneration policy were as follows:

	Votes for		Votes against		Total votes cast	Votes withheld
Resolution	Number of shares	% of shares voted	Number of shares	% of shares voted	% of issued share capital	Number of shares
Approval of remuneration report	179,492,642	98.81%	826,871	0.46%	82.78%	1,334,148
Approval of remuneration policy	166,982,474	91.92%	8,456,648	4.66%	82.78%	6,214,539

While the Committee was pleased with the level of shareholder support at the 2014 AGM, indicated by the level of votes in favour of resolutions, and the degree of participation in voting, it will continue to listen to and engage with shareholders with regard to all aspects of the Company's remuneration policy.

Approval

This report was approved by the Board of directors on 26 February 2015 and signed on its behalf by:

Cathy Turner

Cathy Turner
Chair of the Remuneration Committee

Directors' report

Group directors' report for the year ended 31 December 2014

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2014. The review of the business, future developments and outlook, as well as specific disclosures in relation to employee policies, are contained within the strategic report and are incorporated into the directors' report by cross reference.

Information about the use of financial instruments by the Company and its subsidiaries and financial risk management policies are given in notes 33 and 34 to the financial statements.

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the annual report and accounts, where applicable, under LR 9.8.4, is set out in this directors' report, with the exception of the information set out in the table below, which can be found at the location specified.

Listing Rule	Information	Location
LR 9.8.4(4)	Details of long term incentive schemes as required by LR 9.4.3, regarding information about the recruitment of a director	Pages 62 to 63 of the directors' remuneration report
LR 9.8.4(11)	Details of contracts for the provision of services to the Company by a controlling shareholder	Page 59 of the directors' remuneration report
LR 9.8.4(14)	Details of transactions with controlling shareholders	Page 117 (note 35 to the accounts)

General information

Countrywide plc is a public limited company, listed on the London Stock Exchange, incorporated and domiciled in the UK. The registered address of the Company is included in note 1 to the financial statements.

Dividends

The directors recommend the payment of a final dividend of 10.0 pence (net) per share. Subject to approval at the AGM, the dividend will be paid on 7 May 2015 to shareholders on the register at 27 March 2015. Together with the interim and special dividends of 5.0 and 9.0 pence (net) per share respectively paid on 15 September 2014, the total dividend in respect of the year is, therefore, 24.0 pence (net) per share (2013: 8.0 pence (net) per share).

Capital structure

Details of the issued share capital are shown in note 26 to the Group financial statements on page 108 of this annual report. The Company has one class of ordinary shares which carry the right to one vote at a general meeting of the Company and have no right to fixed income.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of shares or on voting rights.

Details of employee share schemes are provided in note 27 to the Group financial statements. Shares held by the Group Employee Benefit Trust abstain from voting.

Purchase of the Company's own shares

Further to the shareholders' resolutions passed at the Company's Annual General Meeting held on 30 April 2014, during the year the Company purchased 2,917,000 ordinary shares with a nominal value of £29,170, and representing 1.33% of the Company's called up ordinary share capital, for a consideration of £13,261,617. The reason for the purchase was to improve the return available to shareholders and enhance earnings per share.

At the end of the year, the directors had authority, under the shareholders' resolutions of 30 April 2014, to make one or more market purchases of its ordinary shares, limited to: a maximum number of 21,944,496 ordinary shares; a minimum price of the nominal value; and a maximum price of 5% above the average market value for the preceding five business days or the higher of the price of the last independent trade and highest current independent bid. This authority expires at the conclusion of the AGM on 29 April 2015.

As a routine matter, the Company will be seeking to have this authority renewed at the 2015 Annual General Meeting.

Substantial shareholdings

At 25 February 2015, being the latest practicable date prior to the publication of this annual report, the Company had been notified of the following interests amounting to 3% or more of the voting rights in the issued share capital of the Company.

Shareholder	Number of shares	% holding
Oaktree Capital Management	64,929,676	30.19
Harris Associates L.P.	12,886,753	5.99
Royal London Asset Management	10,206,737	4.75
Janus Capital Management	8,084,302	3.76

Relationship agreement with controlling shareholders

Any person who exercises or controls on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast on all or substantially all matters at general meetings of a company are known as 'controlling shareholders'. The Financial Conduct Authority's Listing Rules require companies with controlling shareholders to enter into a written and legally binding agreement which is intended to ensure that the controlling shareholder complies with certain independence provisions. The agreement must contain undertakings that:

(a) transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;

(b) neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and

(c) neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Board confirms that, in accordance with the Listing Rules, on 19 March 2013, the Company entered into such an agreement (the 'Relationship Agreement') with, among others, OCM Luxembourg Castle Holdings S.Á R.L. and OCM Luxembourg EPF III Castle Holdings S.Á R.L. (together, the 'Oaktree Shareholders') who have a combined total holding of approximately 30.19% of the Company's voting rights. Under the terms of the Relationship Agreement, Oaktree have agreed to the independence obligations contained in the Relationship Agreement.

The Board confirms that, since the entry into the Relationship Agreement on 19 March 2013 until 25 February 2015, being the latest practicable date prior to the publication of this annual report:

(i) the Company has complied with the independence provisions included in the Relationship Agreement; and

(ii) so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by Oaktree and their associates.

As there are no controlling shareholders of the Company other than the Oaktree Shareholders , there is no need for the Relationship Agreement to require the Oaktree Shareholders to procure compliance by any third parties with the independence provisions of the Relationship Agreement.

Appointment and removal of directors

Directors may be appointed by the Company by ordinary resolution or by the Board. The Company may, by special resolution, remove any director before the expiration of their period of office.

Powers of the directors

Subject to the Articles, the Companies Act and any directions given by the Company by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company.

Amendment of Articles

The Articles may be altered by special resolution, in accordance with the Companies Act.

Directors and directors' interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements are disclosed on pages 42 to 43 and their interests in the shares of the Company are disclosed on page 64.

Directors' indemnities

The Company has made qualifying third party indemnity provisions (as defined in the Companies Act 2006) for the benefit of its directors during the year; these provisions remain in force at the date of this report.

Directors' report continued

Auditor and disclosure of information to auditor

All directors at the date of approval of this annual report confirm that:

- so far as the directors are aware, there is no relevant information of which the Company's auditor is unaware; and
- the directors have taken steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of any such information.

The auditor, PricewaterhouseCoopers LLP, has expressed its willingness to continue in office as auditor and a resolution to re-appoint PricewaterhouseCoopers LLP will be proposed at the forthcoming AGM.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate governance statement on pages 44 to 53 of this annual report. The Corporate governance statement forms part of this directors' report and is incorporated into it by cross reference.

Going concern

The Board seeks to present a balanced and understandable assessment of the Group's position and prospects. In order to satisfy themselves that the Company has adequate resources to continue in operational existence for the foreseeable future, the Directors have reviewed detailed assumptions about future trading performance and cash flow projections within the Group's current five year plan. This, together with available market information and the Directors' knowledge and experience, has given them the confidence to continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

Particulars of important post balance sheet events of the Company are set out in note 12 to the Group financial statements on page 122 of this annual report and are incorporated into this directors' report by cross reference.

Greenhouse gas (GHG) emissions

GHG emissions data for the period 1 January to 31 December

	Tonnes of CO_2e*	
	2014	2013
Scope 1		
Controlled vehicle fleet	**6,725**	7,918
Scope 2		
Electricity and heat purchased for own use	**16,237**	14,047
Tonnes of CO_2e*/£m revenue	**32.7**	37.5

* CO_2e is a universal unit of measurement used to indicate the global warming of greenhouse gas expressed in terms of global warming potential of one unit of carbon dioxide.

We have reported on all of the emission sources required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. We have used the operational control consolidation method. These sources fall within our consolidated financial statements, but exclude non-wholly owned subsidiaries and joint ventures.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014 to calculate the above disclosures.

AGM Notice

Accompanying this report is the Notice of the AGM which sets out the resolutions for the meeting, together with an explanation of them.

By order of the Board

Gareth Williams
Company Secretary
26 February 2015

Directors' responsibilities statement

The directors are responsible for preparing the annual report, the directors' remuneration 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 prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company 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 Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; 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 the Group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having taken advice from the Audit and Risk Committee, the directors consider that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed within the corporate governance statement, confirm that, to the best of each person's knowledge and belief:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the strategic report contained in the annual report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for the maintenance and integrity of the Group website, www.countrywide.co.uk. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Record financial performance in terms of income and margins

Strong financial result underpinned by significant progress in diversifying revenue streams with appropriate capital structure in place to maximise future growth opportunities.

Financial statements

Shareholder information

Independent auditor's report

To the members of Countrywide plc

Report on the group financial statements

Our opinion

In our opinion, Countrywide plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

Countrywide plc's financial statements comprise:

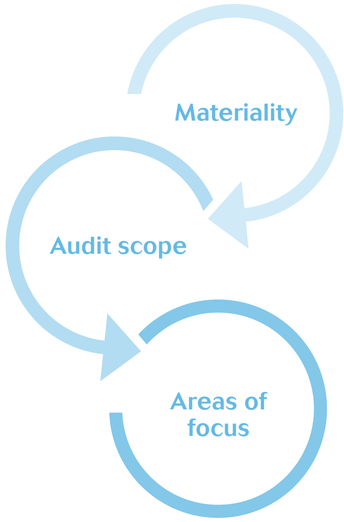
- the consolidated balance sheet as at 31 December 2014;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Countrywide Annual Report (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview



- Overall Group materiality: £4.0 million (2013: £2.9 million) which represents 5% of profit before tax and exceptional items.
- We performed audit work over the complete financial information of reporting units which accounted for 97% (2013: 96%) of the Group's revenues and 93% (2013: 95%) of the Group's profit before tax.
- Professional indemnity provisions and associated legal costs, largely in relation to mortgage valuation claims arising from the buoyant property market in 2004-2007.
- Impairment assessment of goodwill across the group and other intangible assets with indefinite lives, principally brands.
- Accounting for acquisitions, particularly the identification of intangible assets relating to businesses acquired.
- Accounting for transactions with Zoopla plc following its IPO.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the outcome of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Independent auditor's report continued

To the members of Countrywide plc

Report on the Group financial statements continued

Our audit approach continued

The scope of our audit and our areas of focus continued

Area of focus	How our audit addressed the area of focus
Judgements and estimates in relation to professional indemnity provisions and related litigation costs Refer to page 50 (Report of the Audit and Risk Committee), page 86 (Critical accounting estimates and judgements), and pages 103 to 104 (notes). Professional indemnity (PI) provisions principally relate to the Surveyors' and Lambert Smith Hampton Divisions. In common with other valuers, the Group is subject to claims in relation to incorrect mortgage valuation reports primarily carried out between 2004 and 2007 (this population has been defined by the Group as exceptional for classification purposes). The Group holds professional indemnity insurance for such matters, but management uses judgement to estimate the net costs that will be incurred by the Group, including related litigation costs. All the claims received are listed and analysed through the Bordereaux report. The provisions are for both claims already received and claims yet to be received. The second category includes significant management judgement given the need to estimate the incidence and amount of future claims. The provisions held are based on experience in settling past claims, discussions with the Group's insurers and advice from legal counsel. Although each claim ultimately needs to be considered on a case-by-case basis a number of factors are relevant to many of the claims, so it is possible to use past experience to make judgements about ongoing claims and claims to come.	We checked that the amounts in the Bordereaux report were appropriately reflected in the books and records, and tested the mathematical accuracy of the report and the input data. With respect to the input data, we agreed a sample of claims received and provisions made to the advice from lawyers and correspondence with claimants. We discussed specific large claims with the Group's internal legal counsel, obtained letters from external counsel and confirmed that they supported management's approach and provision in the accounts. For large claims, we also compared a sample of historical provisions to the actual amounts settled, determining that management's estimation techniques were robust. Management increased the provision above that suggested in the Bordereaux report to reflect the latest observed trends in claims received and settled, the number of claims with losses, and the average loss on each claim. We were able to confirm that the latest data supported the changes to the amounts provided. For claims not yet received but incurred, we audited the model and approach used by the management by testing the mathematical accuracy of the underlying calculations and satisfying ourselves that the input data used also reflected the latest trends in claims with losses and average loss incurred. We audited the classification of expense disclosed as normal and exceptional. We ensured that amounts classified as normal are consistent with the trend and amounts classified as exceptional relate to the population defined as such. As ever with a provision of this nature there are significant assumptions made and the outcome is sensitive to some of the key assumptions. However, we believe that management has followed due process in assessing the provision and has taken into account the latest trends and on that basis the provision is within a reasonable range based on the information available at this time.
Impairment assessment of indefinite life intangible assets Refer to page 50 (Report of the Audit and Risk Committee), page 87 (Critical accounting estimates and judgements), and pages 95 to 96 (notes). We focused on this area due to the size of the goodwill balance (£418 million) across the Group and the value of the other intangible assets (£185 million) which are assumed to have indefinite useful life, principally brands. Although, based on historical performance, management believe there is significant headroom between the recoverable value of the Group's Cash Generating Units (CGUs) and their carrying value, this remained an area of focus for us because the assessment of the recoverable value of the CGUs involves judgements about the future results of the business and the appropriate discount rates to apply to the future cash flows.	We evaluated and challenged management's cash flow forecasts, and the process by which they were drawn up, comparing them to the latest Board-approved budget for consistency and testing the underlying calculations successfully. We also considered that the right CGUs were identified based on our knowledge of the business. With respect to the key cash flows and assumptions in the forecasts, we compared the current year results with the FY14 figures included in the prior year forecast to consider whether any assumptions had, in hindsight, been optimistic. Actual performance of the divisions was better than budgeted. We also challenged the directors' key assumptions for discount rates, growth rates and profit margins by comparing them to historical results. Discount rates are in line with industry comparators that we considered and the forecasts included a lower rate of growth than the Group has achieved over the last two years. We performed sensitivity analysis around the key drivers of the cash flow forecasts. Our tests included applying: • a discount rate increased by 20%; • zero growth in 2015 and onwards; and • additional professional indemnity expenditure above that budgeted in each year of the forecasts. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, we considered the likelihood of such a movement arising and concluded that management's approach was reasonable and supported by the available evidence.

Report on the Group financial statements continued

Our audit approach continued

The scope of our audit and our areas of focus continued

Area of focus	How our audit addressed the area of focus
Acquisition accounting	
Refer to page 50 (Report of the Audit and Risk Committee), page 87 (Critical accounting estimates and judgements) and page 111 (notes). During the year the group continued to make a number of acquisitions with a total consideration of £48.9 million. As a result of these acquisitions principally the following intangible assets were recognised: customer contracts and relationships £7.9 million; brands £2.7 million; pipeline in the estate agency business £0.5 million; and goodwill of £38.7 million. Accounting for business combinations can be complex, particularly in relation to the identification of intangible assets and accounting for deferred consideration. The accounting treatment of intangible assets, including their ongoing impact on the income statement, varies depending on whether they are seen as having finite or indefinite useful economic lives, and the estimated life applied to those with finite lives. We focused on the judgements management made in these respects, particularly in relation to identification of intangible assets.	We obtained all material acquisition agreements and read them to ensure that we understood the substance of the transaction, including the consideration and the assets and liabilities acquired. We tested cash consideration to bank statements and checked that any deferred consideration had been correctly recognised in line with the acquisition agreements, with no issues being identified. We tested the accuracy and completeness of models used for calculating the separately identified intangible assets by comparing them to models used on prior acquisitions within the Group and to those typically used in the industry in our experience. We challenged management in particular on the recognition of brands, customer relationships and contracts and were able to corroborate these to customer lists and the Group's continued use of the relevant brands post acquisition. We agreed the current assets and liabilities acquired, which consisted mainly of working capital, by agreeing them to completion statements or other similar supporting documentation and confirming that they had been treated in line with the terms of the contract.
Accounting treatment of transactions in relation to investments in Zoopla plc	
Refer to page 50 (Report of the Audit and Risk Committee), page 87 (Critical accounting estimates and judgements) and page 99 (notes). At the beginning of the year, the Group held equity shares in Zoopla Limited ('Zoopla') valued at £12.2 million which were primarily granted under an agreement allowing Zoopla to list the Group's properties on the Zoopla website. In March 2014 the agreement, which was due to expire in 2015, was renewed resulting in further entitlement to new warrants (given to the Group at negligible cost) if specific events occurred. Such an event occurred in June 2014 when Zoopla listed on the London Stock Exchange. As a result of this, the Group received further shares in Zoopla on conversion of warrants pursuant to the new agreement. Further, the following transactions took place during the year on Zoopla's listing: • the Group had its existing shares sub-divided because of changes in Zoopla's capital structure; and • the Group purchased and subsequently sold shares in the Zoopla IPO. We focused on this area because the number of material transactions during the year made the accounting complex and liable to error.	In order to understand the substance as well as the legal form of the transactions with Zoopla, we held discussions with management and read the legal agreements entered into by the Group with Zoopla. We ensured the accounting reflected these contracts and was in accordance with the relevant accounting standards. We also agreed the consideration paid to purchase additional shares to bank statements, validated the profits recognised on the sale of shares and checked the sales proceeds to bank statements. We agreed that the period end fair value reflected the quoted market price as at 31 December 2014.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates in seven complementary divisions as set out in the Annual Report (refer to page 88). Each of the divisions is broken down into a number of reporting units which are consolidated into the Group financial statements along with the centralised functions.

Reporting units from the seven divisions were included in the scope of our work and the group audit team performed an audit of their financial information at each of their locations. The engagement partner attended all clearance meetings either in person or by call. In some of the divisions we audited complete financial information of all the reporting units and in some we focused on the larger reporting units to give us appropriate coverage. We performed audit work over the complete financial information of reporting units which accounted for 97% (2013: 96%) of the Group's revenues and 93% (2013: 95%) of the Group's profit before tax.

Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality
£4.0 million (2013: £2.9 million).

How we determined it
5% of profit before tax adjusted for exceptional items (primarily relating to income in relation to Zoopla shares of £17 million and professional indemnity charges of £15 million).

Rationale for benchmark applied
We applied this benchmark because it eliminates any disproportionate effect of the exceptional items and provides a consistent year-on-year basis for our work.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million (2013: £0.1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report continued

To the members of Countrywide plc

Report on the Group financial statements continued

Our audit approach continued

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 70, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
  - otherwise misleading;
- the statement given by the directors on page 71, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; and
- the section of the Annual Report on page 48 as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from these responsibilities.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Group's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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 Group'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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the company financial statements of Countrywide plc for the year ended 31 December 2014 and on the information in the Directors' Remuneration Report that is described as being audited.

Darryl Phillips
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 February 2015

Consolidated income statement

For the year ended 31 December 2014

	Note	2014 Pre-exceptional items, amortisation and share-based payments £'000	2014 Exceptional items, amortisation and share-based payments £'000	2014 Total £'000	2013 Pre-exceptional items, amortisation and share-based payments £'000	2013 Exceptional items, amortisation and share-based payments £'000	2013 Total £'000
Revenue		685,094	—	685,094	570,864	—	570,864
Other income	5	17,107	—	17,107	13,904	—	13,904
	4	702,201	—	702,201	584,768	—	584,768
Employee benefit costs	6	(378,327)	(14,467)	(392,794)	(323,536)	(9,070)	(332,606)
Depreciation and amortisation	14, 15	(14,247)	(10,112)	(24,359)	(11,066)	(8,121)	(19,187)
Other operating costs	7	(202,771)	—	(202,771)	(174,961)	—	(174,961)
Share of profit from joint venture	17(b)	813	—	813	1,015	—	1,015
Group operating profit/(loss) before exceptional items		107,669	(24,579)	83,090	76,220	(17,191)	59,029
Exceptional income	10	—	17,098	17,098	—	2,534	2,534
Exceptional costs	10	—	(15,241)	(15,241)	—	(5,563)	(5,563)
Operating profit/(loss)	4	107,669	(22,722)	84,947	76,220	(20,220)	56,000
Finance costs	8	(5,584)	—	(5,584)	(14,264)	(4,542)	(18,806)
Finance income	9	285	—	285	931	—	931
Net finance costs		(5,299)	—	(5,299)	(13,333)	(4,542)	(17,875)
Profit/(loss) before taxation		102,370	(22,722)	79,648	62,887	(24,762)	38,125
Taxation (charge)/credit	11	(21,643)	9,931	(11,712)	(12,542)	8,710	(3,832)
Profit/(loss) for the year		80,727	(12,791)	67,936	50,345	(16,052)	34,293
Attributable to:							
Owners of the parent		80,268	(12,791)	67,477	49,924	(16,052)	33,872
Non-controlling interests		459	—	459	421	—	421
Profit/(loss) attributable for the year		80,727	(12,791)	67,936	50,345	(16,052)	34,293
Earnings per share attributable to owners of the parent							
Basic earnings per share	13			30.84p			16.53p
Diluted earnings per share	13			30.01p			16.42p

The notes on pages 82 to 117 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the year		67,936	34,293
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial (loss)/gain arising in the pension scheme	25	(2,415)	653
Deferred/(loss) tax arising on the pension scheme	25	507	(137)
		(1,908)	516
Items that may be subsequently reclassified to profit or loss			
Foreign exchange rate loss		(117)	(27)
Available for sale financial assets:			
– Gains arising during the year	17(c)	3,200	27,475
– Less reclassification adjustments for gains included in the profit and loss		(11,076)	—
		(7,993)	27,448
Other comprehensive income for the year		(9,901)	27,964
Total comprehensive income for the year		58,035	62,257
Attributable to:			
Owners of the parent		57,576	61,836
Non-controlling interests		459	421
Total comprehensive income for the year		58,035	62,257

The notes on pages 82 to 117 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
		Attributable to owners of the parent						
Balance at 1 January 2013		147,657	47,279	46,464	398	241,798	501	242,299
Profit for the year		—	—	—	33,872	33,872	421	34,293
Other comprehensive income								
Currency translation differences		—	—	(27)	—	(27)	—	(27)
Movement in fair value of available-for-sale financial assets	17(c)	—	—	27,475	—	27,475	—	27,475
Actuarial gain in the pension fund	25	—	—	—	653	653	—	653
Deferred tax movement relating to pension	25	—	—	—	(137)	(137)	—	(137)
Total other comprehensive income		—	—	27,448	516	27,964	—	27,964
Total comprehensive income		—	—	27,448	34,388	61,836	421	62,257
Transactions with owners								
Repurchase of shares		(1)	—	1	(55)	(55)	—	(55)
Cancellation of shares		(146,091)	—	—	146,091	—	—	—
Capital reorganisation		—	(47,279)	47,279	—	—	—	—
Shares issued at initial public offering		629	219,371	—	—	220,000	—	220,000
Transactional costs of shares issued		—	(7,530)	—	—	(7,530)	—	(7,530)
Share-based payment transactions	27	—	—	—	8,054	8,054	—	8,054
Deferred tax on share-based payments		—	—	—	1,235	1,235	—	1,235
Purchase of treasury shares	28	—	—	(226)	—	(226)	—	(226)
Dividends paid	12	—	—	—	(4,389)	(4,389)	(405)	(4,794)
Transactions with owners		(145,463)	164,562	47,054	150,936	217,089	(405)	216,684
Balance at 1 January 2014		2,194	211,841	120,966	185,722	520,723	517	521,240
Profit for the year		—	—	—	67,477	67,477	459	67,936
Other comprehensive income								
Currency translation differences		—	—	(117)	—	(117)	—	(117)
Movement in fair value of available-for-sale financial assets	17(c)	—	—	3,200	—	3,200	—	3,200
Reclassification of gains on disposal of available-for-sale financial assets		—	—	(11,076)	—	(11,076)	—	(11,076)
Actuarial loss in the pension fund	25	—	—	—	(2,415)	(2,415)	—	(2,415)
Deferred tax movement relating to pension	25	—	—	—	507	507	—	507
Total other comprehensive income		—	—	(7,993)	(1,908)	(9,901)	—	(9,901)
Total comprehensive income		—	—	(7,993)	65,569	57,576	459	58,035
Transactions with owners								
Share-based payment transactions	27	—	—	—	11,367	11,367	—	11,367
Deferred tax on share-based payments		—	—	—	(369)	(369)	—	(369)
Acquisition of non-controlling interest in subsidiary		—	—	—	260	260	(260)	—
Purchase of treasury shares	28	—	—	(14,290)	—	(14,290)	—	(14,290)
Dividends paid	12	—	—	—	(43,889)	(43,889)	(526)	(44,415)
Transactions with owners		—	—	(14,290)	(32,631)	(46,921)	(786)	(47,707)
Balance at 31 December 2014		**2,194**	**211,841**	**98,683**	**218,660**	**531,378**	**190**	**531,568**

The notes on pages 82 to 117 form an integral part of these consolidated financial statements.

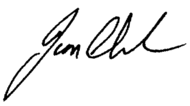
Consolidated balance sheet

As at 31 December 2014

	Note	2014 £'000	2013 £'000
Assets			
Non-current assets			
Goodwill	14(a)	418,496	379,834
Other intangible assets	14(b)	236,996	235,412
Property, plant and equipment	15	45,523	31,473
Investment property	16	13,235	—
Investments accounted for using the equity method:			
Investments in joint venture	17(b)	3,219	2,913
Available-for-sale financial assets	17(c)	33,290	42,877
Deferred tax assets	24	16,215	15,418
Total non-current assets		766,974	707,927
Current assets			
Trade and other receivables	18	98,644	91,854
Cash and cash equivalents	19	28,583	36,325
Total current assets		127,227	128,179
Total assets		894,201	836,106
Equity and liabilities			
Equity attributable to the owners of the parent			
Share capital	26	2,194	2,194
Share premium		211,841	211,841
Other reserves	28	98,683	120,966
Retained earnings		218,660	185,722
		531,378	520,723
Non-controlling interests	17(a)	190	517
Total equity		531,568	521,240
Liabilities			
Non-current liabilities			
Borrowings	21	86,950	77,257
Defined benefit scheme liabilities	25	5,216	4,438
Provisions	23	25,457	20,337
Deferred income	22	6,961	8,297
Trade and other payables	20	4,344	7,135
Deferred tax liability	24	44,858	46,925
Total non-current liabilities		173,786	164,389
Current liabilities			
Borrowings	21	44,760	7,487
Trade and other payables	20	109,312	106,286
Deferred income	22	5,708	6,872
Provisions	23	22,035	24,778
Current tax liabilities		7,032	5,054
Total current liabilities		188,847	150,477
Total liabilities		362,633	314,866
Total equity and liabilities		894,201	836,106

The notes on pages 82 to 117 form an integral part of these consolidated financial statements.

The financial statements on pages 77 to 117 were approved by the Board of directors and signed on its behalf by:



Jim Clarke
Chief financial officer
26 February 2015

Consolidated cash flow statement

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Profit before taxation		79,648	38,125
Adjustments for:			
Depreciation	15	9,824	7,406
Amortisation of intangible assets	14	14,535	11,781
Share-based payments	27	11,367	8,054
(Profit)/loss on disposal of non-current assets (including exceptional income £14,564,000)		(16,949)	106
Amortisation of deferred income	10	(2,534)	(2,534)
Income from joint venture	17(b)	(813)	(1,015)
Finance costs	8	5,584	18,806
Finance income	9	(285)	(931)
		100,377	79,798
Changes in working capital (excluding effects of acquisitions and disposals of Group undertakings):			
Increase in trade and other receivables		(4,119)	(4,482)
Decrease in trade and other payables		(10,309)	(13,400)
Increase/(decrease) in provisions		2,052	(20,808)
Net cash generated from operating activities		88,001	41,108
Interest paid		(5,004)	(15,404)
Income tax paid		(15,531)	(1,614)
Net cash inflow from operating activities		67,466	24,090
Cash flows from investing activities			
Acquisitions net of cash acquired	29	(41,017)	(47,218)
Purchase of property, plant and equipment	15	(17,355)	(10,028)
Purchase of intangible assets	14	(6,084)	(5,138)
Purchase of non-controlling interest		(857)	—
Proceeds from sale of property, plant and equipment		294	1,470
Proceeds from disposal of business		1,959	—
Proceeds from disposal of available-for-sale assets		21,302	—
Purchase of investment property	16	(13,017)	—
Purchase of financial assets available-for-sale assets	17(c)	(2,186)	(1,054)
Dividends received	17(b)	507	778
Interest received		285	1,217
Net cash outflow from investing activities		(56,169)	(59,973)
Cash flows from financing activities			
Proceeds from issue of share capital		—	220,000
Transactional costs of shares issued		—	(7,530)
Term and revolving facility loan drawn	21	45,000	75,000
Repayment of bonds		—	(252,500)
Financing fees paid		(813)	(2,930)
Capital repayment of finance lease liabilities	21	(4,521)	(1,527)
Dividends paid to owners of the parent	12	(43,889)	(4,389)
Dividends paid to non-controlling interests		(526)	(405)
Purchase of own shares	26	(14,290)	(55)
Net cash (outflow)/inflow from financing activities		(19,039)	25,664
Net decrease in cash and cash equivalents		(7,742)	(10,219)
Cash and cash equivalents at 1 January		36,325	46,544
Cash and cash equivalents at 31 December	19	28,583	36,325

The notes on pages 82 to 117 form an integral part of these consolidated financial statements.

Notes to the financial statements

1. General information

Countrywide plc ('the Company') and its subsidiaries (together, 'the Group') is the leading integrated, full service residential estate agency and property services group in the UK, measured by both revenue and transaction volumes in 2014. It offers estate agency and lettings services, together with a range of complementary services, and has a significant presence in key areas and property types which are promoted through locally respected brands.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK (registered number: 08340090). The address of its registered office is 17 Duke Street, Chelmsford, Essex CM1 1HP.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented.

(a) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial liabilities at fair value through profit or loss, and in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of the consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

(b) Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities when they fall due for the foreseeable future. The Board of directors has reviewed cash flow forecasts, which have been stress tested with various assumptions regarding future housing market volumes, and concluded that it is appropriate to prepare the financial statements on a going concern basis.

(c) New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 but none have had a material impact on the Group:

- IFRS 10 'Consolidated financial statements': this amendment has not had an impact on the Group financial statements.
- IFRS 11 'Joint arrangements': this amendment has not had an impact on the Group financial statements as the Group has historically applied the equity method to account for its joint venture interests.
- Other amendments effective for the financial year ended 31 December 2014 (IAS 32, 36 and 39) have not had a material impact on the Group.

New standards and interpretations not yet adopted

A number of new standards and interpretations are effective for annual periods beginning on or after 1 January 2015 and have not yet been applied in preparing these consolidated financial statements. None of these new standards or interpretations is expected to have a material impact on the consolidated financial statements of the Group, with the exception of the following:

- IFRS 9 'Financial Instruments'; and
- IFRS 15 'Revenue from contracts with customers'.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures.

(d) Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

During the year, the Group has consolidated the results and position of Albion PRS Investments Unit Trust (see note 16). At the year end, the Group controls the Unit Trust and has the ability to affect returns though its power over the Unit Trust, consolidation as a subsidiary has been undertaken. During 2015 further external investment is expected in addition to finalisation of a full and independent fund structure, which is expected to remove the ability of the Group to control the investment.

The purchase method of accounting is used to account for acquisitions and the cost of acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date. Acquisition costs are written off to the income statement. The accounting policies of subsidiaries acquired are changed, where necessary, to ensure consistency with policies operated by the Group.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is recorded as the excess of the aggregate of the consideration transferred and fair value of non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. Accounting policies continued

(d) Basis of consolidation continued

Joint ventures

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, the Group does not recognise further losses except to the extent that it has incurred obligations or made payments on behalf of the joint venture. Accounting policies of the joint venture are aligned where applicable.

Transactions eliminated on consolidation

Intra-group balances, and any gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial information. Gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

(e) Foreign currency translation

The functional currency of the Company is Pounds Sterling because that is the currency of the primary economic environment in which the Group operates. The Group's presentation currency is Pounds Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other income' or 'other operating costs'.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

The following exchange rates were applied for £1 Sterling at 31 December:

	2014	2013
Hong Kong Dollars	12.10	12.66
Euros	1.28	1.20
Barbadian Dollars	3.12	3.31

(f) Property, plant and equipment

Investment property

Investment property, which is property held to earn rentals or capital appreciation, is initially measured at cost, including related transaction costs, and is then stated at fair value. Changes in the fair value of investment property are included in profits for the year to which they relate. The valuation methods applied are detailed in note 16.

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases is recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less accumulated depreciation and any impairment losses.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included within borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment under finance leases is depreciated over the shorter of the useful life of the asset and lease term.

Depreciation

Depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. Freehold land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings – 50 years
- Leasehold improvements – over the period of the lease
- Furniture and equipment – three to five years
- Motor vehicles – three to five years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(g) Intangible assets

Goodwill

Goodwill has been recognised on acquisitions of subsidiaries and joint ventures. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquiree at the date of acquisition and the value of the non-controlling interest in the acquiree. Acquisition costs are written off to the income statement.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.

In respect of joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the joint venture.

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost arising on an acquisition is recognised in the income statement.

Notes to the financial statements continued

2. Accounting policies continued

(g) Intangible assets continued

Other intangible assets

Intangible assets other than goodwill that are acquired by the Group, principally acquired brands, customer contracts and relationships, computer software, pipeline and other intangibles, are stated at cost less accumulated amortisation, where charged, and impairment losses. Brands are considered to have indefinite lives.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internal costs that are incurred during the development of significant and separately identifiable computer software for use in the business are capitalised where the software is integral to the generation of future economic benefits. Internal costs that are capitalised are limited to incremental costs specific to the project. Other development expenditures that do not meet the criteria for capitalisation are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation

Amortisation is charged to profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful lives are as follows:

- Computer software – one to five years
- Brand names – indefinite life

Assets are tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.

- Customer contacts and relationships – five to ten years
- Pipeline (agreed but un-exchanged house sales at date of acquisition) – three months
- Other intangibles – 25 years

(h) Impairment of non-financial assets

The carrying amounts of the Group's non-current assets are reviewed for impairment annually or whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

In respect of goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. The recoverable amount is the higher of fair value less costs to sell and value in use.

Impairment losses represent the amount by which the carrying value exceeds the recoverable amount; they are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Financial assets

Classification

The Group classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. Loans and receivables comprise mainly cash and cash equivalents and trade and other receivables.

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date: the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables and available-for-sale financial assets are initially recognised at fair value. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

Impairment of financial assets

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net of provisions, such provisions are recorded in a separate provision account with the loss being recognised within other operating costs in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

In the case of assets classified as available for sale, impairment losses are recognised in the consolidated income statement and arise from objective evidence that these assets have declined in value such as a significant or prolonged decline in the fair value of the security below its cost.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less an impairment provision. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities.

2. Accounting policies continued

(l) Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

(m) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest payable while the liability is outstanding.

(n) Options to acquire non-controlling interest
Options to acquire non-controlling interests in the future are initially accounted for at fair value with a corresponding charge directly to equity. Such options are subsequently measured at fair value, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it becomes exercisable. The charge arising is recorded as a finance cost and the liability is shown in other financial liabilities. The risks and rewards of ownership of the non-controlling interests remain with the sellers and therefore the non-controlling interest is recognised by the Group. The put options are contractual puts at the discretion of the sellers.

(o) Pensions
The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Defined contribution plans
The Group pays fixed contributions to separately administered pension insurance plans. The Group has no further obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Defined benefit plans
The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in income.

(p) Share-based payments
The Group operates a number of equity-settled share-based schemes under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. Where the share awards have non-market related performance criteria the Group has used the Binomial Lattice and Black Scholes option valuation models to establish the relevant fair values. Where the share awards have a TSR market related performance criteria the Group has used the Monte Carlo simulation valuation model to establish the relevant fair values (see note 27). The resulting values are amortised through the income statement over the vesting period of the options and other grants.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market conditions and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

(q) Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised in finance costs.

(r) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds. Where the employee benefit trust purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

(s) Revenue

Services rendered
Revenue comprises mainly commission and fees receivable. Commission earned on sales of residential and commercial property is accounted for on the exchange of contracts for such sales. Survey, valuation and conveyancing fees are accounted for on completion of the service being provided. Commission earned on sales of insurance policies, mortgages and related products is accounted for when the policies go on risk or the mortgage is exchanged. Commissions and fees earned under lettings contracts are recognised at the point of delivery of the service. Revenue generated by Surveying Services from panel management contracts is reported net of any fees paid on behalf of panel valuers, reflecting the fact that the Group does not act as the principal in these contracts.

Revenue in respect of consultancy services performed is recognised as activity progresses to reflect the Group's partial performance of its contractual obligations. Activity performance in excess of invoices raised is included within 'amounts due from customers for contract work'. Where amounts have been invoiced in excess of work performed, the excess is included within 'amounts due to customers for contract work'. If the right to consideration is conditional or contingent on a specified future event or outcome, the outcome of which is outside the control of the Group, revenue is not recognised until that critical event occurs.

Under certain service contracts, the Group manages client expenditure and is obliged to purchase goods and services from suppliers and recharge them on to the customer at cost. The amounts charged by suppliers and recharged to clients are excluded from revenue and administrative expenses. Receivables, payables and cash relating to these transactions are included in the balance sheet.

Deferred income
Where the Group receives an amount upfront in respect of future income streams, the value of the receipt is amortised over the period of the contract as the services are delivered and the unexpired element is disclosed in liabilities as deferred income.

(t) Other income
Other income is recognised when its receipt is assured and the Group has no further obligations to any other party in respect of that income. Rental income from sub-let properties is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Dividend income is recognised when the right to receive payment is established.

Notes to the financial statements continued

2. Accounting policies continued

(u) Operating lease payments
Payments under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

(v) Net finance costs

Finance costs

Finance costs comprise interest payable on borrowings (including finance lease commitments), net interest costs on the pension scheme liabilities, the unwinding of the discount rates in respect of financial liabilities and provisions, premiums payable on settlement or redemption and direct issue costs. Interest costs accrue using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and amortised over the period to which the facility relates.

Finance income

Finance income comprises interest receivable on funds invested. Interest income is recognised in profit or loss as it accrues using the effective interest method.

(w) Exceptional items
As permitted by IAS 1 'Presentation and disclosure' certain items are presented separately in the income statement as exceptional where, in the judgement of the directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. Examples of material and non-recurring items which may give rise to disclosure as exceptional items include costs of restructuring existing businesses, integration of newly acquired businesses, asset impairments and costs associated with acquiring new businesses. The columnar presentation of our income statement separates exceptional items, amortisation of intangibles arising on business acquisitions and share-based payments to illustrate consistently the Group's underlying business performance.

(x) Income tax
Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided 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 temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(y) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting to the Governance and Performance Committee which has been identified as the chief operating decision maker.

(z) Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

3. Critical accounting judgements and estimates

The preparation of the Group's consolidated financial statements under IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates, given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

The directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Group's consolidated financial statements.

Professional indemnity provisions
When evaluating the impact of potential liabilities arising from claims against the Group, the Group takes legal and professional advice to assist it in arriving at its estimation of the liability taking into account the probability of the success of any claims and also the likely development of claims based on recent trends.

The Group has made provision for claims received under its professional indemnity insurance arrangements. The provision can be broken down to three categories:

- Reserves for known claims: These losses are recommended by our professional claims handlers and approved panel law firms who take into account all the information available on the claims and recorded on our insurance bordereaux. Where there is insufficient information on which to assess the potential losses, initial reserves may be set at an initial level to cover investigative costs or nil. Further provisions are also made for specific large claims which may be subject to litigation and the directors assess the level of these provisions based on legal advice and the likelihood of success.
- Provision for the losses on known claims to increase: It can take one to two years for claims to develop after they are initially notified to the Group. For this reason, the Group creates a provision based on historical loss rates for closed claims and average losses for closed claims.

3. Critical accounting judgements and estimates continued

Professional indemnity provisions continued

- Provision for incurred but not reported (IBNR): The Group also provides for future liabilities arising from claims IBNR for mortgage valuation reports and home buyer reports performed by the Surveying Services division. This provision is estimated on a future projection of historical data for all claims received based on the number of surveys undertaken to date. This projection takes into account the historic claim rate, claim liability rate and the average loss per claim. In view of the significant events in the financial markets and the UK property market in recent years, the directors have identified a separate sub-population of claims received which is tracked separately from the normal level of claims. This sub-population has been defined as claims received since 2008 for surveys carried out between 2004 and 2007.

The estimate of these provisions by their nature is judgemental. The three key inputs, claim rate, claim liability rate and average loss, are very sensitive to any change in trends.

Claim rate – the number of claims received compared to the number of surveys performed.

During 2014 the number of claims received declined by 60% but it was still higher than expected as we saw an emerging trend of claims greater than six years being submitted. Of the claims received, 69% were for surveys over six years old, the remainder primarily relating to 2008 surveys which approached the end of their six year contractual statute of limitation. Historically, there has been little experience of old claims on which to base any future model; however we have increased the rate in our model going forwards. There is a possible risk that a significant rise in mortgage interest rates could lead to an increase in repossessions and potential losses being incurred by the lenders. But since there are no macro-economic indicators that this is a reasonable likelihood in the short term, the directors do not consider it appropriate to provide for additional claims due to macro-economic changes. But it should be noted that a 5% increase in the claim rate could lead to a £3 million increase in the provision for future claims.

Liability rate – the number of claims closed with a loss compared to the number of closed claims.

A great deal of progress had been made during the year to close the claims in the system. Many of these claims are subject to protracted dealings with legal firms and can not easily be managed. Nevertheless, we experienced an increase in the number of claims resulting in a loss owing to a higher proportion of older and more difficult claims being settled in the year. As we are now resolving the older more complex claims, and the new claims being received for older surveys present more challenges researching the older files and historically available data, we anticipate that the liability rate will increase and have increased the provision accordingly. Since the liability rate is sensitive to changes we have used the average liability rate for claims closed over two years. In 2014 our experience was significantly above historic averages, partly due to a lower number of files being closed. However, post year end the number of claims settled with no loss has resulted in this rate reducing closer to the two year average. If we applied this higher rate derived from a shorter period (i.e. the average claim rate of 2014 and 2015 to date) to all outstanding claims, the provision may need to be increased by £1.2 million. Management does not consider it necessary to make this additional provision because calculating the rate over short period of time increases the distortion arising from short term timing differences arising from administration and legal processes.

Average loss – the average of total incurred losses for closed claims.

For claims relating to the 2004–2007 period, the average loss per claim increased by 14% in 2014. This increase is attributed to the increasing complexity of the remaining claims being closed. We take every effort to mitigate losses and we also operate a very successful accelerated dispute resolution process with our key lenders, agreeing settlements directly and significantly reducing the legal fees. The directors have reviewed this input and consider that the level of change is within normal fluctuations and therefore do not propose to uplift the average loss but note that a 15% increase to the average loss for existing open claims would add £0.8 million to the provision.

Accounting for acquisitions

The Group accounts for all business combinations under the purchase method. Under the purchase method, the identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair value at the acquisition date. Judgements and estimates are made in respect of the measurement of the fair values of assets and liabilities acquired and consideration transferred. Where necessary, the Group engages external valuation experts to advise on fair value estimates, or otherwise performs estimates internally.

Impairment of goodwill and indefinite lived intangible assets

Determining whether goodwill and indefinite lived intangible assets are impaired requires an estimation of the value in use of the cash generating units to which the assets have been allocated. Calculating the cash flows requires the use of judgements and estimates that have been included in our strategic plans and long range forecasts. In addition, judgement is required to estimate the appropriate interest rate to be used to discount the future cash flows. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins. Further details of impairment reviews are set out in note 14.

Accounting treatment of transactions in relation to Zoopla Property Group plc

During 2014 there were a number of transactions undertaken in respect of the Group's holding in Zoopla Property Group Limited shares (classified as available-for-sale at the 2013 year end). Given the interpretation of legal agreements and potential complexity of transactions, each of the transaction stages outlined in the Report of the Audit and Risk Committee on page 50 was subject to review.

Fair value of available-for-sale assets

Available-for-sale (AFS) financial assets are non-derivatives valued on the following basis:

- listed shares held by the Group that are traded on an active market are classified as being AFS and are stated at fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the AFS revaluation reserve with the exception of impairment losses which are recognised directly in profit and loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the AFS revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Share-based payments

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Notes to the financial statements continued

4. Segmental reporting

Management has determined the operating segments based on the operating reports reviewed by the Governance and Performance Committee that are used to assess both performance and strategic decisions. Management has identified that the Governance and Performance Committee is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating segments'.

The Governance and Performance Committee considers the business to be split into seven main types of business generating revenue: Estate Agency, London & Premier, Lettings, Financial Services, Surveying Services, Conveyancing Services and Lambert Smith Hampton divisions, and 'all other segments' comprise central head office functions.

The Estate Agency division generates commission earned on sales of residential and commercial property. The London & Premier division revenue is earned from both estate agency commissions and lettings and management fees. The Lettings division earns fees from the letting and management of residential properties and fees for the management of leasehold properties. The Financial Services division receives commission from the sale of insurance policies, mortgages and related products under contracts with financial service providers. Surveying services comprises surveying and valuation fees which are received primarily under contracts with financial institutions with some survey fees being earned from home buyers. Conveyancing services generates revenue from conveyancing work undertaken from customers buying or selling houses through our network. Lambert Smith Hampton's revenue is earned from commercial property consultancy and advisory services, property management and valuation services. Other income generated by head office functions, relates primarily to sub-let rental income or other sundry fees.

The Governance and Performance Committee assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of exceptional items, share-based payment charges and related National Insurance contributions, management fees and income from joint ventures. Finance income and costs are not allocated to the segments, as this type of activity is driven by the central treasury activities as part of managing the cash position of the Group.

Revenue and other income from external customers arising from activities in the UK was £701,710,000 (2013: £584,047,000) and that arising from activities overseas was £491,000 (2013: £721,000).

The assets and liabilities for each operating segment represent those assets and liabilities arising directly from the operating activities of each division. Pension assets and liabilities and liabilities arising from the term loan and revolving credit facility are not allocated to operating segments, but allocated in full to 'all other segments' within the segmental analysis. All inter-segment pricing is done on an arm's length basis. Non-current assets attributable to the UK of £766,956,000 (2013: £707,903,000) are included in the total assets in the tables on the following pages. Non-current assets of £18,000 (2013: £24,000) are attributable to the overseas operations. The equity investment in joint venture is disclosed within 'all other segments' and is £3,219,000 (2013: £2,913,000).

The available-for-sale financial assets are disclosed within: 'all other segments' £30,957,000 (2013: £42,877,000) and Estate Agency £2,333,000 (2013: £Nil).

There are no differences from the last annual financial statements in the basis of measurement of segment profit or loss.

	2014								
	Estate Agency £'000	London & Premier £'000	Lettings £'000	Financial Services £'000	Surveying Services £'000	Conveyancing Services £'000	Lambert Smith Hampton £'000	All other segments £'000	Total £'000
Revenue	214,246	115,964	128,971	73,426	57,785	27,871	72,640	—	690,903
Other income	1,051	2,911	5,658	1,269	201	699	158	5,160	17,107
Total income	215,297	118,875	134,629	74,695	57,986	28,570	72,798	5,160	708,010
Inter-segment revenue	(4,802)	(32)	—	(975)	—	—	—	—	(5,809)
Total income from external customers	210,495	118,843	134,629	73,720	57,986	28,570	72,798	5,160	702,201
EBITDA before exceptional items	28,195	23,274	39,266	16,386	13,603	9,310	8,357	(17,288)	121,103
Share-based payments	(1,840)	(331)	(704)	(111)	(330)	(159)	(12)	(10,980)	(14,467)
Depreciation and amortisation	(4,841)	(2,961)	(5,255)	(5,444)	(1,891)	(587)	(1,529)	(1,851)	(24,359)
Share of profit from joint venture	—	—	—	—	—	—	—	813	813
Exceptional income	—	—	—	—	—	—	—	17,098	17,098
Exceptional costs	—	—	—	—	(15,241)	—	—	—	(15,241)
Segment operating profit/(loss)	21,514	19,982	33,307	10,831	(3,859)	8,564	6,816	(12,208)	84,947
Finance income									285
Finance costs									(5,584)
Profit before tax									79,648
Total assets	172,968	146,445	155,826	128,972	187,150	66,376	70,932	(34,468)	894,201
Total liabilities	64,897	28,953	24,612	21,523	33,898	6,099	32,436	150,215	362,633
Additions in the year									
Goodwill	2,472	6,891	27,680	—	—	1,083	600	—	38,726
Intangible assets	3,455	1,663	8,096	343	1,349	537	332	1,418	17,193
Property, plant and equipment	6,555	6,263	867	1,237	424	172	1,132	7,650	24,300

4. Segmental reporting continued

	2013								
	Estate Agency £'000	London & Premier £'000	Lettings £'000	Financial Services £'000	Surveying Services £'000	Conveyancing Services £'000	Lambert Smith Hampton £'000	All other segments £'000	Total £'000
Revenue	196,315	113,081	107,902	64,219	53,495	24,728	16,544	—	576,284
Other income	1,095	2,606	4,613	1,650	126	967	38	2,809	13,904
Total income	197,410	115,687	112,515	65,869	53,621	25,695	16,582	2,809	590,188
Inter-segment revenue	(4,442)	(53)	—	(925)	—	—	—	—	(5,420)
Total income from external customers	192,968	115,634	112,515	64,944	53,621	25,695	16,582	2,809	584,768
EBITDA before exceptional items	16,131	24,176	28,624	12,213	11,834	8,435	2,304	(17,087)	86,630
Management fee	—	—	—	—	—	—	—	(359)	(359)
Share-based payments	(1,036)	(130)	(415)	(35)	(147)	(91)	—	(7,216)	(9,070)
Depreciation and amortisation	(3,085)	(2,479)	(4,294)	(5,358)	(1,573)	(398)	(250)	(1,750)	(19,187)
Share of profit from joint venture	—	—	—	—	—	—	—	1,015	1,015
Exceptional income	—	—	—	—	—	—	—	2,534	2,534
Exceptional costs	(86)	(116)	(395)	(20)	(57)	—	—	(4,889)	(5,563)
Segment operating profit/(loss)	11,924	21,451	23,520	6,800	10,057	7,946	2,054	(27,752)	56,000
Finance income									931
Finance costs									(18,806)
Profit before tax									38,125
Total assets	184,586	153,269	124,039	123,680	193,702	65,100	61,489	(69,759)	836,106
Total liabilities	66,993	29,431	26,047	24,242	30,980	5,031	30,953	101,189	314,866
Additions in the year									
Goodwill	—	—	19,344	—	—	—	3,973	—	23,317
Intangible assets	947	319	5,338	582	1,624	927	37,169	6,588	53,494
Property, plant and equipment	5,302	1,868	2,534	46	303	44	854	5,908	16,859

5. Other income

	2014 £'000	2013 £'000
Rent receivable	1,569	1,064
Dividend income on available-for-sale financial assets	1,395	1,536
Other operating income	14,143	11,304
	17,107	13,904

Other operating income comprises a number of items, but principally relates to income arising from client accounting taxation services and commission earned on energy performance certification.

6. Employees and directors

(a) Employee costs for the Group during the year

	2014 £'000	2013 £'000
Wages and salaries	336,799	287,996
Share options granted to directors and employees (note 27)	12,860	7,360
Defined contribution pension cost (note 25)	5,637	4,804
Defined benefit scheme costs	105	124
Social security costs	37,393	32,322
	392,794	332,606

Notes to the financial statements continued

6. Employees and directors continued

(a) Employee costs for the Group during the year continued

Average monthly number of people (including executive directors) employed:

By business segment	2014 Number	2013 Number
Estate Agency	3,760	3,612
London & Premier	1,208	1,119
Lettings	2,217	1,897
Financial Services	998	904
Surveying Services	650	547
Conveyancing Services	389	355
Lambert Smith Hampton	904	210
Head office	203	182
	10,329	8,826

(b) Key management compensation

The following table details the aggregate compensation paid in respect of the members of the Governance and Performance Committee including the executive directors.

	2014 £'000	2013 £'000
Wages and salaries	4,032	4,115
Short term non-monetary benefits	52	62
Share-based payments	9,427	5,989
Post-employment benefits	134	129
	13,645	10,295

7. Other operating costs

	2014 £'000	2013 £'000
Rent	27,320	26,134
Advertising and marketing expenditure	19,698	16,937
Vehicles, plant and equipment hire	17,536	15,792
Other motoring costs	13,293	11,171
Repairs and maintenance	7,081	5,284
Trade receivables impairment	1,181	1,099
Profit on disposal of business	(2,133)	—
Profit on revaluation of investment property	(218)	—
(Profit)/loss on disposal of plant, property and equipment	(4)	106
Other	119,017	98,438
Total operating costs	202,771	174,961

Services provided by the Company's auditor and network firms

During the year the Company (including its overseas subsidiaries) obtained the following services from the Company's auditor at costs as detailed below:

	2014 £'000	2013 £'000
Fees payable to the Company's auditors and their associates for the audit of the consolidated financial statements	135	154
Fees payable to the Company's auditors and their associates for other services:		
– the audit of the Company's subsidiaries	421	347
– audit related assurance services	44	44
– non-audit services (of which £1 million relates to IPO related services in 2013)	20	1,054
– tax advisory services	60	48
– services relating to corporate finance transactions entered into or proposed to be entered into on behalf of the Company	97	152
	777	1,799

8. Finance costs

	2014 £'000	2013 £'000
Interest costs:		
Interest payable on borrowings	141	642
Interest payable on term loan/loan notes (including £2.5 million of exceptional items in 2013 – see note 10)	2,899	13,107
Interest payable on revolving credit facility	525	416
Interest arising from finance leases	581	328
Other interest paid	42	625
Cash payable interest	4,188	15,118
Amortisation of loan facility fee (including £2.0 million of exceptional items in 2013 – see note 10)	1,160	3,243
Net interest costs arising on the pension scheme	158	255
Other finance costs	78	190
Non-cash payable interest	1,396	3,688
Finance costs	5,584	18,806

9. Finance income

	2014 £'000	2013 £'000
Interest income	285	931

10. Exceptional items

The following items have been included in arriving at profit/(loss) before taxation:

	2014 £'000	2013 £'000
Exceptional income		
Profit on disposal of available-for-sale financial assets	14,564	—
Deferred income amortisation arising from fair valuation of Zoopla shares crystallised upon the merger in May 2012	2,534	2,534
	17,098	2,534
Exceptional costs		
IPO related		
Exceptional costs charged to operating profit		
Costs incurred in relation to the IPO	—	(3,979)
Share-based payment cost in relation to accelerated management incentive plan	—	(694)
Exceptional costs charged to finance costs		
Early redemption penalty incurred on redemption of £250 million Senior Secured Notes	—	(2,500)
Accelerated amortisation of capitalised finance costs relating to cancelled facilities	—	(2,042)
	—	(9,215)
Non-IPO related		
Exceptional costs charged to operating profit		
Insurance claims and litigations	(15,241)	—
Acquisition expenses	—	(890)
Total exceptional costs	(15,241)	(10,105)
Net exceptional income/(costs)	1,857	(7,571)

2014

Exceptional income

During 2014 there has been continued amortisation of the deferred income in relation to Zoopla warrants detailed below which will continue to unwind over the period to 31 December 2015.

In addition, the Group disposed of a significant proportion of its shareholding in Zoopla Property Group plc as part of the IPO process in June 2014 and the associated profit is disclosed above.

Exceptional costs

As part of the year-end process in 2014, the Group performed a detailed review of the latest data and trends on professional indemnity (PI) costs and believed that it was prudent to increase the provision for PI claims accordingly. The key elements behind this charge are an unexpected level of claims brought about under common law outside of the primary statutory limitation period, rather than under contract law, together with a slight deterioration of claims previously notified and an increase in the average loss per claim. Further information can be found in note 3 – Critical accounting judgements.

Notes to the financial statements continued

10. Exceptional items continued

2013

Exceptional income

In May 2012 Zoopla merged with The Digital Property Group crystallising a number of warrants, which were granted to the Group under an agreement to list properties on the Zoopla website, which converted to ordinary shares. At the merger date, the Group fair valued these shares at £12.2 million. The shares were consideration for services provided to Zoopla over a period of time to 2015 and therefore recognised as deferred income. The deferred income is being amortised to the income statement over the period to 2015 and the income recognised relates to one year of amortisation.

Exceptional costs

In March 2013 the Group was listed on the London Stock Exchange under a new holding company, Countrywide plc. The costs charged to the income statement relate to costs incurred as a result of the listing but not directly related to the issue of new shares. These costs include such items as marketing expenditure, executive search and selection and additional PAYE and NI triggered due to payments before the tax year end.

In May 2013 the Group repaid the £250 million Senior Secured Notes; as a result of the early redemption a penalty charge of £2.5 million was incurred. At the same time, the existing revolving credit facility was cancelled and these events triggered the acceleration of previously capitalised finance costs.

Acquisition expenses principally relate to the costs of acquisition of Lambert Smith Hampton which, as a material acquisition in the current year, has been treated as exceptional.

11. Taxation

Analysis of charge in year

	2014 £'000	2013 £'000
Current tax on profits for the year	17,241	7,521
Adjustments in respect of prior years	(701)	(1,894)
Total current tax	**16,540**	5,627
Deferred tax on profits for the year		
Origination and reversal of temporary differences	(3,747)	1,385
Impact of change in tax rate	(1,219)	(2,230)
Adjustments in respect of prior years	138	(950)
Total deferred tax (note 24)	**(4,828)**	(1,795)
Income tax charge	**11,712**	3,832

	2014 £'000	2013 £'000
Tax on items (charged)/credited to equity		
Deferred tax adjustment arising on share-based payments	(369)	1,235
Tax on items credited/(charged) to other comprehensive income		
Deferred tax adjustment arising on the pension scheme assets and liabilities	507	(137)

The tax charge for the year differs from the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	79,648	38,125
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 21.49% (2013: 23.25%)	17,116	8,864
Effects of:		
Profits from joint venture	(175)	(236)
Other expenses not deductible	1,459	1,419
Permanent difference relating to depreciation not deductible	231	104
Tax relief on purchased goodwill	(302)	(273)
Utilisation of unprovided losses	—	(18)
Rate change on deferred tax provision	(1,219)	(2,230)
Income not subject to tax due to availability of capital losses	(4,850)	(962)
Adjustments in respect of prior years	(563)	(2,844)
Overseas losses	15	8
Total taxation charge	**11,712**	3,832

The changes to the main rate of corporation tax for UK companies announced in the March 2013 Budget were substantively enacted for financial reporting purposes on 2 July 2013. The main rate of corporation tax will further reduce to 20% from 1 April 2015.

The relevant deferred tax balances have been remeasured using a rate of 20%.

12. Dividends

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2013 of 6.0 pence (net) per share	13,167	—
– interim dividend for the year ended 31 December 2014 of 5.0 pence (net) per share (2013: 2.0 pence (net) per share)	10,972	4,389
– special dividend for the year ended 31 December 2014 of 9.0 pence (net) per share	19,750	—
Total	43,889	4,389

A final dividend in respect of the year ended 31 December 2014 of 10.0 pence (net) per share, amounting to an estimated total dividend of £21.9 million, is to be proposed at the annual general meeting (AGM) on 29 April 2015. In accordance with IAS 10 'Events after the balance sheet date', dividends declared after the balance sheet date are not recognised as a liability in these financial statements.

13. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares of Countrywide plc and, for periods prior to 25 March 2013, the weighted average number of Countrywide Holdings, Ltd shares as converted into Countrywide plc shares.

	2014 £'000	2013 £'000
Profit for the year attributable to owners of the parent	67,477	33,872
Weighted average number of ordinary shares in issue	218,811,538	204,968,140
Basic earnings per share (in pence per share)	30.84p	16.53p

For diluted earnings per share, the weighted average number of ordinary shares in existence is adjusted to include all dilutive potential ordinary shares arising from share options.

	2014 £'000	2013 £'000
Profit for the year attributable to owners of the parent	67,477	33,872
Weighted average number of ordinary shares in issue	218,811,538	204,968,140
Adjustment for weighted average number of contingently issuable share options	6,047,243	1,275,640
Weighted average number of ordinary shares for diluted earnings per share	224,858,781	206,243,780
Diluted earnings per share (in pence per share)	30.01p	16.42p
Adjusted earnings		
Profit for the year attributable to owners of the parent	67,477	33,872
Adjusted for the following items, net of taxation:		
Amortisation arising on intangibles recognised through business combinations	5,990	2,738
Share-based payments charge	10,326	6,508
NI on share-based payments charge	1,607	1,351
Exceptional income	(17,098)	(2,534)
Exceptional costs	11,966	4,502
Exceptional finance costs	—	3,487
Adjusted earnings, net of taxation	80,268	49,924
Adjusted basic earnings per share (in pence per share)	36.68p	24.36p
Adjusted diluted earnings per share (in pence per share)	35.70p	24.21p

14. Intangible assets

(a) Goodwill

	2014 £'000	2013 £'000
Cost		
At 1 January	797,190	773,873
Arising on acquisitions (note 29)	38,726	23,317
Disposals	(64)	—
At 31 December	835,852	797,190
Accumulated impairment (note 14(c))		
At 1 January	417,356	417,356
Charge for the year	—	—
At 31 December	417,356	417,356
Net book amount		
At 31 December	418,496	379,834

Notes to the financial statements continued

14. Intangible assets continued

(b) Other intangible assets

	2014					
	Computer software £'000	Brand names £'000	Customer contracts and relationships £'000	Pipeline £'000	Other intangibles £'000	Total £'000
Cost						
At 1 January	56,856	216,012	102,408	4,647	1,272	381,195
Acquisitions through business combinations (see note 29)	—	2,727	7,850	512	—	11,089
Additions	6,104	—	—	—	—	6,104
Disposals	(212)	—	—	—	(1,272)	(1,484)
At 31 December	62,748	218,739	110,258	5,159	—	396,904
Accumulated amortisation and impairment losses						
At 1 January	44,083	33,844	63,022	4,647	187	145,783
Charge for the year	4,423	—	9,568	512	32	14,535
On disposals	(191)	—	—	—	(219)	(410)
At 31 December	48,315	33,844	72,590	5,159	—	159,908
Net book amount						
At 31 December	14,433	184,895	37,668	—	—	236,996

Computer software includes the following amounts where the Group is a lessee under a finance lease:

	2014 £'000	2013 £'000
Cost – capitalised finance lease	6,381	6,360
Accumulated depreciation	(532)	—
Net book amount	5,849	6,360

	2013					
	Computer software £'000	Brand names £'000	Customer contracts and relationships £'000	Pipeline £'000	Other intangibles £'000	Total £'000
Cost						
At 1 January	45,354	187,635	88,955	4,647	1,272	327,863
Acquisitions through business combinations	166	28,377	13,453	—	—	41,996
Additions	11,498	—	—	—	—	11,498
Disposals	(162)	—	—	—	—	(162)
At 31 December	56,856	216,012	102,408	4,647	1,272	381,195
Accumulated amortisation and impairment losses						
At 1 January	40,584	33,844	54,952	4,647	136	134,163
Charge for the year	3,660	—	8,070	—	51	11,781
On disposals	(161)	—	—	—	—	(161)
At 31 December	44,083	33,844	63,022	4,647	187	145,783
Net book amount						
At 31 December	12,773	182,168	39,386	—	1,085	235,412

All amortisation charges have been treated as an expense in the income statement. Brand names are treated as having an indefinite life, as a result of the fact that the Group will continue to operate these brands into perpetuity and they are therefore subject to annual impairment reviews.

14. Intangible assets continued

(b) Other intangible assets continued

The carrying amounts of various brand names owned by the Group have been disclosed below. No amortisation has been disclosed as brands are considered to have an indefinite life and as such are tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.

	2014 £'000	2013 £'000
Brand names		
Bairstow Eves	17,173	17,173
John D Wood	14,464	14,464
Mann & Co	9,418	9,418
Slater Hogg & Howison	9,709	9,709
Taylors Estate Agents	10,071	10,071
Hamptons International	58,774	58,774
Blundell Property Services	6,494	6,494
Lambert Smith Hampton	28,377	28,377
	154,480	154,480
Other brands	30,415	27,688
Net book value	184,895	182,168

(c) Impairment

Due to the severe financial crisis originating in 2008 the following impairment charges have arisen in prior years:

	Goodwill £'000	Brand names £'000	Computer software £'000	Total £'000
Estate Agency	227,156	33,844	—	261,000
Lettings	16,300	—	—	16,300
Financial Services	106,100	—	—	106,100
Surveying Services	40,000	—	10,500	50,500
Conveyancing Services	27,800	—	—	27,800
	417,356	33,844	10,500	461,700

Goodwill and indefinite life intangible assets are allocated to cash generating units and have been allocated to the lowest level of reporting unit. In many cases, the operations of the acquired businesses have been fully integrated with the existing businesses and therefore it is not possible to identify separately the economic flows from those businesses. In these cases the goodwill and indefinite life intangible assets have been tested against the recoverable amount of the cash generating unit reported at the higher level.

The goodwill and indefinite life intangible assets have been allocated to cash generating units as follows:

2014	Estate Agency £'000	Lettings £'000	Financial Services £'000	Surveying Services £'000	Conveyancing Services £'000	London & Premier £'000	Lambert Smith Hampton £'000	Total £'000
Goodwill	5,467	123,921	75,900	132,890	41,782	33,963	4,573	418,496
Indefinite life intangible assets	82,053	1,227	—	—	—	73,238	28,377	184,895
	87,520	125,148	75,900	132,890	41,782	107,201	32,950	603,391

2013	Estate Agency £'000	Lettings £'000	Financial Services £'000	Surveying Services £'000	Conveyancing Services £'000	London & Premier £'000	Lambert Smith Hampton £'000	Total £'000
Goodwill	3,059	96,241	75,900	132,890	40,699	27,072	3,973	379,834
Indefinite life intangible assets	80,553	—	—	—	—	73,238	28,377	182,168
	83,612	96,241	75,900	132,890	40,699	100,310	32,350	562,002

The recoverable amount of all the above operations has been calculated using the value in use calculation determined from cash flow projections from formally approved budgets and forecasts covering a three year period to 2017 followed by modelled forecasts for two years to 2019 (2013: five years to 2018). The growth rates applied in the approved budgets and forecasts are based on past experience and outlook. The discount rate used is based on the Group's estimated cost of capital. To evaluate the recoverable amount of each division, a terminal value has been assumed from the fifth year and includes a growth rate in the cash flows of 0% (2013: 0%) into perpetuity.

Notes to the financial statements continued

14. Intangible assets continued

(c) Impairment continued

Under IAS 36 'Impairment of assets', the Group is required to:

- review its intangible assets in the event of a significant change in circumstances that would indicate potential impairment. The reviews conducted at the end of 2014 concluded that there had been no further impairment of goodwill (2013: £Nil); and
- review and test its goodwill and indefinite life intangible assets annually each year or in the event of a significant change in circumstances. The impairment reviews conducted at the end of 2014 concluded that there had been no further impairment of goodwill or indefinite life intangible assets (2013: £Nil).

The impairment review for 2014 was conducted in accordance with IAS 36 'Impairment of assets' by estimating the value in use of each of the cash generating units based on the following assumptions which management believes are appropriate given the 2015 budget and forecast for future years:

- the housing market remains flat during 2015, followed by modest growth of 3% in each of 2016 and 2017. Thereafter no growth has been assumed;
- the pre-tax discount rate was calculated to be 8% (2013: 8%);
- the benefits of past restructuring changes have been taken into account where there is appropriate certainty over cost reductions; and
- the cash flows from professional indemnity claims were included in the Surveying Services division.

Based on the impairment test performed at 31 December 2014, there was no impairment of goodwill and indefinite life intangible assets required.

Sensitivity analysis

The key assumption driving the value in use calculations is the growth rate of the housing transaction volumes. Therefore, as part of the sensitivity analysis, management has considered the impact of applying a nil growth rate to the volume of housing transactions in 2015 and beyond and no growth in performance. The results indicated that with no growth in housing transaction volumes in 2015 and beyond, the Surveying Services division's goodwill would be impaired by £37 million (2013: £27 million) largely as a result of increased professional indemnity liabilities. Given that this division has secured additional contracts during the year and has plans in place for improved growth and efficiencies not wholly dependent on housing market transaction volumes, the directors do not consider that this impairment scenario is a likely outcome.

Sensitivity analysis was also undertaken in respect of the discount rate applied within the value in use calculations and significant headroom was available for movements in the discount rate applied, such that no potential impairments were identified.

15. Property, plant and equipment

	2014					
	Land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Furniture and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost						
At 1 January	2,192	28,781	444	55,001	—	86,418
Acquisition of subsidiaries (note 29)	—	—	22	372	—	394
Additions at cost	—	4,280	262	13,835	5,529	23,906
Disposals	(99)	(524)	(150)	(1,304)	—	(2,077)
At 31 December	2,093	32,537	578	67,904	5,529	108,641
Accumulated depreciation						
At 1 January	341	16,767	14	37,823	—	54,945
Charge for the year	23	2,594	122	7,085	—	9,824
Disposals	(24)	(429)	(79)	(1,119)	—	(1,651)
At 31 December	340	18,932	57	43,789	—	63,118
Net book amount						
At 31 December	1,753	13,605	521	24,115	5,529	45,523

Assets in the course of construction with a value of £5,529,000 relate principally to branch refurbishments in progress for which no depreciation has been charged. Depreciation will commence during 2015 when the assets enter operational use.

15. Property, plant and equipment continued

	2013				
	Land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Furniture and equipment £'000	Total £'000
Cost					
At 1 January	4,103	23,825	122	51,142	79,192
Acquisition of subsidiaries (note 29)	—	107	84	1,100	1,291
Additions at cost	—	5,512	276	9,780	15,568
Transfers	—	(270)	9	261	—
Disposals	(1,911)	(393)	(47)	(7,282)	(9,633)
At 31 December	2,192	28,781	444	55,001	86,418
Accumulated depreciation					
At 1 January	930	15,157	16	39,493	55,596
Charge for the year	32	1,767	43	5,564	7,406
Disposals	(621)	(157)	(45)	(7,234)	(8,057)
At 31 December	341	16,767	14	37,823	54,945
Net book amount					
At 31 December	1,851	12,014	430	17,178	31,473

Furniture and equipment includes the following amounts in respect of computer hardware where the Group is a lessee under a finance lease:

	2014 £'000	2013 £'000
Cost – capitalised finance lease	12,062	7,029
Accumulated depreciation	(1,829)	(843)
Net book amount	**10,233**	6,186

The Group leases various assets, principally computer hardware and related costs, under finance lease agreements whose terms are between three and eight years.

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred, relating to 2015 and the three subsequent years, is as follows:

	2014 £'000	2013 £'000
Property, plant and equipment	3,688	7,139

16. Investment property

	£'000
At 1 January 2014	—
Additions	13,017
Revaluation	218
At 31 December 2014	**13,235**

Investment property acquired, which is property held to earn rentals or capital appreciation, is stated at its fair value. Gains arising from changes in the fair value of investment property are included in profits for the year to which they relate. On 23 October 2014, the investment property has been transferred into a separate, unlisted, residential property fund, Albion PRS Investments Unit Trust. In exchange, the Group received units in the property fund. The full independent fund structure, effectively removing any exercise of control to an independent trustee, was not in operation at the year end and is due to be in place during the first half of 2015.

As a result, the assets are being consolidated and reflected directly within investment property. However, this asset holding will be transferred to available-for-sale financial assets on completion of the independent fund structure and loss of control of the structure.

The fair value of the investment property at 31 December 2014 has been arrived at on the basis of a valuation carried out at that date by CBRE Limited, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards. The fair value was determined based on comparable market transactions on arm's length terms and has been based on the Market Rent valuation technique. The fair value hierarchy of the investment property has been deemed to be Level 2.

Notes to the financial statements continued

17. Investments

(a) Principal subsidiary undertakings of the Group

The Company substantially owns directly or indirectly the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings, most of which are incorporated in Great Britain, and whose operations are conducted in the United Kingdom. Principal subsidiary undertakings of the Group at 31 December 2014 are presented below:

Subsidiary	Nature of business	Country of incorporation	Proportion of ordinary shares held by parent %	Proportion of ordinary shares held by the Group %
Countrywide Holdings, Ltd	Holding company	Cayman Islands	100	100
Countrywide Group plc	Holding company	UK	—	100
Balanus Limited	Holding company	UK	—	100
Estate Agency and Lettings				
Countrywide Estate Agents	Estate Agency and Lettings	UK	—	100
London & Premier				
Hamptons Group Limited	Holding company	UK	—	100
Hamptons Estates Limited	Estate Agency and Lettings	Hong Kong	—	100
Surveying Services				
Countrywide Surveyors Limited	Surveying Services	UK	—	100
Countrywide Social Housing Limited	Surveying Services	UK	—	58
United Surveyors Limited	Surveying Services	UK	—	100
Conveyancing Services				
Countrywide Property Lawyers Limited	Conveyancing Services	UK	—	100
TitleAbsolute Limited	Conveyancing Services	UK	—	100
Financial Services				
Countrywide Principal Services Limited	Financial Services	UK	—	100
Slater Hogg Mortgages Limited	Financial Services	UK	—	100
Mortgage Intelligence Limited	Financial Services	UK	—	100
Mortgage Next Limited	Financial Services	UK	—	100
Capital Private Finance Limited	Financial Services	UK	—	51
Life and Easy Limited	Financial Services	UK	—	100
Lambert Smith Hampton				
Lambert Smith Hampton Limited	Property consultancy	UK	—	100
Lambert Smith Hampton Limited (N Ireland)	Property consultancy	UK	—	100
Lambert Smith Hampton Group Limited	Property consultancy	UK	—	100

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings at 31 December 2014 will be annexed to the Company's next annual return.

Summary financial information for subsidiaries that have non-controlling interests is presented below:

	Countrywide Social Housing Limited		Capital Private Finance Limited	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Current assets	327	871	470	316
Non-current assets	3	3	5	5
Current liabilities	(67)	(441)	(209)	(160)
Non-current liabilities	—	—	(103)	(54)
Net assets	263	433	163	107
Revenues	877	1,069	1,889	1,453
Net profit	139	306	490	299
Dividends paid	309	321	435	260

17. Investments continued

(b) Interests in joint venture

TM Group (UK) Limited

At 31 December 2014 the Group had a 33% (2013: 33%) interest in the ordinary share capital TM Group (UK) Limited (TMG) a UK company. TMG has share capital consisting solely of ordinary shares and is a private company with no quoted market price available for its shares. TMG is one of the largest companies in the provision of searches to the property companies sector (measured by completed searches). It delivers a range of property searches and data to land and property professionals in the UK, arranges for property searches directly with specific suppliers on behalf of its own customers, and has also started to supply IT applications and products to UK mortgage lenders.

There are no outstanding commitments or contingent liabilities relating to the Group's interest in the joint venture.

During the year, TMG was a joint venture company.

	2014 £'000	2013 £'000
At 1 January:		
– net assets excluding goodwill	1,433	1,196
– goodwill	1,480	1,480
	2,913	2,676
Dividend received	(507)	(778)
Share of profits retained	813	1,015
At 31 December:		
– net assets excluding goodwill	1,739	1,433
– goodwill	1,480	1,480
	3,219	2,913

The summarised financial information of TM Group (UK) Limited, which is accounted for using the equity method, is presented below:

	2014 £'000	2013 £'000
Cash and equivalents	5,715	5,239
Other current assets (excluding cash)	2,474	2,074
Total current assets	8,189	7,313
Non-current assets	712	387
Current liabilities	(3,684)	(3,400)
Net assets	5,217	4,300
Net assets adjusted for the percentage of ownership	1,739	1,433
Income	59,283	51,942
Depreciation	(166)	(157)
Expenses (excluding depreciation)	(56,726)	(48,780)
Interest income	48	40
Post-tax results	2,439	3,045
Share of post-tax results	813	1,015

There is no other comprehensive income arising in the joint venture in either year.

(c) Available-for-sale financial assets

	2014 £'000	2013 £'000
At 1 January	42,877	14,370
Zoopla shares purchased for cash	2,090	1,054
Zoopla shares acquired on crystallisation of warrants	2,835	—
Disposal of Zoopla shares	(17,786)	—
Acquisition of shares in unlisted equity and debentures	96	—
Movement in fair value	3,200	27,475
Amortisation	(22)	(22)
At 31 December	33,290	42,877

Notes to the financial statements continued

17. Investments continued

(c) Available-for-sale financial assets continued

Available for sale financial assets, which are all Sterling denominated, include the following:

	2014 £'000	2013 £'000
Listed equity securities: Zoopla plc	33,165	—
Unlisted securities Zoopla Property Group Limited	—	42,824
Unlisted equity	60	20
Wimbledon debentures (acquired and amortised over the life of the debenture)	65	31
At 31 December	33,290	42,877

In May 2012, Zoopla merged with The Digital Property Group and as a result crystallised some warrants into shares which were due under an arm's length commercial agreement. The fair value of these shares was assessed based on the most recent price paid for shares. As a result of acquiring the additional shares for a nominal price and the fact that these shares were issued to the Group as part of the commercial agreement signed in 2010 to list the Group's properties for sale and rent on the Zoopla website, the excess in the assessed fair value, of these shares on initial recognition, over the nominal cost has been treated as deferred income and is being released over the period of the contract ending in 2015. The amount released to the income statement is disclosed in note 10 and the amount held on the balance sheet as deferred income is identified in note 22.

In June 2014, Zoopla plc listed on the London Stock Exchange and as a result crystallised some additional warrants into shares which were due under a further commercial agreement signed in 2014 to extend the listing period on the Zoopla website. The excess in the assessed fair value of these shares on initial recognition, over the nominal cost, has been treated as deferred income (£2,835,000) and will be released over the three year period of the contract from 2016 to 2018 (see note 22).

18. Trade and other receivables

	2014 £'000	2013 £'000
Amounts falling due within one year		
Trade receivables not past due	42,512	44,450
Trade receivables past due but not impaired	22,818	19,002
Trade receivables past due but impaired	4,165	3,848
Trade receivables	69,495	67,300
Less: provision for impairment of receivables	(4,165)	(3,848)
Trade receivables – net	65,330	63,452
Amounts due from customers for contract work	1,251	1,346
Other receivables	14,243	8,670
Prepayments and accrued income	17,820	18,386
	98,644	91,854

Trade and other receivables are all current and any fair value difference is not material. Trade receivables are considered past due once they have passed their contracted due date. Trade receivables are reviewed for impairment if they are past due beyond 90 days for individual customers or 180 days for commercial contracts. Further information in respect of financial assets, including credit risk, is provided in note 34.

As at 31 December 2014, trade receivables of £22,818,000 (2013: £19,002,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 £'000	2013 £'000
3–6 months	11,974	10,148
Over 6 months	10,884	8,854
	22,818	19,002

Trade and other receivables are denominated in Pounds Sterling with the exception of £252,000 (2013: £698,000) which are receivable in Hong Kong Dollars.

A summary of the movement in the provision for impairment of receivables is detailed below:

	2014 £'000	2013 £'000
As at 1 January	3,848	4,993
Additional provisions (note 7)	1,181	1,099
Amounts used	(864)	(2,244)
As at 31 December	4,165	3,848

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

19. Cash and cash equivalents

	2014 £'000	2013 £'000
Cash and cash equivalents		
Cash at bank and in hand	16,578	20,675
Short term bank deposits	12,005	15,650
	28,583	36,325

Of the short term bank deposits, a number were interest bearing within the following range: 2014: 0.5%–0.55% (2013: 0.5%–1.5%).

The following amounts were held in foreign currencies:

	2014 £'000	2013 £'000
Hong Kong Dollars	134	51
Barbadian Dollars	121	121
	255	172

20. Trade and other payables

	2014 £'000	2013 £'000
Trade payables	13,875	13,625
Other financial liabilities	2,560	4,955
Deferred consideration	5,103	2,174
	21,538	20,754
Other tax and social security payable	26,988	28,755
Accruals and other payables	65,130	63,912
	113,656	113,421
Trade and other payables due within one year	109,312	106,286
Trade and other payables due after one year	4,344	7,135
	113,656	113,421

The principal component of trade and other payables due after one year are: other financial liabilities in relation to put options £2,560,000 (2013: £4,955,000) and accrued National Insurance as share-based payment charges of £613,000 (2013: £1,710,000).

At 31 December 2014, other financial liabilities include put options of £2,560,000 (2013: £4,955,000) to acquire the non-controlling interests in entities acquired in 2011 (see note 17(a)). These financial liabilities are held at the present value of the expected redemption amount, which is based on management's expectation of performance, consistent with operating plans approved.

These options are exercisable as follows:

	2014 £'000	2013 £'000
Exercisable 2014	—	780
Exercisable 2016	2,560	4,175
	2,560	4,955

The fair value of financial liabilities approximates their carrying value due to short maturities. Financial liabilities are denominated in Pounds Sterling with the exception of £135,000 (2013: £Nil).

Notes to the financial statements continued

21. Borrowings

	2014 £'000	2013 £'000
Non-current		
Bank borrowings	80,000	70,000
Other loans	1,000	1,000
Capitalised banking fees	(1,613)	(1,960)
Finance lease liabilities	7,563	8,217
	86,950	77,257
Current		
Bank borrowings	40,000	5,000
Finance lease liabilities	4,760	2,487
	44,760	7,487
Total borrowings	131,710	84,744

Analysis of net debt

	At 1 January 2014 £'000	Cash flow £'000	Non-cash changes £'000	At 31 December 2014 £'000
Cash and cash equivalents	36,325	(7,742)	—	28,583
Capitalised banking fees	1,960	813	(1,160)	1,613
Loan notes	(1,000)	—	—	(1,000)
Term loan due after one year	(70,000)	(25,000)	15,000	(80,000)
Term loan due within one year	(5,000)	—	(15,000)	(20,000)
Revolving credit facility due within one year	—	(20,000)	—	(20,000)
Finance leases due after one year	(8,217)	—	654	(7,563)
Finance leases due within one year	(2,487)	4,521	(6,794)	(4,760)
Total	(48,419)	(47,408)	(7,300)	(103,127)

Borrowings and other loans

On 20 February 2014 the Company amended and extended the existing facilities, drawing down an additional £25 million term loan, and entered into a £150 million (2013: £100 million) Term and Revolving Credit Facility Agreement which terminates in March 2017, for which there are no assets pledged as security. The facilities are split between £100 million Term Loan and £50 million Revolving Credit Facility (RCF). The term loan is repaid by instalments: £20 million on 20 March 2015, £25 million on 20 March 2016, £55 million balance due on termination on 20 March 2017. Interest is payable based on LIBOR plus a margin of 1.75%. The margin is linked to the leverage ratio of the Group and the margin rate is reviewed annually. The RCF is available for utilisation subject to satisfying fixed charge and leverage covenants, and was drawn down by £20 million at the year end.

The unsecured loan notes are non-interest bearing, repayable in 2029, and arose on the purchase of Mortgage Intelligence Holdings Limited.

Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Gross finance lease liabilities – minimum lease payments:

	2014 £'000	2013 £'000
No later than one year	5,087	2,811
Later than one year and no later than five years	8,444	8,334
Later than five years	—	592
	13,531	11,737
Future finance charges on finance lease liabilities	(1,208)	(1,033)
Present value of finance lease liabilities	12,323	10,704

The present value of finance lease liabilities is as follows:

	2014 £'000	2013 £'000
No later than one year	4,760	2,487
Later than one year and no later than five years	7,563	7,647
Later than five years	—	570
	12,323	10,704

22. Deferred income

Deferred income will unwind as follows:

	2014 Cash £'000	2014 Non-cash £'000	2014 Total £'000	2013 Total £'000
Within one year	3,174	2,534	5,708	6,872
After one year:				
Between one and two years	3,076	945	4,021	5,189
Between two and three years	1,050	945	1,995	1,958
Between three and four years	—	945	945	1,146
Between four and five years	—	—	—	4
	4,126	2,835	6,961	8,297
	7,300	5,369	12,669	15,169

The Group recognises deferred income as a result of cash received in advance in relation to certain sales distribution contracts and lease incentives relating to the Group's operating leases. The cash received is amortised over the life of the contracts to which they relate.

Non-cash proportion of deferred income relates to unamortised income portion created on acquisition of shares in Zoopla. This deferred income is being amortised over the period of the commercial agreements which gave rise to these assets (refer to notes 10 and 17).

23. Provisions

2014	Onerous contracts £'000	Property repairs £'000	Clawback £'000	Claims and litigation £'000	Other £'000	Total £'000
At 1 January	1,943	4,276	2,857	32,909	3,130	45,115
Acquired in acquisition (note 29)	—	202	—	75	—	277
Utilised in the year	(863)	(910)	(5,685)	(14,425)	(863)	(22,746)
Charged/(credited) to income statement	18	302	6,252	18,227	—	24,799
Unwind of discount rate	47	—	—	—	—	47
At 31 December	1,145	3,870	3,424	36,786	2,267	47,492
Due within one year or less	423	2,021	2,444	16,889	258	22,035
Due after more than one year	722	1,849	980	19,897	2,009	25,457
	1,145	3,870	3,424	36,786	2,267	47,492

2013	Onerous contracts £'000	Property repairs £'000	Clawback £'000	Claims and litigation £'000	Other £'000	Total £'000
At 1 January	3,899	4,094	3,280	40,544	6,771	58,588
Acquired in acquisition	55	1,448	—	5,537	—	7,040
Utilised in the year	(1,327)	(1,455)	(3,815)	(18,129)	(2,272)	(26,998)
(Credited)/charged to income statement	(721)	189	3,392	4,957	(1,369)	6,448
Unwind of discount rate	37	—	—	—	—	37
At 31 December	1,943	4,276	2,857	32,909	3,130	45,115
Due within one year or less	742	1,930	2,040	19,074	992	24,778
Due after more than one year	1,201	2,346	817	13,835	2,138	20,337
	1,943	4,276	2,857	32,909	3,130	45,115

Notes to the financial statements continued

23. Provisions continued

The provision for onerous contracts relates to property leases and represents the estimated unavoidable costs of leasehold properties which have become surplus to the Group's requirements following the closure or relocation of operations. The provision is based on the present value of rentals and other unavoidable costs payable during the remaining lease period after taking into account rents receivable or expected to be receivable from sub-lessees, typically over a five year period. Provisions are released when properties are assigned or sub-let.

The provision for property repairs represents estimates of the cost to repair existing dilapidations under leasehold covenants, in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'. The average unexpired lease length of properties against which a provision has been made is two years.

Clawback represents the provision required to meet the estimated cost of repaying indemnity commission income received on life assurance policies that may lapse in the two years following issue.

Claims and litigation provisions comprise the amounts set aside to meet claims by customers below the level of any PI insurance excess, the estimation of IBNR claims and any amounts that might be payable as a result of any legal disputes. The provisions represent the directors' best estimate of the Groups' liability having taken professional advice.

In addition to the claims provisions recognised, the Group also provides for future liabilities arising from claims (IBNR) for mortgage valuation reports and home buyer reports provided by the Surveying Services division. The basis for calculating this provision is outlined further in note 3, Critical accounting judgements and estimates. While there are many factors which determine the settlement date of any claims, the expected cash flows are estimated based on the average length of time it takes to settle claims in the past, which is around two years.

Other provisions mainly comprise items relating to operational reorganisation including some business closure costs and some IT transition expenses which are expected to be utilised over the next four years.

24. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2013: 21%).

The movement on the deferred tax account is shown below:

	2014 £'000	2013 £'000
Deferred tax liability at 1 January	(31,507)	(27,218)
Credited to income statement	4,828	1,795
Acquired on acquisition of subsidiary (note 29)	(2,089)	(7,182)
Disposed on disposal of subsidiary	(13)	—
Credited/(charged) to other comprehensive income	507	(137)
(Charged)/credited to equity	(369)	1,235
Net deferred tax liability at 31 December	(28,643)	(31,507)
Deferred tax asset	16,215	15,418
Deferred tax liability	(44,858)	(46,925)
Net deferred tax liability at 31 December	(28,643)	(31,507)
Deferred tax asset expected to unwind within one year	1,694	3,015
Deferred tax asset expected to unwind after one year	14,521	12,403
	16,215	15,418
Deferred tax liability expected to unwind within one year	(1,600)	(3,792)
Deferred tax liability expected to unwind after one year	(43,258)	(43,133)
	(44,858)	(46,925)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered through future taxable profits.

24. Deferred tax continued

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	2014		
	Asset/ (liability) £'000	(Charged)/ credited to income £'000	Credited to other comprehensive income/(charged to equity) £'000
Origination and reversal of temporary differences			
Capital allowances	7,535	(1,395)	—
Employee pension liabilities	1,043	(396)	507
Share-based payments	5,308	2,533	(369)
Trading losses	705	(787)	—
Intangible assets	(43,970)	4,123	—
Gain deferred by roll-over relief	(887)	—	—
Other temporary and deductible differences	1,623	750	—
	(28,643)	4,828	138

	2013		
	Asset/ (liability) £'000	(Charged)/ credited to income £'000	(Charged to other comprehensive income)/credited to equity £'000
Origination and reversal of temporary differences			
Capital allowances	8,976	(1,312)	—
Employee pension liabilities	932	(452)	(137)
Share-based payments	3,144	1,909	1,235
Trading losses	1,492	(2,460)	—
Intangible assets	(46,030)	5,380	—
Gain deferred by roll-over relief	(886)	—	—
Other temporary and deductible differences	865	(1,270)	—
	(31,507)	1,795	1,098

Deferred tax assets have not been recognised in respect of unused capital losses of £24,375,000 (2013: £25,548,000) and £629,000 (2013: £20,323,000) in respect of non-trading loan relationships, and £248,000 in respect of trading losses (2013: £449,000). There is no expiry date attributable to these unrecognised deferred tax assets, but no assets have been recognised as there are currently no expectations of offsetting income streams arising, with the exception of the value noted below where an identical liability would also be recognised.

Deferred tax liabilities have not been recognised in respect of the tax impact of the unrealised capital gain of £5,966,000 (2013: £8,539,000) arising from the revaluation of available-for-sale financial assets because the unrecognised losses above would offset any future gain.

25. Post-employment benefits

The Group offers membership of the Countrywide plc Pension Scheme to eligible employees, the only pension arrangements operated by the Group. The Scheme has two sections of membership: defined contribution and defined benefit.

Defined contribution pension arrangements
The pensions cost for the defined contribution scheme in the year was £5,637,000 (2013: £4,804,000).

Defined benefit pension arrangements
In the past the Group offered a defined benefit pension arrangement; however, this was closed to new entrants in 1988 and subsequently closed to further service accrual at the end of 2003. Members of the defined benefit arrangements earned benefits linked to final pensionable salary and service at the date of retirement or date of leaving the scheme if earlier. The average duration of the defined benefit pension scheme is 16 years.

The defined benefit pension arrangements provide pension benefits to its members based on earnings at the date of leaving the scheme. Pensions in payment are updated in line with the minimum of 4% or retail price index (RPI) inflation. The Scheme is established and administered in the UK and ultimately overseen by the Pensions Ombudsman. The regulatory framework requires the Group to fund the scheme every three years and for the Group to agree the valuation with the trustees. As such, the funding arrangements will be reviewed at the next valuation (due at 5 April 2015). The Group is responsible for ensuring that pension arrangements are adequately funded and the directors have agreed a funding programme to bring down the deficit in the defined benefit scheme over the next four years. During the year, the Group paid £1.9 million (2013: £1.9 million) to the defined benefit scheme. During the year which commenced on 1 January 2015, the employer is expected to pay contributions of £1.9 million (2014: £1.9 million). Further contributions of £1.9 million will be made in each of the next four years.

Notes to the financial statements continued

25. Post-employment benefits continued

Defined benefit pension arrangements continued

The Group's obligations under the pension arrangements are subject to inherent estimation uncertainty. While the trustees and actuary assess the value of the scheme assets, and the extent of the liabilities, they are obliged to make a number of assumptions, sensitivities to which are detailed later on. Furthermore, the scheme assets under defined benefit pension arrangements are exposed to risks in the equities and bond markets and similarly the liabilities can fluctuate according to gilt or corporate bond rate.

The Scheme assets under defined benefit pension arrangements are held in a separate trustee-administered fund to meet long term pension liabilities to past and present employees. The trustees are required to act in the best interests of the Scheme's beneficiaries and they take independent advice when deliberating matters relating to the Scheme.

The liabilities of the scheme under defined pension arrangements are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method, which is an accrued benefits valuation method.

The defined benefit liabilities set out in this note have been calculated by an independent actuary based on the results of the most recent full actuarial valuation at 5 April 2012, updated to 31 December 2014. The results of the calculations and the assumptions adopted are shown below.

The Group immediately recognises the actuarial gains and losses directly in other comprehensive income as shown in the consolidated statement of comprehensive income.

The amounts recognised in the balance sheet are as follows:

	2014 £'000	2013 £'000
Present value of funded obligations	(50,740)	(43,581)
Fair value of plan assets	45,524	39,143
Net liability recognised in the balance sheet	(5,216)	(4,438)

The movement in the defined benefit obligation over the year is as follows:

	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2014	(43,581)	39,143	(4,438)
Expected return on scheme assets	—	1,771	1,771
Actuarial gain	—	4,252	4,252
Employer contributions	—	1,900	1,900
Service cost	(105)	—	(105)
Interest cost	(1,929)	—	(1,929)
Actuarial loss from changes in financial assumptions	(6,667)	—	(6,667)
Benefits paid	1,437	(1,437)	—
Expenses	105	(105)	—
At 31 December 2014	(50,740)	45,524	(5,216)

	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2013	(44,518)	37,906	(6,612)
Expected return on scheme assets	—	1,669	1,669
Actuarial loss	—	(474)	(474)
Employer contributions	—	1,900	1,900
Service cost	(124)	—	(124)
Interest cost	(1,924)	—	(1,924)
Actuarial loss from changes in financial assumptions	28	—	28
Actuarial gain from changes in demographic assumptions	1,015	—	1,015
Changes due to experience adjustments	84	—	84
Benefits paid	1,734	(1,734)	—
Expenses	124	(124)	—
At 31 December 2013	(43,581)	39,143	(4,438)

25. Post-employment benefits continued

Defined benefit pension arrangements continued

The major categories of scheme assets as a percentage of total scheme assets are:

	2014 %	2013 %
Cash	1	1
UK equities	5	6
Overseas equities	5	6
UK fixed interest gilts	12	11
Corporate bonds	47	45
Other – GARS	10	10
Other – insured pensioners	20	21
	100	100

Insured pensioners and cash constitute unquoted investments. All other investments are managed funds either quoted directly or comprising quoted investments. The Group does not have any of its own transferable instruments, property occupied or other assets used held as plan assets.

The amounts recognised in the income statement are:

	2014 £'000	2013 £'000
Current service cost	105	124
Net interest cost on pension scheme liabilities (within finance costs)	158	255
Total charge to the income statement	263	379

The amounts recognised in the statement of comprehensive income are:

	2014 £'000	2013 £'000
Actuarial gain/(loss) on scheme assets	4,252	(474)
Actuarial (loss)/gain on scheme liabilities:		
Actuarial gain from changes in financial assumptions	(6,667)	28
Actuarial gains from changes in demographic assumptions	—	1,015
Changes due to experience adjustments	—	84
Other comprehensive income	(2,415)	653
Deferred tax adjustment arising on the pension scheme assets and liabilities	507	(137)
	(1,908)	516
Cumulative actuarial loss recognised in the statement of comprehensive income (after tax)	(7,127)	(5,219)

The principal assumptions made by the actuaries were:

	2014	2013
Rate of increase in pensions in payment and deferred pensions		
– On benefits earned prior to 1 December 1999	4.15%	4.20%
– On benefits earned after 1 December 1999	2.80%	3.15%
Discount rate	3.50%	4.50%
RPI inflation	2.85%	3.25%
CPI inflation	1.85%	2.45%
Expected net return on plan assets	3.50%	4.50%
Cash commutation	20%	20%
Life expectancy at age 65 (years)		
– Male pensioner member	22.8	22.8
– Female pensioner member	25.0	25.0
– Male pensioner non-member (age 45 now)	24.6	24.5
– Female pensioner non-member (age 45 now)	26.9	26.9

To develop the expected long term rate of return on assets assumption, the Group considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target assets allocation to develop the expected long term rate of return on assets assumption for the portfolio.

Notes to the financial statements continued

25. Post-employment benefits continued

Sensitivity analysis

The results of the calculations are sensitive to the assumptions used. The defined benefit obligation position revealed by IAS 19 calculations must be expected to be volatile, principally because the market value of the assets (with a significant exposure to equities) is being compared with a liability assessment derived from corporate bond yields. However, the Group has taken steps to mitigate these risks of asset volatility, including insuring some of the pensioners (as illustrated by the asset portfolio).

The sensitivity analyses (below) are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to those disclosed in the Listing Prospectus.

	Defined benefit obligation £'000	Change from disclosed deficit £'000
Defined benefit obligation	50,740	—
Discount rate less 0.25%	52,599	1,859
RPI and linked assumptions plus 0.25%	51,261	521
Members living one year longer than assumed	52,984	2,244

Defined benefit obligation trends:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Scheme assets	45,524	39,143	37,906	38,071	33,888
Scheme liabilities	(50,740)	(43,581)	(44,518)	(44,534)	(39,394)
Scheme deficit	(5,216)	(4,438)	(6,612)	(6,463)	(5,506)
Experience gain/(loss) on scheme liabilities	—	84	1,156	(24)	499
Gain from changes in the demographic assumptions for value of scheme liabilities	—	1,015	644	—	—
(Loss)/gain from changes in the assumptions for value of scheme liabilities	(6,667)	28	(1,150)	(4,237)	(1,021)
Experience gain/(loss) adjustments on assets	4,252	(474)	(513)	1,660	186

Expected maturity analysis of undiscounted pension benefits at 31 December 2014:

	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	Over five years £'000	Total £'000
Undiscounted pension benefits	1,863	1,867	6,246	83,567	93,543

26. Share capital

Called up issued and fully paid ordinary shares of 1 pence each

	Number	£'000
At 1 January and 31 December 2014	219,444,961	2,194

The Company acquired 2,917,000 of its own shares through purchases on the London Stock Exchange throughout October and November 2014. The total amount paid to acquire the shares was £13,262,000. The shares are held as 'treasury shares'. The Company has the right to reissue these shares at a later date. All shares issued by the Company were fully paid.

Where the employee benefit trust purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. At the year end, 225,151 shares (2013: 39,375 shares), costing £1,254,000 (2013: £226,000), were held in relation to matching shares of the SIP scheme.

27. Share-based payments

The Group operates a number of share-based payment schemes for executive directors and other employees. The Group has no legal or constructive obligation to repurchase or settle any of the options in cash. The total cost recognised in the income statement was £12,860,000 in the year ended 31 December 2014 (2013: £8,054,000), comprising £11,367,000 of equity-settled share-based payments, and £1,493,000 in respect of cash-settled share-based payments for the dividend accrual associated with those options. Employer's NI is being accrued, where applicable, at the rate of 13.8% which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total NI charge for the year was £1,607,000 (2013: £1,710,000).

27. Share-based payments continued

The following table analyses the total cost between each of the relevant schemes, together with the number of options outstanding:

	Outstanding at 31 December			
	2014		2013	
	Charge £'000	Number of options (thousands)	Charge £'000	Number of options (thousands)
Accelerated management incentive plan*	—	—	694	—
IPO plan	10,560	7,185	6,938	7,185
Long term incentive plan	2,097	1,550	407	758
Share incentive plan	203	225	15	26
	12,860	8,960	8,054	7,969

* Disclosed as an exceptional item – see note 10.

A summary of the main features of each scheme is given below. The schemes have been split into two categories: executive schemes and other schemes. For further details on executive schemes, see the remuneration report on pages 62 to 64.

Executive schemes

Long term incentive plan (LTIP)

The LTIP is open to executive directors and designated senior management, and awards are made at the discretion of the Remuneration Committee. Awards are subject to market and non-market performance criteria and vest over a three year period.

IPO plan

At the time of the flotation in March 2013, the Company nil cost share options to executive directors and designated senior management designed for the grant of one-off awards in recognition of the loss of rights under a management incentive package that terminated prior to, and as a result of, the flotation ('the MIP').

IPO options granted to the executive directors become exercisable as follows: 50% on the second anniversary of the date of granting the IPO option and 50% on the third anniversary of the date of granting the IPO option. IPO options granted to other participants will normally become exercisable on the second anniversary of the date of granting the IPO option. The number of options that will vest is subject to the performance criterion based on EBITDA for 2014 as well as continued service.

Management incentive plan (MIP)

Certain members of the management team subscribed to the MIP, under whose terms senior management purchased shares in Countrywide Holdings, Ltd. The difference between the purchase price and the fair value of shares granted to employees were treated as share-based payments. Due to the share exchange on 18 March 2013 and subsequent reorganisation which crystallised the number of C shares exchanged, the vesting period was accelerated.

Other schemes

Share incentive plan (SIP)

An HMRC approved share incentive plan was introduced in October 2013. Under the SIP, eligible employees are invited to make regular monthly contributions into a scheme operated by Capita. Ordinary shares in the Company are purchased at the current market price and an award of one matching share is made for every two shares acquired by an employee, subject to a vesting period of three years from the date of each monthly grant.

The aggregate number of share awards outstanding for the Group is shown below:

	2014			2013			
	Executive schemes*			Executive scheme*			
	LTIP Number of options (thousands)	IPO Number of options (thousands)	SIP Number of options (thousands)	LTIP Number of options (thousands)	IPO Number of options (thousands)	MIP Number of shares (thousands)	SIP Number of options (thousands)
At 1 January	758	7,185	26	—	—	13,046	—
Granted	792	—	199	758	7,185	—	26
Exchanged	—	—	—	—	—	(12,961)	—
Buy back	—	—	—	—	—	(85)	—
At 31 December	1,550	7,185	225	758	7,185	—	26

* Executive schemes are granted at £Nil consideration and SIP matching shares are granted at £Nil consideration.

None of the schemes were exercisable at the year end.

Notes to the financial statements continued

27. Share-based payments continued

Other schemes continued

Share incentive plan (SIP) continued

Share options outstanding at the end of the year have the following expiry date (and all have £ Nil exercise prices):

			Share options (thousands)	
Grant – vest	Expiry date	Exercise price pence	2014	2013
IPO plan				
18 March 2013 – 18 March 2015/2016	18 March 2021	—	**7,185**	7,185
LTIP grants				
6 September 2013 – 6 September 2016	6 September 2023	—	**758**	758
21 March 2014 – 21 March 2017	21 March 2024	—	**546**	—
8 September 2014 – 8 September 2017	8 September 2024	—	**246**	—
SIP plan				
Monthly rolling grants and vesting three years later		—	**225**	26
			8,960	7,969

The following information is relevant to the determination of the fair value of the awards granted during the year under the schemes:

	LTIP (TSR condition)	LTIP (EPS condition)	IPO plan	Share incentive plan
Option pricing model	Monte Carlo	Black Scholes	Binomial Lattice	Fair value at grant date
Weighted average share price at grant date	507.5p–664p	507.5p–664p	350p	531p
Exercise price	0p	0p	0p	0p
Weighted average contractual life	3 years	3 years	2.2 years	3 years
Expected dividend yield	n/a	1.0–2.56%	1.5%	n/a
Risk-free interest rate	0.5–0.9%	0.5–0.9%	1.8%	n/a
Volatility	Statistical analysis of three years' share price data	n/a	n/a	n/a

28. Other reserves

The following table provides a breakdown of 'other reserves' shown on the consolidated statement of changes in equity.

	Capital reorganisation reserve £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Available-for-sale financial assets reserve £'000	Treasury share reserve £'000	Total £'000
Balance at 1 January 2013	—	45,540	(29)	953	—	46,464
Currency translation differences	—	—	(27)	—	—	(27)
Movement in fair value of available-for-sale financial assets	—	—	—	27,475	—	27,475
Repurchase of shares	—	1	—	—	—	1
Capital reorganisation	92,820	(45,541)	—	—	—	47,279
Treasury shares	—	—	—	—	(226)	(226)
Balance at 1 January 2014	**92,820**	**—**	**(56)**	**28,428**	**(226)**	**120,966**
Currency translation differences	—	—	(117)	—	—	(117)
Disposal of fair value of available-for-sale financial assets	—	—	—	(11,076)	—	(11,076)
Movement in fair value of available-for-sale financial assets	—	—	—	3,200	—	3,200
Treasury shares	—	—	—	—	(14,290)	(14,290)
Balance at 31 December 2014	**92,820**	**—**	**(173)**	**20,552**	**(14,516)**	**98,683**

The following describes the nature and purpose of each reserve within shareholders' equity:

Share premium
The amount subscribed for share capital in excess of nominal value less any costs directly attributable to the issue of new shares.

Capital reorganisation reserve
The capital reorganisation reserve represents the difference between the share capital of the Company and the share capital, share premium and capital redemption reserve of Countrywide Holdings, Ltd at the point of the exchange of equity interests on 19 March 2013.

Capital redemption reserve
The capital redemption reserve represents the cancellation of the original share capital and share premium of the Company and the par value of any shares repurchased.

28. Other reserves continued

Treasury share reserve
The treasury share reserve represents the consideration paid when the Company acquires its own shares and holds them as treasury shares as well as when the employee benefit trust purchases the Company's equity share capital, until the shares are reissued. See note 26 for full details of treasury shares held.

Foreign exchange reserve
The foreign exchange reserve represents the difference arising from the changes to foreign exchange rates upon assets and liabilities of overseas subsidiaries.

Available-for-sale financial assets reserve
The available-for-sale financial assets reserve represents the unrealised gain arising on the revaluation of these assets.

Retained earnings
Cumulative net gains and losses recognised in the Group income statement and pension scheme gains and losses, movement in fair value of available-for-sale financial assets and deferred tax on share-based payments recognised in the statement of comprehensive income.

29. Acquisitions during the year

	APW £'000	Tucker Gardner £'000	Preston Bennett £'000	Other £'000	Total £'000
Intangible assets	893	4,153	1,017	5,026	11,089
Property, plant and equipment	66	79	111	138	394
Trade and other receivables	435	238	1,442	1,202	3,317
Cash at bank	1,309	370	655	469	2,803
Trade and other payables	(260)	(884)	(584)	(2,307)	(4,035)
Corporation tax	(92)	(126)	(294)	(493)	(1,005)
Deferred tax	(179)	(834)	(223)	(853)	(2,089)
Provisions	—	—	—	(277)	(277)
Net assets	2,172	2,996	2,124	2,905	10,197
Goodwill	5,994	4,112	4,018	24,602	38,726
Consideration	8,166	7,108	6,142	27,507	48,923
Settled by:					
Initial consideration	7,691	6,958	4,630	24,541	43,820
Deferred consideration	475	150	1,512	2,966	5,103
	8,166	7,108	6,142	27,507	48,923
Cash paid	7,691	6,958	4,630	24,541	43,820
Cash at bank	(1,309)	(370)	(655)	(469)	(2,803)
Net cash flow arising from acquisitions	6,382	6,588	3,975	24,072	41,017
Revenue post-acquisition	1,855	5,107	4,129	12,403	23,494
Profit post-acquisition	880	2,018	1,833	3,289	8,020
Proforma revenue to 31 December 2014	2,452	5,107	4,273	19,160	30,992
Proforma profit to 31 December 2014	1,108	2,018	1,823	4,539	9,488

During 2014 the Lettings division acquired 28 lettings operations, including Tucker Gardner and APW, as part of the targeted acquisition strategy to increase the Group's footprint in certain under-represented geographical areas. The total consideration in respect of these acquisitions was £37.6 million and the most significant Lettings acquisitions were as follows: on 1 January 2014 the Group acquired 100% of the equity share capital of Tucker Gardner Residential Limited and on 7 April 2014, the Group acquired 100% of the equity share capital of APW Holdings Limited and five subsidiary companies for the consideration noted in the table above. The London & Premier division acquired six businesses as part of its targeted acquisition strategy to expand in certain under represented geographical areas for a total consideration of £9.4 million, the most significant of which was on 22 January 2014, when the Group acquired 100% of the equity share capital of Preston Bennett Holdings Limited for the consideration noted above. Lambert Smith Hampton and Conveyancing Services each acquired a business for £0.8 million and £1.0 million consideration respectively.

The acquired trade and other receivables for all acquired businesses are all current and their fair value is not materially different. Furthermore there are no contractual cash flows that are not expected to be collected. The goodwill recognised by the Group upon acquisition has no impact on tax deductions.

The costs of these acquisitions amounted to £803,000 (2013: £890,000) and have been written off to profit and loss.

Notes to the financial statements continued

30. Acquisitions during the prior year

During the prior year the Group acquired Lambert Smith Hampton and 28 small lettings businesses. The total consideration paid was £50.4 million and goodwill recognised was £23.3 million. The proforma revenue and EBITDA generated by these businesses in 2013 was £78.9 million and £0.2 million respectively.

31. Operating lease commitments – minimum lease payments

Commitments under non-cancellable operating leases due are as follows:

	2014		2013	
	Property £'000	Vehicles, plant and equipment £'000	Property £'000	Vehicles, plant and equipment £'000
Within one year	21,444	13,621	19,740	16,783
Later than one year and less than five years	46,654	16,706	42,004	14,530
After five years	24,001	—	18,964	—
	92,099	30,327	80,708	31,313

At 31 December 2014, the Group had sub-leased a number of surplus premises and was entitled to receive rents under non-cancellable leases as follows:

	2014 £'000	2013 £'000
Sub-leases		
Within one year	823	905
Later than one year and less than five years	842	1,383
After five years	142	1,149
	1,807	3,437

32. Client monies

At 31 December 2014, client monies held by subsidiaries in approved bank and building society accounts amounted to £315,389,921 (2013: £248,995,000). Neither the cash asset nor any corresponding obligation has been recognised by the Group. These client monies are subject to the following regulations: £25,277,154 Council for Licenced Conveyancers; £1,905,822 Financial Conduct Authority; and £288,206,945 Royal Institute of Chartered Surveyors.

33. Financial instruments

Financial instruments by category

	31 December 2014		
Assets as per balance sheet	Loans and receivables £'000	Available for sale £'000	Total £'000
Available-for-sale financial assets	—	33,290	33,290
Trade and other receivables excluding prepayments	80,824	—	80,824
Cash and cash equivalents	28,583	—	28,583
	109,407	33,290	142,697

	31 December 2014		
Liabilities as per balance sheet	Liabilities at fair value through profit and loss £'000	Other financial liabilities at amortised cost £'000	Total £'000
Borrowings (excluding finance lease liabilities)	—	119,387	119,387
Finance lease liabilities	—	12,323	12,323
Put options	2,560	—	2,560
Trade and other payables excluding non-financial liabilities	—	83,127	83,127
	2,560	214,837	217,397

33. Financial instruments continued

Financial instruments by category continued

Assets as per balance sheet	Loans and receivables £'000 (31 December 2013)	Available for sale £'000 (31 December 2013)	Total £'000 (31 December 2013)
Available-for-sale financial assets	—	42,877	42,877
Trade and other receivables excluding prepayments	73,468	—	73,468
Cash and cash equivalents	36,325	—	36,325
	109,793	42,877	152,670

Liabilities as per balance sheet	Liabilities at fair value through profit and loss £'000 (31 December 2013)	Other financial liabilities at amortised cost £'000 (31 December 2013)	Total £'000 (31 December 2013)
Borrowings (excluding finance lease liabilities)	—	74,040	74,040
Finance lease liabilities	—	10,704	10,704
Put options	4,955	—	4,955
Trade and other payables excluding non-financial liabilities	—	77,274	77,274
	4,955	162,018	166,973

34. Financial risk management

Financial risk factors

The Group is exposed through its operations to one or more of the following financial risks:

- cash flow and fair value interest rate risk;
- liquidity risk;
- counterparty credit risk; and
- price risk.

The policy for managing these risks is set by the Board following recommendations from the chief finance officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The interest profile of the Group's financial assets and liabilities are as follows:

	2014 £'000	2013 £'000
Floating rate assets	16,578	13,822
Fixed rate assets	12,005	22,503
Interest-free assets	114,114	116,345
Total financial assets	142,697	152,670
Floating rate liabilities	118,387	73,040
Fixed rate liabilities	12,323	10,704
Interest-free liabilities	86,687	83,229
Total financial liabilities	217,397	166,973

The average rate at which the fixed rate liabilities were fixed in 2014 was 3.59% (2013: 3.59%) and the average period for which the liabilities were fixed was 365 days (2013: 180 days).

There is no material difference between the book and the fair values of the financial assets and liabilities.

The interest payable on the Senior Secured Fixed Rate Notes was fixed; therefore, the Group was not exposed to the risk of cash flow risk arising from changes in the interest rates. The interest payable on the term loan facility is at variable rates.

Notes to the financial statements continued

34. Financial risk management continued

Cash flow and fair value interest rate risk continued

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's liabilities secured on a floating basis which are managed on a central basis. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of liabilities exposed to the floating rates.

	2014 £'000	2013 £'000
Increase in basis points	100	100
Effect on profit before tax (£'000)	(1,200)	(750)
Decrease in basis points	50	(50)
Effect on profit before tax (£'000)	600	375

Liquidity risk

The liquidity risk of each Group entity is managed centrally by the Group treasury function who monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs whilst maintaining sufficient headroom on its undrawn committed borrowing facilities.

The Group aims to mitigate liquidity risk by managing cash generation of its operations and acquisition strategy. Acquisitions are carefully selected with authorisation limits operating up to Group Board level and cash payback periods as applied as part of the investment appraisal process. The Group is also cash generative as demonstrated by the cash from operations. The requirement to pay creditors is managed through future cash generation and, if required, revolving credit facility.

The Group monitors its risk to a shortage of funds by daily cash reporting. This reporting considers maturity of both its financial investments and financial assets (e.g. trade receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility for potential acquisitions.

All surplus cash held by the operating entities is transferred to Group treasury and managed centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements. The Group maintains an overdraft facility with a major banking corporation to manage any unexpected short term cash shortfalls.

The Group has a £100 million term loan facility which incurs interest payments quarterly. The Group also has a £50 million revolving credit facility which provides additional liquidity resource.

The Group's discounted financial liabilities at the year end were as follows:

	2014 £'000	2013 £'000
Trade payables	13,875	13,625
Other financial liabilities	2,560	4,955
Deferred consideration	5,103	2,174
Borrowings	119,387	74,040
Finance lease liabilities	12,323	10,704
Accruals and other payables	64,149	61,475
	217,397	166,973

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

	2014 £'000	2013 £'000
In less than one year	125,678	85,579
In more than one year but not more than two years	33,073	12,048
In more than two years but less than three years	57,303	23,202
In more than three years but not more than four years	1,991	46,123
In more than four years but less than five years	980	1,333
Over five years	1,000	1,592
	220,025	169,877

34. Financial risk management continued

Counterparty credit risk

The Group's financial assets at the year end were as follows:

	2014 £'000	2013 £'000
Cash and cash equivalents	28,583	36,325
Trade receivables	65,330	63,452
Amounts due from customers for contract work	1,251	1,346
Other receivables	14,243	8,670
	109,407	109,793

As stated in note 18 trade and other receivables are current assets and expected to convert to cash over the next twelve months.

There are no significant concentrations of credit risk within the Group. The Group is exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of major new customers before entering contracts. The majority of customers use the Group's services as part of a housing transaction and consequently the sales are paid from the proceeds of the house sale. The majority of the commercial customers and the major lenders, customers of the surveying and asset management businesses, are large financial institutions and as such the credit risk is not expected to be significant. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. The following table presents a breakdown of the gross trade receivables between the three main types of customer:

	2014 £'000	2013 £'000
Individual customers	26,888	41,076
Major lenders	9,985	9,899
Other commercial customers	32,622	16,325
	69,495	67,300

The Group treasury function manages the Group's cash balances and seeks to achieve reasonable rates of interest, but preservation of the capital is the overriding priority. A list of accepted deposit institutions is maintained and their credit ratings are kept under review. The following table presents a breakdown of cash at bank and short term deposits (the rest of 'cash and cash equivalents' is cash in hand):

	2014 £'000	2013 £'000
A1	6,249	—
A2	6,225	9,922
A3	837	26,375
BA1	15,272	28
	28,583	36,325

Price risk

The Group is exposed to price risk because of investments held by the Group and classified on the consolidated balance sheet as available for sale amounting to £33,290,000 (2013: £42,877,000). If the price used in the 2014 year-end valuation had decreased by 5% the carrying value of the investment and the unrealised gain recorded within the statement of comprehensive income would have reduced by £1.7 million.

Capital management

The group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of debt (subject to certain restrictions under the term loan facility), adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group defines capital as the total of equity shareholders' funds and long term borrowings net of available cash balances:

	2014 £'000	2013 £'000
Borrowings (note 21)	131,710	84,744
Cash and cash equivalents (note 19)	(28,583)	(36,325)
Net debt	103,127	48,419
Shareholders' equity	531,378	520,723
Total capital	634,505	569,142
Gearing ratio	16%	9%

During the year, the Group has complied with any capital restrictions and covenant requirements in respect of leverage and interest cover ratios associated with the term loan facility.

Notes to the financial statements continued

34. Financial risk management continued

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined, in accordance with IFRS 13 'Fair value measurement', as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from process) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Available-for-sale financial assets	33,165	—	125	33,290
Investment property	—	13,235	—	13,235
Liabilities				
Put options	—	—	2,560	2,560

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Available-for-sale financial assets	—	—	42,877	42,877
Liabilities				
Put options	—	—	4,955	4,955

There was a transfer of available-for-sale financial assets from Level 3 to Level 1 during the period arising from the Zoopla Property Group plc IPO which completed in June 2014. This gave rise to a change in valuation technique from that referred to below in Level 3 data to direct application of a quoted market price.

Fair value measurements using significant unobservable inputs (Level 3) and valuation processes

The following changes were made in Level 3 instruments for the years under review:

	2014		2013	
	Available-for-sale financial assets £'000	Liabilities £'000	Available-for-sale financial assets £'000	Liabilities £'000
Opening balance at 1 January	42,877	4,955	14,370	5,560
Acquisitions	5,021	(780)	1,054	—
Disposals	(17,786)	—	—	—
Transfers from Level 3 to Level 1	(38,990)	—	—	—
Gains and losses recognised in profit or loss	(22)	(1,615)	(22)	(605)
Gains and losses recognised in total comprehensive income	9,025	—	27,475	—
Closing balance at 31 December	125	2,560	42,877	4,955

The fair value of the Zoopla shares was assessed at the 2013 year end by reference to the recent transaction price paid for additional shares purchased in December 2013 (by the Group and other shareholders in Zoopla). In addition, other valuation methods were used to support the valuation adopted: a discounted cash flow was prepared and an appropriate discount rate was applied to reflect the fact that there is no liquid market for these shares (which are also subject to pre-exemption rights and restrictions up to 2015); and a valuation using an earnings multiple was undertaken. The year-end valuation was reviewed in light of available data at 31 December 2013 and resulted in a £27.5 million uplift in valuation.

As noted in note 20, the fair value of put options is undertaken using a discounted cash flow based on management's expectation of performance of the underlying entities, consistent with operating plans approved. This method continues to be based on unobservable market data, and therefore there have been no changes in valuation techniques adopted in the year and no changes in fair value hierarchies in respect of these liabilities.

The Group's finance department performs the valuations of financial instruments measured at fair value required for financial reporting purposes, including Level 3 fair values. This team reports directly to the CFO and Audit Committee.

35. Related party transactions

Key management compensation is given in note 6(b). Other related party transactions are as follows:

Trading transactions

Related party relationship	Transaction type	Transaction amount 2014 £'000	Transaction amount 2013 £'000	Balance (owing)/owed 2014 £'000	Balance (owing)/owed 2013 £'000
Joint venture	Purchases by Group	(2,539)	(2,190)	(193)	(183)
Joint venture	Rebate received	394	975	23	32
Joint venture	Dividend received	507	778	—	—
Apollo Management	Management fee paid	—	180	—	—
Apollo Management	Director's fee paid	—	19	—	—
Oaktree Capital Management	Management fee paid	—	180	—	—
Oaktree Capital Management	Director's fee paid	40	35	—	(10)

With the exception of dividends and management fees, these transactions are trading relationships which are made at market value. The Company has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given during 2014 regarding related party transactions.

Prior to the IPO, Oaktree Capital Management and Apollo Management LP both owned in excess of 20% of the share capital of the Group. Following the IPO, each entity had a director on the board of the Company until Apollo Management LP divested its shareholding in the second half of 2013.

During the year ended 31 December 2014, the Group incurred £Nil (2013: £359,000) split equally between Apollo Management and Oaktree Capital Management, in respect of management fees. Following the IPO, management fees have not been incurred but fees have been payable in respect of each of the respective directors appointed to the Board at a rate of £40,000 per annum.

36. Events after the reporting period

During the first few weeks of the year the Group has acquired five businesses for £6.9 million. At the time of preparing these financial statements, management is in the process of assessing the impact of these acquisitions on the Group.

The Group debt facility, to which the Company is a party, has also been restructured in February 2015, resulting in an increase in the facility to £250 million and reduction in interest margins payable. For further details please refer to the Group financial review within the strategic report of the consolidated financial statements.

Since the year end and to the date of this report, the Company has acquired a further 1,465,000 of its own shares through purchases on the London Stock Exchange. The total amount paid to acquire the shares was £6.8 million. The shares are held as 'treasury shares'.

Independent auditor's report

To the members of Countrywide plc

Report on the parent company financial statements

Our opinion
In our opinion the financial statements, defined below:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2014;
- 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The parent company financial statements (the "financial statements"), which are prepared by Countrywide plc, comprise:

- the company Balance Sheet as at 31 December 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 parent 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made We have no exceptions to report arising from this responsibility.

Other information in the Annual Report
Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the directors' responsibilities statement set out on page 71, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other matter

We have reported separately on the group financial statements of Countrywide plc for the year ended 31 December 2014.

Darryl Phillips
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 February 2015

Company balance sheet
As at 31 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments	4	147,657	147,657
Current assets			
Debtors	5	265,003	271,423
Cash at bank and in hand		6,028	6,835
		271,031	278,258
Creditors: amounts falling due within one year	6	(44,292)	(6,875)
Net current assets		226,739	271,383
Total assets less current liabilities		374,396	419,040
Creditors: amounts falling due after more than one year	7	(78,387)	(68,040)
Net assets		296,009	351,000
Capital and reserves			
Called up share capital	8	2,194	2,194
Share premium account	9	211,841	211,841
Treasury reserve	9	(14,516)	(226)
Profit and loss account	9	96,490	137,191
Total shareholders' funds	10	296,009	351,000

The notes on pages 120 to 122 form an integral part of the parent company (registration number: 08340090) financial statements.

These financial statements on pages 119 to 122 were approved by the Board of directors and signed on its behalf by:

Jim Clarke
Chief financial officer
26 February 2015

Notes to the Company financial statements

1. General information and accounting policies

(a) Basis of preparation
The separate financial statements of Countrywide plc ('the Company') are presented, for the year ended 31 December 2014. They have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below and have been applied consistently throughout the period.

As permitted under section 408 of the Act the Company has elected not to present its own profit and loss account for the period. The loss for the financial year was £8,176,000 (2013: £11,870,000). The results of the parent company are disclosed in the reserves reconciliation in note 9.

The Company has taken advantage of the exemption in paragraph 2D of FRS 29 'Financial instruments: Disclosures', and has not disclosed information required by the standard as the consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 'Financial instruments: Disclosures'.

The Company has taken advantage of the exemption available under FRS 8 'Related party disclosures' and not disclosed related party transactions with wholly owned subsidiary undertakings.

(b) Going concern
After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the financial statements.

(c) Investments
Investments in subsidiaries are held at historical cost less provision for impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(d) Income tax
Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(e) Share-based payments
The cost of granting share options and other share-based remuneration to employees and directors is recognised through the profit and loss account. These are equity settled and therefore the fair value is measured at the grant date. Where the share awards have non-market related performance criteria the Company has used the Binomial Lattice and Black Scholes option valuation models to establish the relevant fair values. Where the share awards have a TSR market related performance criteria the Company has used the Monte Carlo simulation valuation model to establish the relevant fair values. The resulting values are amortised through the income statement over the vesting period of the options and other grants. For awards with non-market related criteria, the charge is reversed if it appears probable that the performance criteria will not be met.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

(f) Dividend income
Dividend income from subsidiary undertakings is recognised at the point the dividend has been declared.

(g) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet.

(h) Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

(i) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds. Where the employee benefit trust purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

2. Employee costs

The only employees of Countrywide plc are the executive and non-executive directors. Details of the employee costs associated with the directors are included in the directors' remuneration report and summarised below.

	2014 £'000	2013 £'000
Wages and salaries	2,038	1,842
Share-based payments	4,453	2,693
Post-employment benefits – defined contribution and salary supplement	112	91
	6,603	4,626

The information as disclosed in the Group's consolidated financial statements under IFRS 2 'Share-based payment' is comparable with the UK GAAP disclosure requirements under FRS 20 'Share-based payment' therefore please refer to note 27 to the consolidated financial statements for further information regarding the Company's equity-settled share-based payment arrangements.

3. Dividends

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2013 of 6.0 pence (net) per share	13,167	—
– interim dividend for the year ended 31 December 2014 of 5.0 pence (net) per share (2013: 2.0 pence (net) per share)	10,972	4,389
– special dividend for the year ended 31 December 2014 of 9.0 pence (net) per share	19,750	—
Total	43,889	4,389

A final dividend in respect of the year ended 31 December 2014 of 10 pence (net) per share, amounting to an estimated total dividend of £21.9 million, is to be proposed at the Annual General Meeting (AGM) on 29 April 2015. In accordance with IAS 10 'Events after the balance sheet date', dividends declared after the balance sheet date are not recognised as a liability in these financial statements.

4. Investments

	2014 £'000
Cost	
At 1 January 2014 and 31 December 2014	147,657
Accumulated impairment	
At 1 January 2014 and at 31 December 2014	—
Net book amount	147,657

The Company owns directly the whole of the issued and fully paid ordinary share capital of its subsidiary undertaking, Countrywide Holdings, Ltd, a company registered in the Cayman Islands whose principal activity is that of investment holding company. Interests in Group undertakings, held indirectly by the Company, are detailed within note 17 of the consolidated financial statements.

5. Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	261,669	271,413
Group relief receivable	1,896	—
Deferred tax asset	1,350	—
Prepayments and accrued income	58	—
Other debtors	—	10
	265,003	271,423

Amounts owed by subsidiary undertakings are unsecured and payable on demand. Interest is received at base rate plus 2.25% per annum.

6. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans	40,000	5,000
Other creditors	4,292	1,875
	44,292	6,875

Notes to the Company financial statements continued

7. Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Bank loans	80,000	70,000
Capitalised banking fees	(1,613)	(1,960)
	78,387	68,040

On 20 February 2014 the Company amended and extended the existing facilities, drawing down an additional £25 million term loan, and entered into a £150 million (2013: £100 million) Term and Revolving Credit Facility Agreement which terminates in March 2017, for which there are no assets pledged as security. The facilities are split between £100 million Term Loan and £50 million revolving credit facility (RCF). The term loan is repaid by instalments: £20 million on 20 March 2015, £25 million on 20 March 2016, £55 million balance due on termination on 20 March 2017. Interest is payable based on LIBOR plus a margin of 1.75%. The RCF is available for utilisation subject to satisfying fixed charge and leverage covenants, and was drawn down by £20 million at the year end (see note 21 of the consolidated financial statements).

8. Called up share capital

Called up issued and fully paid ordinary shares of 1 pence each

	Number	£'000
At 1 January and 31 December 2014	219,444,961	2,194

The Company acquired 2,917,000 of its own shares through purchases on the London Stock Exchange throughout October and November 2014. The total amount paid to acquire the shares was £13,262,000. The shares are held as 'treasury shares'. The Company has the right to reissue these shares at a later date. All shares issued by the Company were fully paid.

Where the employee benefit trust purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. At the year end, 225,151 shares (2013: 39,375 shares), costing £1,254,000 (2013: £226,000), were held in relation to matching shares of the SIP scheme.

9. Reserves

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Treasury share reserve £'000	Total £'000
At 31 December 2013	2,194	211,841	137,191	(226)	351,000
Loss for the year	—	—	(8,176)	—	(8,176)
Share-based payment transactions	—	—	11,364	—	11,364
Treasury shares	—	—	—	(14,290)	(14,290)
Dividends paid	—	—	(43,889)	—	(43,889)
Balance at 31 December 2014	2,194	211,841	96,490	(14,516)	296,009

10. Reconciliation of movements in total shareholders' funds

	2014 £'000	2013 £'000
Loss for the financial year	(8,176)	(11,870)
Initial issue of shares	—	147,656
Purchase of treasury shares	(14,290)	(226)
IPO issue of shares (net of transactional costs)	—	212,470
Dividends paid	(43,889)	(4,389)
Share-based payment transactions	11,364	7,359
Net (decrease)/increase in shareholders' funds	(54,991)	351,000
Opening shareholders' funds	351,000	—
Closing shareholders' funds	296,009	351,000

For full details on dividends proposed since the year end refer to note 12 to the consolidated financial statements.

11. Auditors' remuneration

The auditor's remuneration for the audit of the Company is disclosed in note 7 to the consolidated financial statements. Fees paid to the auditor for non-audit services to the Company are not required to be disclosed in the Company's financial statements because consolidated financial statements are prepared which disclose such fees.

12. Post balance sheet events

The Group debt facility, to which the Company is a party, has also been restructured in February 2015, resulting in an increase in the facility to £250 million and reduction in interest margins payable. For further details please refer to the Group financial review within the strategic report of the consolidated financial statements.

Since the year end and to the date of this report, the Company has acquired a further 1,465,000 of its own shares through purchases on the London Stock Exchange. The total amount paid to acquire the shares was £6.8 million. The shares are held as 'treasury shares'.

Company information

Contacts

Chief executive officer
Alison Platt

Chief financial officer
Jim Clarke

Company secretary
Gareth Williams

Website
www.countrywide.co.uk

Registered office

17 Duke Street
Chelmsford
Essex CM1 1HP

Registered in England
08340090

Corporate headquarters

Countrywide House
88–103 Caldecotte Lake Drive
Caldecotte
Milton Keynes MK7 8JT

Registrar

Capita Asset Services*
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Corporate advisors

Independent auditor
PricewaterhouseCoopers LLP

Bankers
Royal Bank of Scotland plc
Lloyds Bank plc
HSBC Bank plc
Abbey National Treasury Services plc
Barclays Bank Plc
AIB Group (UK) plc

Broker
Jefferies Hoare Govett

Solicitors
Slaughter and May

Financial calendar

AGM	29 April 2015
Ex-dividend date for final dividend	26 March 2015
Record date for final dividend	27 March 2015
Payment date for final dividend	7 May 2015
Interim results	30 July 2015
Record date for interim dividend	11 September 2015
Interim dividend paid	9 October 2015

*Shareholder enquiries

The Company's registrar is Capita Asset Services. They will be pleased to deal with any questions regarding your shareholding or dividends. Please notify them of your change of address or other personal information. There address details are above.

Capita Asset Services is a trading name of Capita Asset Services Limited.

Capita shareholder helpline:	0871 664 0300 (calls cost 10 pence per minute plus network extras) (Overseas: +44 02 8639 3399)
Email:	ssd@capitaregistrars.com
Share portal:	www.capitashareportal.com

Shareholders are able to manage their shareholding online and facilities included electronic communications, account enquiries, amendment of address and dividend mandate instructions.

Forward-looking statements

This report includes forward-looking statements, which involve risks and uncertainties. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will' or 'should' or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies, the industry in which we operate and potential acquisitions. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this report.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, the development of the industry in which we operate and the effect of acquisitions on us may differ materially from those made in or suggested by the forward-looking statements contained in this report. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- a decline in the number of transactions, prices or commission levels in the UK residential property market, whether due to the impact of macro-economic factors or otherwise;
- increased or reduced competition in the industry in which we operate;
- changes in, or our failure or inability to comply with, government laws or regulations;
- the loss of any of our important commercial relationships; and
- any increase in our professional liabilities or any adverse development in the litigation or other disputes to which we are a party.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. We urge you to read the operating and financial review for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this report may not occur.

We undertake no obligation, and do not expect, to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this report.

Awards

The Times and The Sunday Times Awards 2014

The British Mortgage Awards 2014

The ESTAS 2014

RESI Awards 2014

Mortgage Finance Gazette Awards 2014

The Negotiator Awards 2014

Mortgage Strategy Awards 2014

FSC www.fsc.org MIX Paper from responsible sources FSC® C001785

Printed by Park Communications on FSC® certified paper.

Park is an EMAS certified company and its Environmental Management System is certified to ISO 14001.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled.

This document is printed on Core Silk, a paper containing 100% virgin fibre sourced from well managed, responsible, FSC® certified forests. The pulp used in this product is bleached using an elemental chlorine free (ECF) process.

Countrywide plc commissioned photography: Baz Seal www.reporterpix.com

consultancy, design and production by designportfolio design-portfolio.co.uk @WeAre_DP

Design Portfolio plants ten trees for each of its corporate report projects, in association with Trees for Cities.

Countrywide plc

Countrywide House
88–103 Caldecotte Lake Drive
Caldecotte
Milton Keynes MK7 8JT

+44 (0)1908 961000
investor@countrywide.co.uk
www.countrywide.co.uk