Countrywide

Countrywide plc Annual Report 2015

Bringing people and property together

We have unparalleled coverage of the UK property market and are uniquely placed to support our customers across the residential and commercial property markets.

No.1
the largest property services group

12,000+
employees across the UK

1,200+
locations across a network of over 55 brands

Through our unique combination of national scale and local reach, we offer a breadth of products and services across the Group, providing all our customers with a comprehensive range of solutions to meet their individual property needs. We are proud of our position, have achieved great success and are on course now to deliver our bold ambition for growth with our Building our Future strategy.

WHAT WE'VE ACHIEVED

Market-leading positions and a strong platform for growth:

£19.0 billion
worth of property sold – more homes in the UK than anyone else

£12.2 billion
of mortgages completed. Largest single mortgage broker in the UK

74,500
properties under management. Largest player in a fragmented market

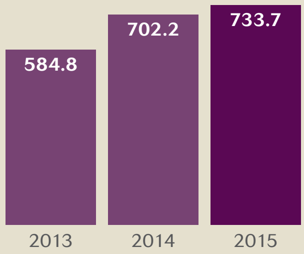
Highlights

Mixed performance in line with expectations with momentum building into 2016.

Total income (£m)

733.7

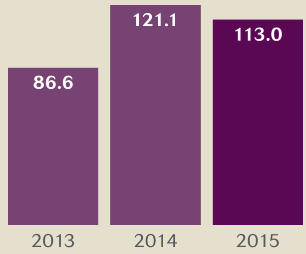
+4%



Adjusted EBITDA[1] (£m)

113.0

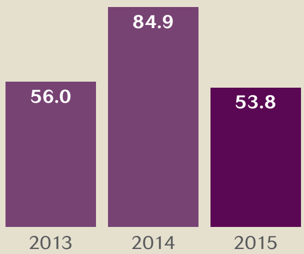
-7%



Operating profit (£m)

53.8

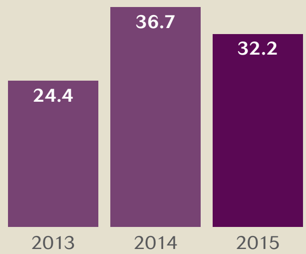
-37%



Adjusted basic EPS[2] (£m)

32.2

-12%



FINANCIAL HIGHLIGHTS

- Group income up 4% to £733.7 million with decline in estate agency and lettings profitability resulting in EBITDA reducing 7% to £113.0 million
- Market-beating performance from financial services and surveying
- Encouraging progress in commercial
- Consolidation in lettings with investment in acquisitions and core platform
- Challenging sales market as pace of change created some disruption in estate agency
- Resilient performance in London
- Value of diversification evident by performance across the portfolio
- Final dividend held at 10.0 pence per share
- Proceeds of £19.1 million from part disposal of Zoopla holding to be returned to shareholders by way of a share buyback programme
- New banking facilities agreed (£340 million RCF) to provide greater flexibility on timing of investments

1 Earnings before interest, tax, depreciation, amortisation, exceptional items, contingent consideration, 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, contingent consideration and share-based payments (net of taxation).

Strategic report

Corporate governance

Financial statements

View our website:
www.countrywide.co.uk

At a glance

OUR BREADTH OF OFFERING

We cover all areas of the UK property market – residential and commercial

COMMERCIAL PROPERTY CONSULTANCY

With 33 offices and 1,400 employees, Lambert Smith Hampton is one of the largest commercial property consultancies in the UK.

RESIDENTIAL PROPERTY FUND

We have partnered with Hermes Investment Management to create the pre-eminent residential property fund.

RESIDENTIAL DEVELOPMENT SOLUTIONS

We are the UK's largest land and new homes agency selling over 5,100 new home units in 2015.

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.

SALES

We are an award winning estate agent with over 900 branches operating throughout the UK.

LETTINGS

As the UK's largest letting agent we have a network of over 600 branches throughout England, Scotland and Wales.

ASSET MANAGEMENT

We managed the sale of over 3,400 residential properties on behalf of corporate clients in 2015.

AUCTIONS

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

ESTATE MANAGEMENT

We offer an array of specialist property services to clients to meet their individual needs.

FINANCIAL SERVICES

As the UK's third largest mortgage distributor we arranged 1 in 16 of all mortgages arranged in the UK in 2015.

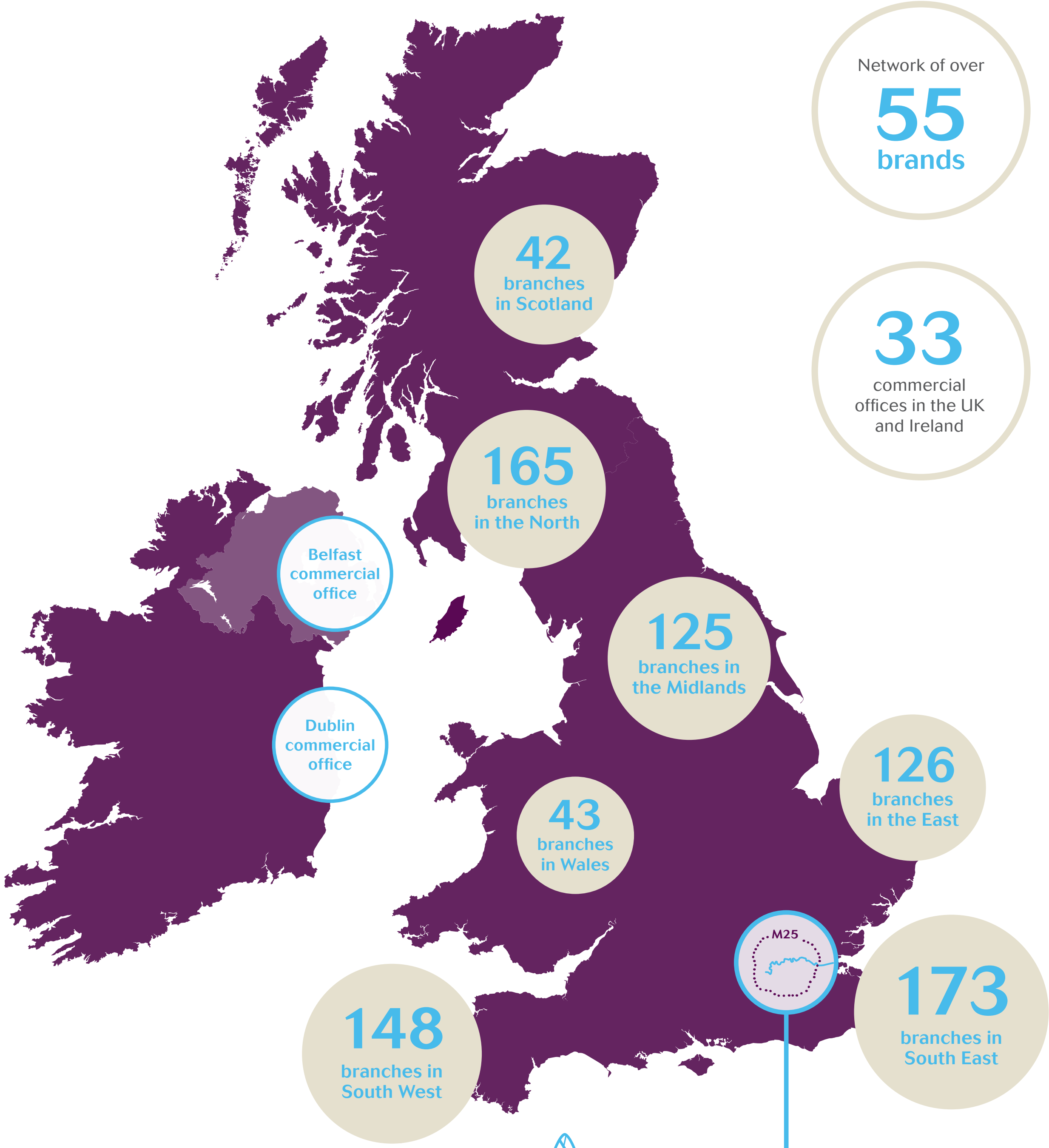
CONVEYANCING SERVICES

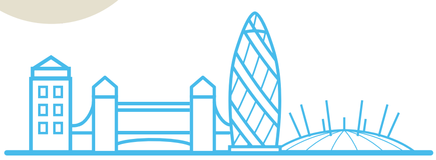
We are one of the UK's largest transactional conveyancers and work with some of the largest conveyancers in the UK.

Read how we run our business **page 14**

GEOGRAPHICAL RANGE – RESIDENTIAL AND COMMERCIAL

We operate across the UK residential property market and focus on having the right brand in the right location to reach all our customers across all price points.





LONDON

The London division incorporates a number of key Countrywide brands, including Hamptons International and John D Wood & Co.

279
branches
in London

Branch numbers as at 31 December 2015.

Chairman's review

Confident in the Group's position to deliver in 2016 following a transformative year in 2015

IN SUMMARY

- Significant period of change in the market and our business
- New management and divisional structure in place with four business units focused around the customer (Retail, London, Financial Services, B2B)
- Proactive action taken on cost while protecting key investments
- Clear strategic vision communicated to the business

In my second and final term as chairman of the Group, I am reporting following a significantly tougher year both for the market and Countrywide. 2015 was an uncertain year and we know that uncertainty does not breed confidence, a necessary factor to provide stimulus to the UK housing transaction market. The May general election was the most uncertain election in a generation and the anticipated post-election boost never materialised.

2015 results delivered income growth of 4% to £733.7 million but EBITDA fell to £113.0 million. While lower than 2014's performance, with poorer results in sales and lettings, these figures highlight the benefits we continue to derive from our broadly based diversification strategy with 42% of Group EBITDA being delivered from Lettings and Commercial, our key recurring revenue streams. Other contributors to growth were our Financial Services and Surveying teams, two areas of the business which outperformed the market in 2015.

In 2015, we confirmed that there would be no change to the underlying dividend policy which would target a payout ratio of 35–45% of the annual reported Group profits after tax but before amortisation. In recent years, the Group has paid 40% and I can confirm that the 2015 cash payment will be held at the previous year's level. In February 2016, we sold 8,659,302 Zoopla shares realising £19.1 million which will be returned to shareholders by way of a share buyback programme. We continue to hold 9,234,473 Zoopla ordinary shares. The Board has the potential to re-introduce special dividends from 2017.

As announced on 11 February 2016, I am pleased that Peter Long will take over as non-executive chairman following the Company's Annual General Meeting on 27 April 2016. I am proud of my tenure at Countrywide and it was always my intention to only remain as chairman for a period of two years. I believe the time is now right to depart, with the arrival of Peter who brings a strong customer focus and a wealth of plc board experience, which will complement the Board's expertise and add value to Countrywide as it delivers its customer-centric strategy.

As noted in our January 2016 Trading Update, the Group achieved an encouraging performance in Q4 of 2015. While it is too early to accurately predict how the residential transactions market will perform in 2016, trends are encouraging with momentum building and strong pipelines. At this stage in the year, I am confident that the Group is in a good position to deliver in line with the Board's expectations.

Grenville Turner

Grenville Turner
Chairman
25 February 2016

Chief executive's review

Foundations in place for future resilience and growth

IN SUMMARY

- Fragile consumer confidence in the housing market
- Focus on execution, regaining and growing market share and accelerating proposition improvements, including multichannel
- Growth in core lettings business, building on improvements in service
- Driving value from early progress in financial services, valuations and commercial

Market 2015

It has been an uncertain year for the UK property market and all the stakeholders it impacts. Our sector has seen another year of record low interest rates, a housing market very short of supply and a step up in tax changes impacting both the higher priced home and second home markets negatively.

Market data available for 2015 highlights the impact of changing dynamics in the residential property market, with transaction levels across the country running lower than the previous year. Market volumes for 2015 are expected to be 3–4% below 2014 and in the region of 970,000–980,000 transactions at year end, which is still far short of a normalised run rate by historic standards.

Our markets page 16

The negative trend in mortgage approvals at the end of 2014 impacted transaction levels in the first half of 2015 which, together with the potential uncertainty over the outcome of the general election in May, created sluggishness in market trends during the first half of 2015, as both buyers and sellers delayed decisions to move. Further, the anticipated bounce in the second half of the year following the outcome of the most uncertain general election in a generation failed to materialise as consumer confidence remained fragile. This manifested most acutely in a lack of stock as the number of properties coming to the market ran significantly below last year. That pressure on market volumes continued throughout 2015.

While the aspiration towards home ownership remains a core part of the UK consumer landscape, the property market continues to evolve to reflect changing consumer priorities. This is particularly evident in the growth of the private rented housing market, where demand remains strong. Although throughout 2015, tenants also showed a lower propensity to move with average tenures extending to 17.1 months up from 15.5 months in 2012.

Our performance

The challenging market in sales impacted our performance and this, coupled with the significant change agenda we've driven, resulted in a tough year for our Retail Sales division.

Our London sales business showed tremendous resilience though and, despite operating in the market which saw the most acute impact from changes to stamp duty, grew its market share and revenues.

Our Lettings business in London also grew whilst our decision to invest further for the future in core systems, people and service slowed, for now, the rate of growth in our Retail Lettings business across the rest of the UK.

Encouragingly, we delivered exceptionally strong performance in both Financial Services and Surveying as they outperformed the markets. Another strong year in our Commercial business saw profits grow in both the core and acquired businesses. The balance of recurring revenues in that business reached 70%, a pleasing achievement as we seek to limit volatility in both our residential and commercial revenue streams.

2015 was a transformative year for the Group and set us on the right path to achieve our ambitious goals for 2020. Through our people, we set our Building our Future strategy and continued our successful acquisition programme, while providing resilience for the Group's future through investment in transformation, people capability and risk management. We also focused on creating industry-leading capabilities in research and analytics to capitalise on the value of our unique data and insight into the market through our unparalleled national footprint.

Chief executive's review continued

"

Diversified business continues to provide resilience.

Alison Platt
Chief executive officer

Our performance continued

2015 also saw us complete the most significant customer research programme Countrywide has ever undertaken, involving more than 3,000 customers across sales and lettings. The insight from that research coupled with our data has informed our new propositions and service offerings, which will be trialled across three of our brands in the second quarter of 2016. These propositions will reflect our customers' desire to use multiple channels (online, telephone and branch network) and use enabling technology whilst accessing the experience and expertise that our UK-wide network of people bring.

Core to delivery of our new multichannel propositions will be the development of our digital capabilities, organically and through investments and partnerships.

To date in 2016, we have made investments in innovative proptech firms focused on improving customer experience. We are the lead strategic partner with Fixflo, the leading 24/7 property repair reporting system, and have also taken a significant minority stake in an early stage start-up platform in the self-serve lettings market.

Hand in hand with investing to grow our business organically, our approach to acquisitions remains in line with our strategy. Our focus has been to strengthen our presence in strategic locations across the UK and we remain committed to delivery of our target hurdles and returns. In 2015, we acquired 30 lettings businesses, including some key targets in Liverpool, York and Bristol. This focus on key cities will continue in 2016.

2016 – year of execution

2016 is all about execution as we begin to realise the benefits of our strategy. Diversification of our business model will continue as we increase resilience across residential and commercial. Operating Retail as a single structure for core sales and lettings is building momentum with encouraging signs as we enter 2016 with a growing pipeline in sales, improving conversion rates and rising landlord retention. Our focus now is on capitalising on this fast start to 2016, ensuring we take advantage of early strong winds in the market.

We believe we are superbly placed to capitalise on a mortgage market that is shifting further toward an intermediary model, with expectations that more than 70% of the total mortgages written in 2016 will be brokered. Our 600+ field force of mortgage consultants are targeted to deliver record performance driven by improved lead management, better data utilisation and a new front-end operating system, which is being rolled out as we enter 2016.

Our relationships with our main partners remain core to our strategy. The high street banks view us as the distributors for their mortgage products but also their partner in risk management through valuations. Equally key are developers and house builders and the creation of Countrywide Residential Development Solutions has given us a platform through which to grow in the new homes space. We expect to add capability here through acquisition as we seek to expand in this critical area.

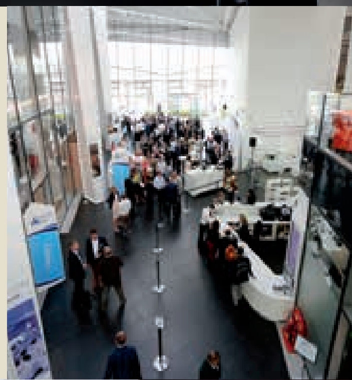
Outlook

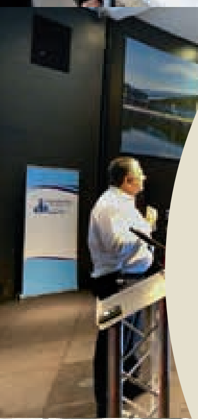
We continue to be prudent in our assumptions for growth in the residential housing market in 2016 and our focus will be driving our own growth through regaining share and attracting new customers through better propositions. We remain of the view that the drivers of demand for the private rental sector remain strong and will drive further growth. The impact of the increased tax burden for buy-to-let landlords and second home owners has yet to play out in the market, but in a low interest rate environment, yields in the buy-to-let sector, particularly outside London, remain attractive. Enabling institutional investment to create high quality built-to-rent stock remains high on our agenda, and our residential investment fund, in partnership with Hermes Investment Management, goes from strength to strength with schemes in Manchester and Liverpool now exchanged and a second round of fundraising underway.

We are confident that our relentless focus on delivering our purpose of putting people and property together will yield strong progress in 2016 and there is no change to our current financial outlook for 2016. The market's volatility is unlikely to subside in 2016, so navigating external challenges while delivering a first class service for our customers will be crucial. Our ambition to be the most recommended company in the property sector is clear and embraced by all colleagues across the Group. We look forward to building on the early momentum evident at the beginning of 2016 as we create a strong and thriving business delivering enduring returns for our shareholders, customers and colleagues alike.

Alison Platt
Chief executive officer
25 February 2016

This strategic report was approved by the Board of directors on 25 February 2016 and signed on its behalf by:





BUILDING OUR FUTURE

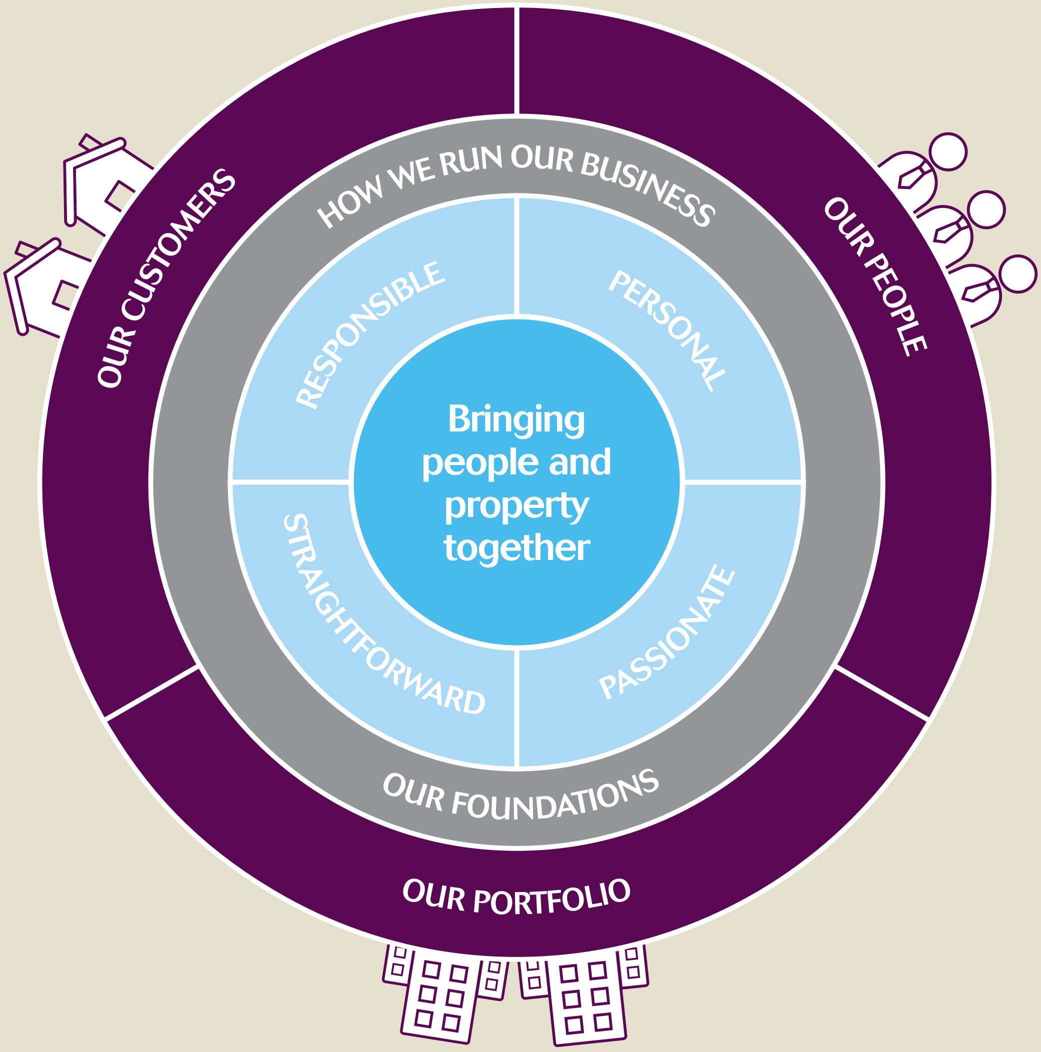
THE TIME IS NOW

Read more on pages 08 to 15

Building our Future

BUILDING
OUR FUTURE
THE TIME IS NOW

We embarked on our Building our Future strategy as we recognised that there was a real opportunity for us to become the first choice for customers and, that by being their first choice, we can take this business to a brilliant future and change the face of the sector.



OUR PURPOSE

Bringing people and property together

We have a clear purpose, guided by our vision and supported by our values.

OUR VISION

1 Recommended
more than any other company in the property sector.

2 Recognised
as one of the best places to work in the UK.

3 Transforming
the reputation of our industry.

4 Celebrated
for excellent sustainable financial performance.

OUR VALUES

Responsible
We do the right thing. We listen, take time to understand and always tell the truth.

Personal
We are a people business. We care about our customers and each other. We have fun.

Straightforward
We keep it simple, dealing with the complicated things so our customers don't have to.

Passionate
We love working with property and we work hard, knowing what we do really matters.

OUR STRATEGY

Our intent is to increase our resilience to the sales cycle volatility and broaden the Group's business to deliver a strong future and sustainable long term value for our shareholders.

Our strategy **page 10**

HOW WE RUN OUR BUSINESS

Four customer-centric business units, combining local brands with a national operating model to support customers through their end-to-end property journey. We are investing in core capabilities, including IT, talent management, risk management and data and analytics to ensure we have the foundations to be able to move at pace.

How we run our business **page 14**

Our strategy

In 2015 we completed a fundamental review of our strategy, analysing our markets, our performance and our customers, to define where and how we will win in the future. As a result we are focused on three key areas:

- delivering a better, more personalised **customer** experience;
- creating an internal environment for great **people** to flourish; and
- aligning our **portfolio** to where the growth is.

	From 2015	To 2020
Our customers	• Pockets of brilliance in customer service • Business processes that work for us but not always our customers	• The most recommended company in the property sector • Differentiation through the quality of our people and our multichannel experience to deliver personal connection, convenience and tailored customer journeys
Our people	• People attrition levels in line with industry norms (high across the industry) • Engaged customer-facing people, but challenges around 'tools to do the job'	• Recognised as one of the best places to work in the UK • Training and professional development that is the envy of the industry • High performance culture
Our portfolio	• Largest, most diversified UK property company, operating in residential and commercial markets	• Double the size of the business • Increased resilience to residential transaction market cycles (with c.50% from Commercial and Lettings) • Aligned to the demand-side drivers of future growth

Evidence from our top performing branches already demonstrates how a great experience for our **customers** and our **people** drives commercial success.

For example, analysis across our 2015 network showed that the top 10% of branches (compared to Countrywide average):

- achieved >10% market share growth and were more profitable;
- had the best Net Promoter Scores and 40% fewer vendor withdrawals; and
- were driven by 2x people retention and 40% longer average tenure.

These top 10% performing branches were across brand, region and price point, demonstrating the huge opportunity for us to share best practices to create lasting differentiation from competitors.

Our customers

Our 2020 ambition to be 'the most recommended company in the property sector' means putting customers at the heart of our business. In 2015, we carried out our largest piece of customer research ever (>3000 people) to identify their unfulfilled needs and sharpen our customer segmentation – this insight will be the foundation for everything we do as we centre the business around our customers.

1 Deliver what we say we are going to do

Trust, reliability, efficient communication, personal connection – the same core needs are common across customer segments, and the industry as a whole is not delivering consistently. We will be known for delivering what we say we will. We are investing in our recruitment model, our training, and our IT infrastructure to deliver a better customer experience across all our channels. Our breadth of services provides a strong platform to support customers throughout their whole property journey. It is essential we deliver great communications at key handover points as they avail of services across the Group during their property journey.

2 Personalise our customers' journey

Property transactions are often complicated and emotional journeys, and all customers are different. We need to better understand each customer at the start of their journey so that our services and engagement style match their needs. We will tailor the journey to give customers more choice – choice of product, choice around how they interact with us, and choice in where they value support and where they want to take more control themselves.

3 Differentiate in multichannel offering

Customer expectations for digital solutions are set by leaders outside of our sector. The future is not a binary choice between online and offline – success requires multichannel enablement and human support with the customer at the centre. We stepped up our investment in developing new digital features which will go live in 2016. Our strategic ventures group has identified key investment/partnership opportunities for us which will be announced in 2016.

4 Measure the right things

In a competitive marketplace, the reputation of our people and our brands is what drives customers to choose us ahead of others to partner with them in their property journey. We are rolling out Net Promoter Score (NPS) at branch, regional and business unit level, which is core to how we manage and reward our people. We are already seeing an upward trend in business areas where NPS is established.

Customers at the heart of our business

Our strategy continued

Our people

Great people plus a great environment will deliver a world-class experience for our customers.

It is only by investing in our people and ensuring they have the right tools to do their jobs in a safe, positive and developmental environment that we can be recognised as one of the best places to work in the UK.

1 Our great people

To be the most recommended company in the property sector, our people need to be connected to our purpose, be inspired to be the best they can be, and feel valued, engaged and committed to providing a brilliant and personalised customer experience.

To expect this of our people they need to have a great experience from the moment they consider joining Countrywide and throughout their career with us. From recruitment to onboarding to training, we will engage our people at every single touchpoint of this journey to communicate our values, deepen their understanding of customer needs and set expectations of excellence.

2 Developing a high performance culture

Great people only flourish with great leaders. To enable our leaders to be effective, we held a series of events with our top 100 leaders in November and December 2015 to provide them with the tools and techniques to lead their teams, focusing on driving performance.

In 2016, we have plans to roll out the programme to the wider leadership team to enable a consistent approach to performance management.

3 Developing and training our talent

New apprenticeship and graduate recruitment schemes are in place across the Group with particularly successful programmes in surveying and conveyancing, alongside City & Guilds accredited training for employees within our retail operations. This includes the opportunity of sponsorship to achieve recognised professional qualifications that are relevant to our sector. We provide full visibility of who we are and expertise we have through our online Register of Property Agents (www.agencypro.co.uk). The Register provides assurance that our people meet the requisite standards of professionalism that our customers will expect when we advise them.

Read more on our sustainability
page 36

Our portfolio

Our growth agenda is aligned with demand-side trends, addresses areas where we are under-represented and reduces cyclical exposure to UK residential property sales.

Our goal is to double the size of the business by 2020, by focusing on:

1 Financial Services

Grow existing customer value

- We are the UK's largest single mortgage broker
- There is a huge opportunity for us to fulfil potential value of our existing customer base, particularly in remortgages
- Financial Services is one of the main ways we can maintain a customer relationship between transactions, growing customer lifetime value

2 London

Become market leader

- In sales, we are no.1 in upper and lower bands, but no.2 in £350k–£1 million (largest market segment)
- London is 21% of the country's private rental sector; we grew Lettings >40% in the last three years but our share is still <5%
- Opportunities to increase penetration of mortgages, insurance and conveyancing by tailoring product offering and service to meet the needs of our London customers

3 Retail

Double our profits in lettings

- The private rental sector now represents 60% of all moves, compared to 37% ten years ago
- We have headroom for growth in a fragmented market and a proven acquisition model

Regain lost share in estate agency

- We will strengthen our multichannel offer and better align our marketing with vendor needs
- Investment in people and processes will drive better conversion of opportunities to instructions and lower withdrawal rates

4 Land and new homes

Capitalise on Countrywide Residential Development Solutions (CWRDS) opportunities

- Recognised need for new homes and Government drive to build c.250k new homes per year
- There are few genuinely vertically integrated players in the land and new homes space
- We have expertise from land sourcing, planning and valuation support, through to downstream sales, lettings handover and property management

5 Commercial

Become a top five UK player

- The market is likely to consolidate and we have a strong platform offering ideal opportunities for growth
- Strengthening Commercial increases our mix of recurring revenues
- Synergies with residential, especially in CWRDS

6 Cities

Strong record in acquisitions

- 2015 – acquired businesses in key cities including Nottingham, Birmingham and Manchester
- 2016 – M&A pipeline is strong with imminent acquisitions in key city locations

How we run our business

We manage the Group through four customer-centric business units:

Retail

Bringing our sales and lettings businesses together

We are the UK's only national estate agency, selling approximately 1 in 15 properties, and we are also the UK's largest letting agent.

Read more in our segmental review
page 24

London

Defined in one business unit, recognising distinct characteristics of London market

Our London business unit (BU) consists of approximately 400 Estate Agency and Lettings operations, spread across 250 physical locations.

Read more in our segmental review
page 26

What makes us different...

Local brands, national operating model

- We have a network of over 50 Retail brands with local heritage plus shared support infrastructure (e.g. centralised online marketing and regional property management centres) to capture scale benefits and enable branches to focus on selling.
- Retail and London operating strategies are tightly aligned: best practices are transferred, selective back-office infrastructure is shared, and a few brands span both Retail and London (e.g. Bairstow Eves).

Supporting customers through the end-to-end property journey

- We are involved from property search through to placing the key in the purchaser's hand and beyond. We aim to help customers sell or let faster with higher odds of the transaction going through smoothly through providing financial services, surveys and conveyancing as well as a joined-up approach for buy-to-let.
- This also generates significant cross-sell revenue from Retail and London into Financial Services and B2B, and there is more to go for if we can truly operate as one Countrywide.

Operating as one talent pool

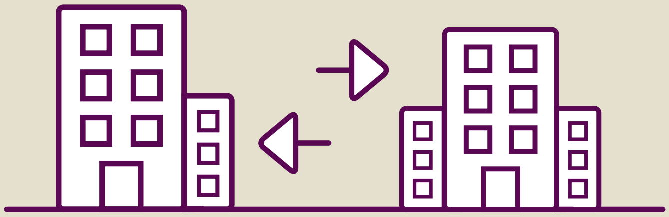
- We actively encourage leaders moving between business lines to build their careers and strengthen both their relationships and knowledge through referrals and enable integrated solutions to meet our customers' needs.

Financial Services

Clear and distinct mortgage, insurance and protection business

We have a dedicated network of over 650 mortgage consultants operating under the Countrywide brand, and in Mortgage Intelligence we own one of the most successful networks in the UK with over 400 advisors.

Read more in our segmental review
page 28



B2B

Includes surveying, conveyancing, commercial and a unified Land & New Homes team

As one of the largest property businesses serving corporate clients in the UK, we serve most major lenders, investors, house builders, commercial businesses, corporations, local authorities and housing associations.

Read more in our segmental review
page 30

...makes us stronger

Leveraging our data and insight

- Our scale and breadth of offering gives us unique data sets on property trends and customer behaviour, which we integrate and analyse through a central research and analytics team.
- This data powers strategic decisions at national and branch level, as well as providing distinctive research content to raise our profile as a leading voice in the industry.

Acquisitions

- We have a track record of identifying and executing acquisitions, ranging from consolidation of small/medium-size lettings agencies through to expanding into new markets (e.g. entering commercial via acquiring Lambert Smith Hampton).
- We look to drive operational synergies quickly, while celebrating the best practices and best people of companies we acquire, to continually strengthen the Group's capabilities.

Diversification

- Countrywide is the most diversified pure UK property services firm.
- Broadening our business mix has helped us reduce reliance on a volatile transactions market, while retaining operational gearing to capitalise on any upside.

Read more on our markets
page 16

Our markets

A look back over the past twelve months and a look forward to what 2016 has in store.

The sales market of 2015

2015 was year of two halves, the second being much busier than the first. Figures from the Land Registry show that the number of housing transactions was down 7% in the first six months of 2015 against the previous year. The latest data (to the end of October) shows a drop of 6% compared to 2014 and the full year is expected to reflect a decline of around 3–4%.

From June 2015 mortgage approvals for house purchases began to pick up, a precursor to the growth in the number of transactions later on, with the number of mortgage approvals tending to feed into transactions about two months later. Halfway through the year, data from the Royal Institution of Chartered Surveyors began to show the ratio of sales to stock starting to rise, highlighting that demand for property was outpacing the number of homes on the market.

For Countrywide the pick-up in activity after the summer coincided with a drop-off in the number of homes for sale. 2015 ended with 22% fewer homes on the market with stock scarcity continuing to drive vendor expectations upwards. Just 4% of sellers reduced the price of their home in December, the smallest number in any month since the late 2013 boom.

A strong start to 2016 points to further price and volume growth over the rest of the year. Although we expect the number of transactions to continue growing, we should not get carried away. There are still a number of hurdles such as: the tighter regulations on credit which have made mortgages less accessible; the issue of affordability, particularly in London and the South; and also the likelihood of interest rates rising at some point in the future. But, overall, the story for transactions looks positive, if still a little uncertain.

The rental market of 2015

Rents for newly let homes continued to grow in the UK in 2015 albeit at a slower pace than in 2014. Average UK rents grew by 3.1% in 2015 taking the average monthly rent to £919. Rents rose in all regions of the country with the East of England seeing the highest growth, 6.5%, and the Central London market seeing the smallest with 0.5% growth.

The slowdown in growth in Central London in part indicates the continuing pressures facing that market. It is more influenced by global demand and the uncertainty in the global financial markets has led to subdued demand. Additionally, sustained rental growth during 2012 and 2013 has made Central London look expensive in comparison to fringe locations. Greater London as a whole also saw a slowdown in its growth but rents still rose by 4.7%. As rents have risen in recent years, tenants have increasingly taken advantage of cheaper areas in Outer London or further afield in the commuter belt.

Falling numbers of homes available to rent and increasing demand from tenants were the defining features of the rental market over the course of last year, putting upward pressure on rents. This imbalance between supply and demand has intensified competition for homes in the market. The average property is now let within 20 days of being instructed, two days quicker than in 2014.

2016 holds complications for the sector as the Government sets its sights on boosting homeownership. The additional 3% stamp duty charge, stricter regulation and changes to tax relief from 2017 onwards will all take their toll on investor sentiment and impact behaviour. With stock at a premium, the smaller landlords who decide to sell up will add upward pressure to rents, although any rises will be tempered by affordability pressures.

A look forward to 2016

Risks and opportunities in 2016

Looking forward to the rest of 2016, there is a raft of new issues to deal with, all creating risks and opportunities in the housing market. Economic conditions are hugely important and we have seen the pace of economic growth pick up – and then wane in 2015 as the UK struggles to get a more balanced recovery. The global economy cannot be ignored – uncertainty in China led the Chancellor to talk of nasty cocktails of events which could derail the UK recovery in 2016. And then there is the Brexit debate – will Britain leave the EU and will that mean more austerity but with higher interest rates?

The answers will become clear in due course, but it is not all gloomy. There is more Government policy aimed at housebuilding with new housing zones dotted across the country and the extension of Help to Buy, including the very generous 40% deposit London Help to Buy scheme, which should help to stimulate buyer activity and boost transactions.

Higher interest rates are not such a threat to owners

Interest rates are expected to increase towards the end of the year but it is unlikely to cause many problems in the housing market. There are few signs of mortgage distress and more than half of owners will not be affected by rate changes because they either own outright or are on a fixed rate loan. The market will not be derailed by floods of distressed sales. And even when rates do rise the likelihood is they will do so very slowly and won't go above 3%. Even allowing for a widening of mortgage margins that keeps mortgage rates low by historical standards, it keeps opportunities alive for new transactions.

But what about the buy-to-let and investor market?
Buy to let lending has been supporting the market while movers have been absent since 2008. In Q3 2015, lending to investors was up 10% compared with just a 0.4% increase in lending to owners. Returns on property have been better than other investments on rental yield alone. But with expected capital growth in the equation, actual returns have been much higher.

The addition of a 3% stamp duty surcharge will reduce yields, but yields are still above returns on other safe assets, so it is not clear whether that alone will dissuade new entry. Choices are more likely to be affected by expectations of future price growth and the availability of the extra cash up front.

The effect on yields is spread geographically due to differences in house prices. But even in London, where prices and hence the stamp duty bills are highest and yields are affected most, that does not mean that demand will collapse. Indeed it presents opportunities for other buyers. London Help to Buy will support demand for new property and, with London's economy and its house prices so far ahead of other parts of the country, there is still high demand for rental homes, making it an attractive income-generating asset.

LONDON LEAVERS

As the gap between prices in London and the South East has grown, so has the temptation for Londoners to cash in on record house prices and move out of the capital. With expectations of future house price growth in London easing, many chose 2015 to make their move.

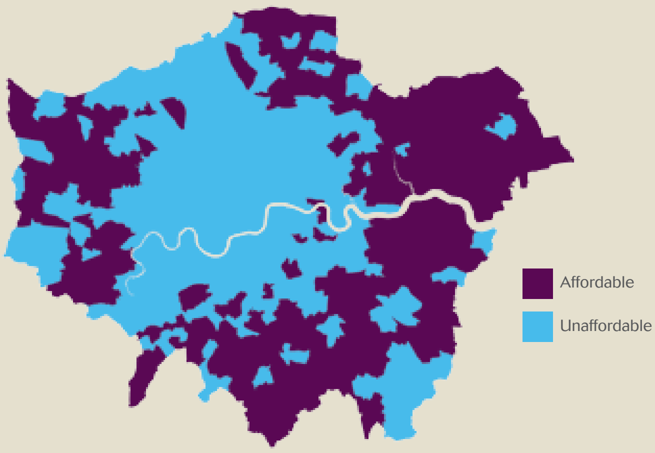
It is part of the natural cycle that households move as their priorities change. There are lots of reasons why: schools, lifestyle, more flexible working and many more. In 2015 63,000 Londoners acted on these and bought homes outside the capital, a two-thirds increase on the 38,000 in 2014. Many were in their 30s and 40s in search of more space and a different lifestyle, but 2015 saw a large number of first-time buyers moving out too. Affordability in London is more constrained than ever, so many who want to buy their first home are looking to less expensive areas outside of the city.

Almost 90% of households leaving London moved to other areas in the South of England – a total of 53,000 homes, up from 33,500 in 2014. That has always been the most common place for Londoners to move to, but increasingly they are searching out homes in areas further away, particularly in relatively more affordable markets in the Midlands and the North. In 2015 the number of homes bought by Londoners in the Midlands increased by 165%, while in the North it increased by 90%.

The flow of Londoners purchasing homes outside of the capital will continue to characterise the market in 2016 and drive growth in the commuter belt. As Londoners make their moves, they will support price growth in the South.

London leavers	South	Midlands	North	Wales	Scotland
Homes bought in 2014	33,500	2,000	2,000	200	450
Homes bought in 2015	53,000	5,300	3,800	250	850
Year-on-year increase	58%	165%	90%	25%	89%
Average price 2015 (£)	415,000	180,000	171,000	182,000	173,000

Where London Help to Buy is affordable to local buyers



Risk and risk management

To achieve our vision, we recognise that we must create and protect value for all our shareholders. We see risk management as being an integral component of this.

The Group recognises that the successful management of risk as part of our everyday activities is essential to support the achievement of our strategic objectives. This includes both current risks and those associated with the implementation of future strategy. Risk management lies at the heart of what we do and is a source of value creation, making it a key component of the Group's strategic agenda. The Board seeks to ensure that the Group identifies and manages all risks accordingly, either to create additional value for its stakeholders or to protect value through the mitigation of any potentially adverse effects. A summary of the principal risks and uncertainties facing the Group is provided on page 21.

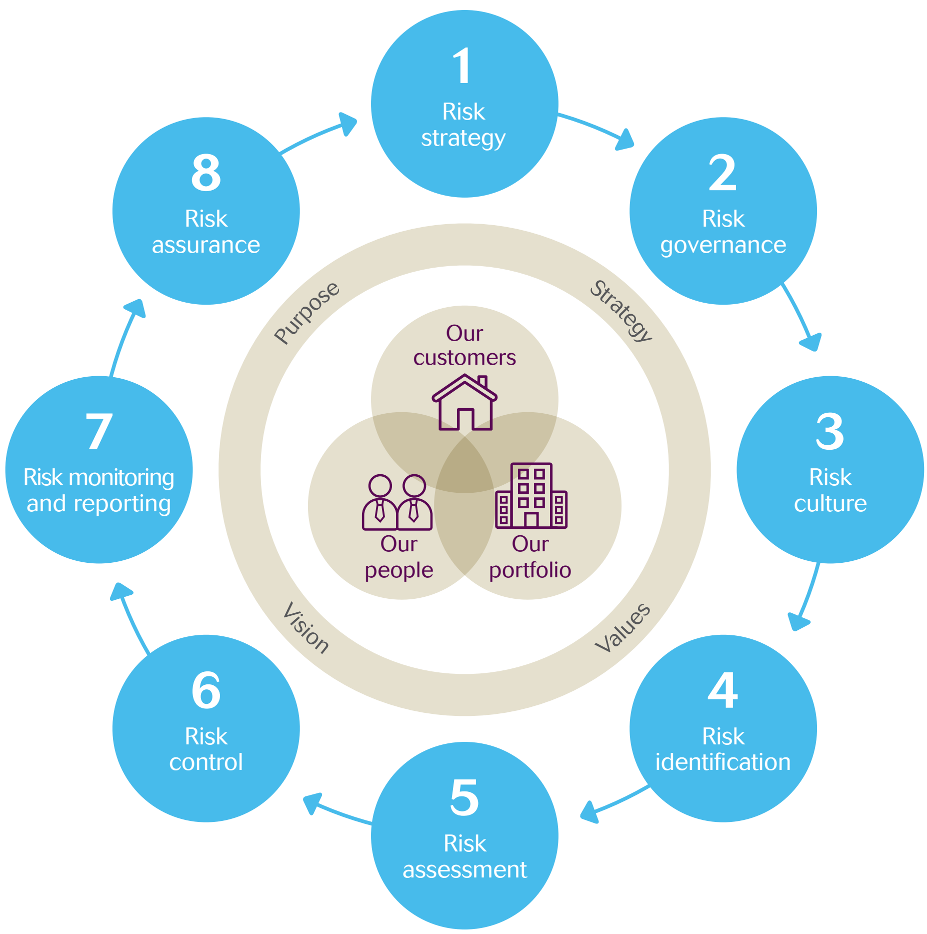
The Group's risk management function and framework

During 2015, we have invested in our risk and compliance infrastructure with the appointment of a Group chief risk and compliance officer and key risk team members. Additionally, we have taken the opportunity to review the governance structure of our management, executive management and Board-level Committees.

The Group has implemented a revised risk management framework (RMF) which builds on existing practices and seeks to establish a coherent and interactive set of arrangements and processes to support the effective and consistent management of risk throughout the Group. The outputs of the RMF provide assurance that risks are being appropriately identified and managed and that an independent assessment of management's approach to risk management is being performed.

COUNTRYWIDE'S RISK MANAGEMENT FRAMEWORK

During the year, the Group has continued to strengthen and embed the components of the RMF to ensure that they are aligned with our strategy and external best practice. The eight components of the RMF are shown in the diagram below:



1 Risk strategy

A comprehensive view of how risk management is incorporated consistently across all levels of the business to support informed decision making. During the year we established the Group's risk strategy and a risk appetite framework to guide and inform our strategic decision making which comprises a series of macro-level risk appetite statements proportionate to the nature, scale and complexity of risks faced by our business.

2 Risk governance

Responsibility for approving, establishing and maintaining the RMF rests with the Board. During the year we made enhancements to the Group's governance arrangements to align with our organisational redesign from Board through to management committee level. There is a clear organisational structure in place with documented, delegated authorities and responsibilities from the Board to the chief executive and the Executive Committee.

The RMF is underpinned by the operation of a three-lines-of-defence model with clearly defined roles and responsibilities for statutory boards and their committees, management oversight committees, Group Risk and Group Internal Audit.

Please see the next page for the three-lines-of-defence.

3 Risk culture

Operating principles and expectations for risk management are driven by a clear tone from the top. During the year we have established clear leadership expectations and a common understanding of what it means for our leadership community in respect of their role in owning and managing risks within the Countrywide Group. The work we have undertaken to define the Group's purpose, vision and values provides the compass for the Group's risk culture. The foundation of effective day-to-day management of risk is in the way we do business and the culture of our team.

4 Risk identification

Effective risk management requires that the Group has a complete and robust understanding of the risks it faces, which are defined in our risk universe. Tools exist to support the identification of short and long term risks and during the past year we have raised our collective awareness of our material risk exposures, their management and ownership.

5 Risk assessment

A standardised assessment framework is used to evaluate our risk exposure at both business unit and overall Group level, enabling a consistent and relative measurement of our top risks at both levels. This assessment capability allows us to anticipate, respond and continually adapt to the changing risk landscape and ensure a comprehensive line of sight through reporting through the Group's governance structure from the business unit leadership teams up to the Group Risk and Audit Committee and the Board.

6 Risk control

Controls operate across the business at entity level through policies and associated control standards, and locally through individual business unit control environments. During the year we have identified risk champions throughout the organisation and risk sponsors, held workshops to identify requirements and established risk registers at business unit level.

7 Risk monitoring and reporting

Monitoring and reporting of the Group's risk exposures is undertaken through management committees. The Group Risk and Audit Committee receives a consolidated risk report on a quarterly basis, detailing the risks facing the Group and the expected six-month position against a series of planned mitigating actions. The Group Risk and Audit Committee is also provided with regular reports on the activities of the Group Risk and Compliance function.

8 Risk assurance

Assurance on the management of risk is provided across the three-lines-of-defence model. Management committees consider outputs from reviews performed by the first line (e.g. quality assurance results and management reviews), second line (e.g. risk reviews conducted in relation to specific themed areas) and the third line via reporting provided by Internal Audit on the results of findings from individual audits and progress in implementing agreed management actions. The results of this assurance activity are reported to the relevant level within the Group.

Further detail on the three-lines-of-defence model are provided on the next page.

Risk and risk management continued

THREE LINES OF DEFENCE

1 First line of defence

Under the first line of defence, management of risk is delegated from the Board to the Group chief executive officer, Executive Committee members and through to business unit senior managers. Business unit management leadership teams are responsible for ensuring the risks associated with their business' activities are identified, assessed, controlled, monitored and reported.

2 Second line of defence

The second line of defence consists of activities covered by Group Risk, Legal, HR, Finance, IT and other 'control' departments. The second line sets the strategy and policy for the management of specific risks and monitors and facilitates the implementation of effective risk management practices and assists risk owners in reporting adequate information.

3 Third line of defence

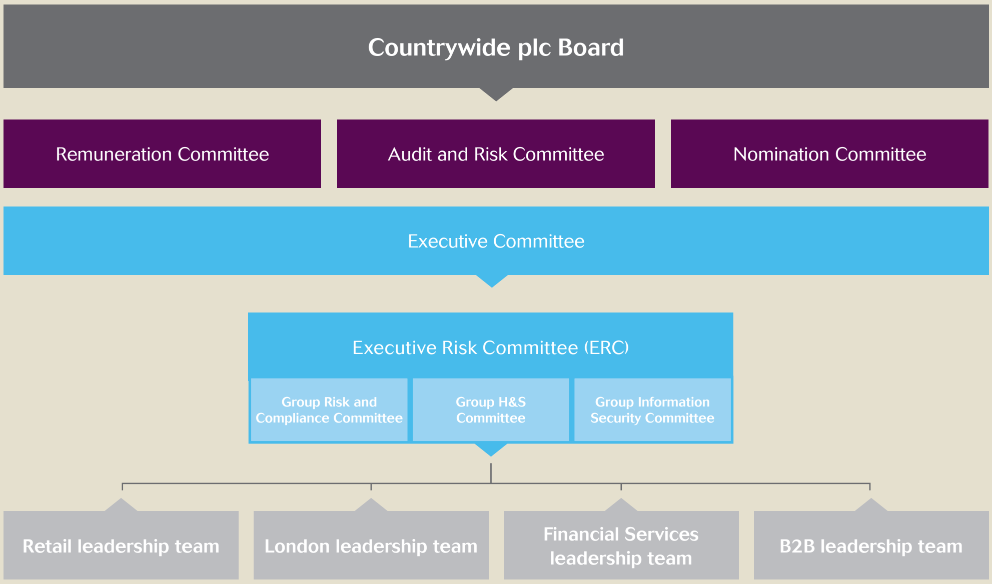
The third line of defence provides independent verification of the adequacy and effectiveness of the internal controls and risk management. This is provided by the Group Risk and Audit Committee, which is supported by Internal Audit.

Underpinning the Countrywide RMF is the 'Three-lines-of-defence' model:

Third line of defence
- Review 1st and 2nd lines
- Provide an independent perspective and challenge the process
- Objective and other assurance

Second line of defence
- Oversee and challenge risk management
- Provide guidance and direction
- Develop and oversee RMF

First line of defence
- Deliver day-to-day risk management
- Follow the Group RMF
- Apply internal controls and risk responses



Viability statement

Assessment of prospects

Taking account of the Group's current position and the potential impact of the principal risks detailed opposite, the directors have assessed the prospects of the Group over a three-year period, which aligns with the Group's business planning and budgeting cycle.

The directors' overall assessment has been informed by the inputs to, and outputs from, the Group's RMF as described above. In particular:

- the executive team undertook an assessment of the risks reported to the Board contained within the quarterly risk report;
- those risks were considered against their relative impact and likelihood to determine which risks were deemed to be principal risks to the Group;
- the Group's business planning model was then used to consider the Group's exposure to our principal risks on two fronts:
  - business as usual 'trend-related' risk – i.e. those risks which are progressive in their nature. In this respect we have assessed the Group's viability against two market risk scenarios: an aggressive but short term house price crash/decline in transactional volumes with a slow return to growth; and a slower, yet continuing, decline in house prices/transactional volumes.

    Both of these scenarios included the relative knock-on impact of a reduction in EBITDA within our agency operations and to other cross-related areas of the business; and
  - event-related 'shock' risk – i.e. where the crystallisation of a particular principal risk results in a one-off cash flow impact which the Group would need to be able to absorb in a specific period. In considering which principal risks to consider for this scenario we sought to identify the most severe, yet plausible, scenarios as opposed to modelling each less impactful principal risk; and
- the directors then considered the financial and operational impact of these severe, but plausible, scenarios to determine their overall effect on the Group's financial position. This assessment was considered against the Group's expected financial position, existing banking facilities and potential management actions.

Viability statement

Based on their assessment of prospects and viability above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2018.

The directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the basis of preparation paragraph in note 2 of the accounts.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The table below sets out the principal risks faced by the Group, together with mitigating factors and associated commentary on any changes in risk profile.

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 business and also sales of complementary services throughout other areas of the Group. The impact of changes in the global economy cannot be ignored and could have an adverse effect on the UK housing market.	We carry out continuous high level reviews of the market, forward indicators and diversity of our products and services as part of our distribution strategy. For example, we continue to strengthen our Lettings and Commercial operations which, by their nature, are more stable and counter-cyclical to the housing market.	Increase	A core component of our business strategy is to continue with selective acquisitions in existing core markets, particularly in lettings and commercial. During 2015 we have continued to acquire. 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. The core driver for the housing market remains supply. The legacy of the drop in new build following the onset of the global financial crisis is now hitting home, with both the sales and letting markets continuing to show demand outstripping supply on a month-by-month basis.
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. The 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 clients at different levels of management. Reviews at leadership team level between the client and B2B business unit/Countrywide plc also take place. We operate appropriate contingency measures in the event of supplier collapse. The key partner alliances in place and the confidence that these partners have in us mean that we have significant resilience to loss.	No change	We continue to benefit from strong relationships with our corporate partners and we have retained, as well as won, a number of contracts with key clients. We were selected by Santander as one of its formal valuation partners from 1 January 2015 and both Nationwide and HSBC have also chosen to renew their contracts with us.

Risk and risk management continued

Risk and impact	Mitigation	Change	Commentary
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. Data security is also essential to the secure processing, storage and transmission of routine personal, confidential and proprietary information.	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.	No change	The transition of our IT infrastructure via outsourcing to CGI has continued throughout 2015. Additionally, we commissioned an independent strategic review of the full IT infrastructure during 2015 and, as a result of this work, have a full roadmap of development and optimisation work scheduled for 2016 and the coming years. 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. Business continuity plans and key systems are in place and we hold ISO 27001 certification across a number of our key business areas.
Professional indemnity exposure			
The previous downturn in the UK housing and commercial markets and the impact of sub-prime lending exposed the Group to a higher level of professional insurance claims within the Surveying services.	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. We carry a different professional indemnity insurance arrangement for our commercial business, Lambert Smith Hampton, as potential individual exposures could be larger. By doing this we protect our overall Group cover and effectively ring fence commercial risks delivering a financially beneficial position for the Group overall.	Decrease	Focus on this area has been maintained during 2015 with additional ongoing reviews of our audit process to identify further improvements. Risk management remains a top priority for us and has additional benefits in demonstrating to clients the quality of professional advice and services we deliver.
Financial misstatement and fraud risk			
Material 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.	No change	We have continued to monitor embedded controls and conduct 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.

Risk and impact	Mitigation	Change	Commentary
Competitive landscape			
Countrywide operates across a range of highly competitive markets, some of which are experiencing changes in the traditional operating models. Competition could lead to a reduction in market share and/or a decline in revenues.	Our business strategy concentrates on promoting our strengths of bringing people and property together while focusing on customer choice through, for example, digitised solutions as a complementary element of our service offering. Our focus continues to comprise the retention of both existing customers as well as engaging with new customers by ensuring that our service offering evolves and improves to meet and exceed expectations in the market.	Increase	Our extensive research across over 3,000 customers indicates that there are a full range of customer needs and that the vast majority are looking for digital solutions to help them with parts of the customer journey rather than a pure digital interaction. We are continuing to evolve our proposition with customer needs and we continually collect information on competitor activity. Our management structure allows this competitor intelligence to be fed back to management accurately and quickly so that the Company can rapidly consider appropriate responses.
Regulatory compliance			
Failure to meet current or increased legal or regulatory requirements could result in reputational and financial damage, including withdrawal of authorisation or licences for the conduct of business streams.	Expertise within the operational divisions is also supported by centralised legal and compliance teams which closely monitor existing business practices and any reform proposals. Employees receive appropriate training and our managers attend industry forums and Government consultations. Robust complaints management systems are in place across all operating divisions, with root/cause analysis in place.	No change	The first phase of the EU Mortgage Credit Directive (MCD), in force from 1 March 2016, will impact on lenders, but not to the degree that the Mortgage Market Review (MMR) of 2014 did. The MCD changes will be assimilated within the business in accordance with the plan. We maintain close links and open dialogue with our regulatory bodies and have continued to monitor regulatory developments and their impacts across our divisions, developing implementation plans accordingly and adopting recommendations arising from external reviews. Where necessary, we deploy specialist external resource to supplement our in-house expertise on regulatory change.

Segmental review

Retail

> We are already in the enviable position of being the leading player across estate agency and lettings in the UK market and in Retail we will leverage our scale and incredible expertise to deliver significant future growth.

Sam Tyrer
Managing director, Retail

HIGHLIGHTS

- LaunchPad – our innovative tablet technology speeds properties to market and streamlines operations
- Continued selective and strategic acquisitions
- Multiple awards, including The Sunday Times Lettings and Estate Agency of the Year
- New Starts programme continues to build profitability

Operating review

Estate Agency: the number of properties coming to market did not meet our forecast in 2015 and overall exchanges were 9% down on 2014. Demand was also subdued with the number of potential homebuyers registered down 7% year on year at 912,000, although we did see some evidence of improving demand towards the end of the year. We continued to improve productivity and agreed sales on a higher proportion of our new instructions in the year.

The new instructions market remained extremely competitive with the pure play online agents being the most visible. This resulted in our average instructed fee decreasing by 3% despite our improved customer proposition and market appraisal focus.

Lettings: the market was stable through 2015 and demand continued to outstrip supply, with more than twelve people registering an interest in every property. We agreed 42,600 lettings in 2015 with prime properties being let most quickly.

The Countrywide Rental Index, published monthly, has shown that the rent for new lets increased by 4.1% nationally in 2015 reflecting the continued strong demand in this sector.

Supply in the South of England started recovering in Q4 and by the end of the year was back at the 2014 level. In addition, monthly rents increased most in the South West (up 6.2%), demonstrating that there is still demand for good properties with more than 15 applicants per available property. In the Midlands there was a mixed supply across the regions. Midlands West and East were stable, while Midlands Central and North had fewer rental properties compared to 2014. Monthly rent in the East of England saw the second highest increase in the country – up 5.8% – while the Midlands and Wales grew by 2.8% and 1.8% respectively. In the North and Scotland, rental properties remained in short supply and rent only increased by 2.5%. Despite this, the number of applicants remained high in the North with an increase from eight to ten applicants for each available property.

We remain committed to using the leading portals Rightmove and Zoopla whilst also giving our customers the widest possible exposure to other digital platforms, including our own websites.

We also improved the customer experience by:

- introducing innovative tablet technology – LaunchPad – which has dramatically improved productivity by improving the speed of taking properties to market;
- improving landlord retention through improved customer service and increased resource in our property management and customer care teams; and
- enhancing our online tools. Our landlord portal has made it easier for clients to do business with us and tenants are now also able to complete referencing online.

Acquisition remains an important part of our strategy and during 2015 we acquired 27 businesses, including a number of large businesses and brands. We aim to increase our market presence in areas where we are under-represented and, in 2015, we significantly increased our presence in the Liverpool region with the acquisition of two businesses, Clive Watkins and Sutton Kersh. The largest acquisition of 2015 was the John Francis network of 21 branches in South Wales, which has given us great scope to expand and develop this market.

Plans for 2016

The Retail business unit has a combined force of 4,800 people across 822 branches and 61 brands, giving us a unique opportunity to delight our customers and enhance their property experience whether they are a landlord, tenant, vendor or potential buyer. We have focused on ensuring our business structures are set up to deliver the ambitious plans we have for 2016, all of which put the customer at the heart of what we do and help us to double the size of our business by 2020.

Outlook

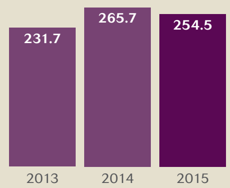
With a stable interest rate outlook and some improvement in new build numbers, the level of transactions in the market is expected to grow gradually into 2016. With our continued focus on growing market share, we expect to move forward positively in 2016.

KPIs

Total income (£m)

254.5

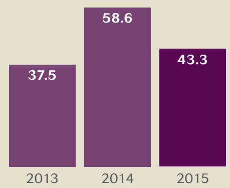
-4%



Adjusted EBITDA (£m)

43.3

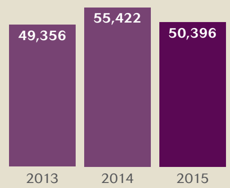
-26%



House exchanges (number)

50,396

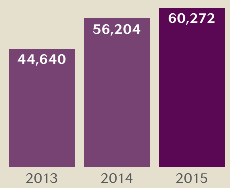
-9%



Residential properties under management (number)

60,272

+7%



Case study

Landlord retention

During 2015 a decision was made to be much more proactive in terms of contacting landlords at various stages of their customer journey. The objective of this contact strategy was not only to reduce customer attrition but also to identify touchpoints where we could enhance our service delivery and embed this into the business through coaching and development.

The customer care team was established in the North by Kerry Tipper, who set some clear targets and objectives around an effective contact strategy, a more robust complaint handling process and strengthening the relationship and working practices between the property management centres and the branches they supported. The customer care team is five strong and makes regular calls to new and long-standing Countrywide landlords in order to understand any issues and address them before they escalate. The results this team has delivered are tangible and year on year our landlord retention has increased by 48%. Following the success of this initiative the concept has been extended to other parts of the country.

Kerry Tipper, director of customer care, says: 'The decision to set up a customer care team has been hugely beneficial. We had insufficient focus on the retention of occupied units and our approach to complaints handling was inconsistent and at times not conciliatory enough.

'We mapped the customer journey and agreed that contacting landlords four months into a tenancy meant that we were more likely to pick up issues before they became complaints.


Kerry Tipper

'Where complaints have arisen we have used our customer feedback in a constructive manner to adapt working practices where necessary and also coach our teams to handle complaints more effectively and more consistently.

'The key to the success of this team has been the relentless focus on communication with our customers and then using this feedback in a constructive manner to develop our people and our business.'

Segmental review continued

London

"Our plans are ambitious for London, Europe's largest property market. We plan to capitalise on this growth opportunity using our stable of strong brands, our unparalleled distribution network and our brilliant people.

Graham Bell
Managing director, London

HIGHLIGHTS

- Successful acquisitions last year – Greene & Co, John Curtis, Vanet Property Asset Management
- Lettings fees grew year on year to £56 million with tenancies growing 3%
- Significant growth in the London residential sales pipeline, up year on year by 22%
- Strong performance in premium house sales above £2 million, outperforming the London residential sales market

Operating review

2015 saw a significant amount of change with the creation of a new London business unit. Servicing the largest and one of the most diverse residential property markets in the world, Countrywide's London business unit has been divided up into four business areas, each focusing on distinct segments: Bairstow Eves & Mann, Mid-market and Growth, Premier and City, and Hamptons International. It now has more than 250 branches which incorporate over 420 sales and lettings operations across 20 high street brands, and 2,600 people who generated £178 million of income in 2015 and £34 million of EBITDA. The breadth of our offer in London, coupled with the strength and robustness of market-leading brands, give us a great platform for growth over the next few years.

A strengthening economy, low interest rates and new Government schemes aimed at helping first-time-buyers continued to support demand in the core London market in 2015. However, the supply of housing stock was restricted, with a 6% fall in the number of homes coming onto the market. As a result of this demand and supply imbalance, prices across London continued their upward path, albeit at a more modest rate than in 2014, to finish the year at £507,000, and the number of sales in the capital fell by 10% from 2014 levels. Rents increased by 4.7% over 2015 to finish the year at an average of £1,292 per month.

As predicted the first half of 2015 was quiet in the lead up to the general election in May. In addition to this, the 2014 stamp duty changes resulted in a noticeable slowdown in the sales market at the upper end throughout 2015. This is an area where Countrywide is a leading player with brands including John D Wood and Hamptons. Despite the market for house sales over £2 million being down by 26% year on year, Countrywide London, as a whole, outperformed the market with £2 million plus sales down 6% from 437 to 409, demonstrating the strength of these brands and our network. Total 2015 annual revenues across the London division were 3% higher than in 2014, with profits 8% lower due to the additional cost base taken on as a result of the acquisitions and new branch openings. The impact of the depressed upper end of the housing market, combined with house price inflation in Outer London and the mid-market, meant that our average sales fee increased by 5%. Whilst total lettings fees grew year on year by 1%, the mix of lettings between Central London and Outer London resulted in the average letting fee decreasing by 2%.

Preparation for growth

In 2015, we continued with our strategy of making acquisitions in sectors of the market where we identify growth opportunities. Acquisitions in the year included Greene & Co, a leading business in the mid-market in North London, John Curtis in Harpenden and Wheathampstead, as well as Vanet Property Asset Management, based in Docklands. We also opened new Hamptons branches in Earlsfield and Headington. All of these acquisitions and new branches have performed in line with expectations so far. Greene & Co. have added to our sales and lettings growth in the mid-market and our wider London lettings revenues grew by 9% as a result of an increase in our lettings footprint from branch expansion and the acquisition of specialist lettings businesses.

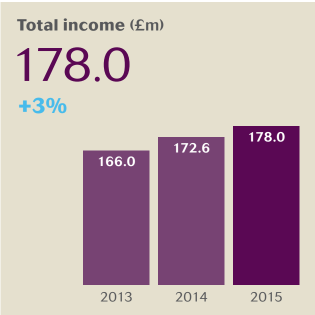
Our International department grew in 2015 with affiliations established in the Algarve, Portugal; Costa Blanca, Spain; Tuscany and Umbria, Italy; and Valais Canton, Switzerland. Hamptons international have the largest UK-based international property portal containing over 100,000 listings and over 7,000 international partner offices. This number has been as high as 130,000 in peak season. In mid-2015 John D Wood & Co. launched an international offering, working with the already established Hamptons International team.

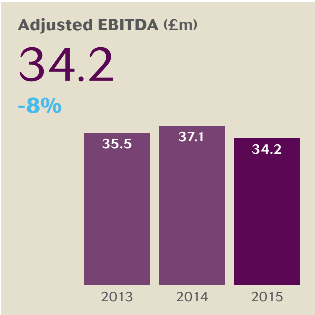
Outlook

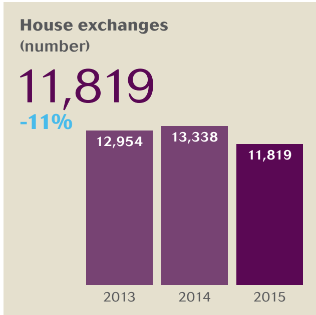
Whilst it remains to be seen if the EU referendum will have an impact on Central London house sales, we expect to see a gradual improvement in sales transactions in the upper end of the London sales market in 2016, as vendor and purchaser expectations continue to align. Growth in transactions and prices in the Outer London regions should continue, as people move from central areas to wider London boroughs and commuter zones when buying or 'trading up', driven by affordability. This trend will play well to our diversified network strength across all sectors and regions of the London property market.

The London lettings market is a robust one and is continuing to evolve and grow. 29% of households rent in London compared to 18% nationally and people are increasingly 'on the move', in and out of the capital. London now represents 34% of the UK rental market by number of lets. To service this demand, further expansion of our London-based lettings business remains a priority.

KPIs







Case study

Old Church Park development, Romford

NU Living is a design-led innovative developer with an ethical stance, committed to putting customers first. All NU Living profits are reinvested to fund regeneration and development of exemplary, affordable new homes. The NU Living Old Church Park development in Romford is a development of one and two bedroom apartments, many with gated parking. Each apartment is comprehensively equipped to fulfil the demands of modern living. With great rail and bus links owners can easily commute to London and the City. Romford itself is a thriving town where many successful businesses are located and the Queen's Hospital is also close by.

In April 2015 Steve Lillistone, business development director, and his Countrywide Residential Development team received an instruction to market Phase 3 of Old Church Park, Romford. Steve's aim was to host a very successful launch on behalf of the developer and his first step was to devise a site-specific launch plan, and join up all the relevant teams from within Countrywide.

Steve brought a number of his colleagues together to ensure that he could produce a 'full service solution' for his client. He met with his colleagues from the East London and Essex-based networks of Countrywide estate agents Abbotts and Bairstow Eves to discuss the marketing plan for the properties. Next he brought in John Taylor, area manager of Countrywide Financial Services for North and East London. He also spoke with the relevant Countrywide Lettings teams to ensure that any buy-to-let investors could receive advice on the launch day. Steve's approach meant the whole team knew what steps would need to be taken to deliver a successful launch for our client.

The lead up to the launch took just under two weeks, during which Abbotts and Bairstow Eves worked tirelessly to ensure they delivered a highly successful sales and marketing campaign around the launch of the Old Church Park development.

On the launch day in May 2015, 18 plots out of 84 were released by NU Living. The Countrywide marketing efforts were apparent as the queue started to build from 5.45 am.

Linda Faucher, sales and marketing director of NU Living, said: 'It became obvious to us that we would probably need to release further units on the launch day given the amount of interest in the development.'

The Countrywide Financial Services team was also on site on the launch day to ensure that it could assist NU Living applicants with their mortgage applications.

'We have worked with NU Living since 2010; I am delighted that we co-ordinated services from other parts of Countrywide to ensure we delivered the best possible service to our client,' said Jon Taylor, area manager, Countrywide Financial Services. 'Out of all the applications we made, 20 of them were through the Government-backed Help to Buy scheme.'

The development was sold out due to the reservations taken over the launch weekend and the ongoing marketing over the following few weeks. This was a great result for both NU Living and for Countrywide.

Segmental review continued

Financial Services

Excellent mortgage growth exceeds the market.

Peter Curran
Managing director, Financial Services

HIGHLIGHTS

- The Financial Services division continues as the third largest mortgage distributor in the UK, with approximately 6% of the UK mortgage market
- 11% EBITDA growth
- Strong mortgage growth from Mortgage Intelligence and Slater Hogg, increasing 30% and 16% year on year respectively
- In our field sales force, productivity per mortgage consultant has increased by 8% year on year with a 4% reduction in heads
- 12% increase in protection revenues
- 9,500 customers referred to our conveyancing business, generating £3 million in revenue

Operating review

Mortgage market conditions in the first half of 2015 were subdued, with gross lending trailing 1% behind the prior year. The anticipated slowdown prior to the general election and weak lending in the first quarter alone led most market commentators to downgrade their expectation of the year's outturn. However, the lending markets picked up across the summer, matching levels of activity not seen since 2008. Continued strong growth in the second half of the year was equally encouraging and the market finished at £220 billion, reflecting 8% year-on-year growth.

The potential for interest rate rises also continued throughout the year, but ultimately the long-expected increase did not materialise. This ensured that our customers continued to enjoy low interest rates on their mortgages; however, our remortgage opportunity was diminished by a relative lack of consumer appetite to lock in low interest rates before any increases in the base rate.

Despite the challenging market conditions in the first half of the year, our written mortgage performance has been encouraging, with overall growth by value and excellent performance from both Mortgage Intelligence and Slater Hogg, delivering 30% and 16% mortgage growth, respectively.

The Government's autumn statement introduced an increased stamp duty charge for buy-to-let investors, effective April 2016, and we observed an increase in buy-to-let activity in the last quarter of the year. Regardless of the proposed changes in stamp duty, we continue to identify this sector as an area of growth, given expectations of continued strengthening in private rentals, and the associated contribution that non-institutional investors have to make in this space.

This year we have achieved encouraging results from both our core protection and general insurance sales, with 8% growth in customers buying protection products and 4% overall growth in our general insurance book. Our strong relationship continues with our core general insurance partner, AXA, and, as such, we have agreed a new contract to enable us to deliver high quality general insurance products to our customers. Adverse weather conditions in the latter part of 2015, especially with regard to the flooding in Northern England, has resulted in lower profitability of the underlying contract in comparison with the prior year; however, we are proud that our customers received swift and decisive care from our partner's claims handling team.

Preparation for growth

As part of the Group's Building our Future strategy the Financial Services business unit has been preparing for growth, through the restructure of the executive team, and we are continuing a further series of senior appointments to strengthen our capability.

Our plans for 2016 focus around growing customer value, through various communication channels and ensuring that our diverse customer base benefits from the best mortgage opportunities in the market place. We aim to maintain a regular dialogue with our existing customers in order to fulfil their needs as their circumstances evolve.

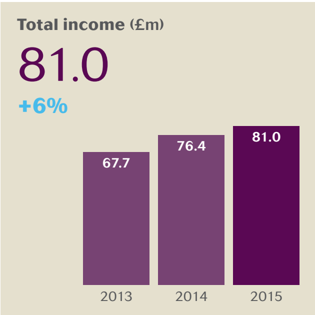
We intend to transform the Countrywide mortgage experience and we are in the final stages of testing our new point-of-sales system. We plan to roll out the new software to our mortgage consultants in early 2016, enabling them to provide high quality advice in a flexible, efficient and user-friendly way, whilst giving access to the full suite of premium protection and general insurance products from our partners.

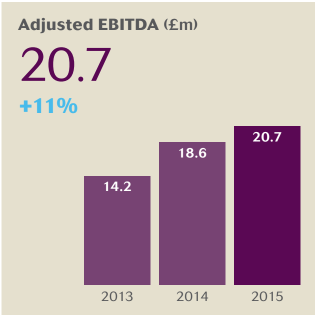
We are focused on building the best team through investing resources in the training and development of our existing sales force and are in the process of supporting our consultants through the recruitment of additional first line of defence field-based compliance staff.

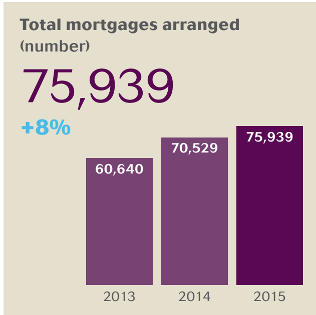
Outlook

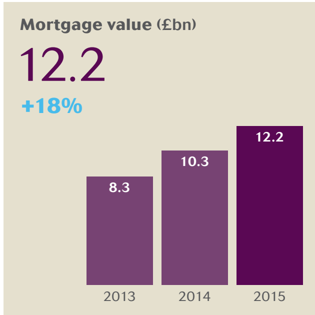
The continued Bank of England decisions to hold base interest rates steady provide borrowers with shelter from interest rate instability in the near to medium term and, given the momentum of the mortgage market in late 2015, we expect to see continued uplift in trading in 2016.

KPIs









Case study

Looking after our customers

People have mortgages for an average of 24 years, giving us an excellent opportunity to build a life-long relationship with our customers. We are good at working with new customers, but we recognise that there is a huge opportunity for us to grow our market share in the remortgage market too, which is up 31% by value (H2 2014 v H2 2015).

The remortgage market is highly competitive, which means that existing homeowners are in a great position to benefit from some excellent offers available at low interest rates. With this in mind Leah Emery, regional sales manager in the Midlands, and her team started sharing their success stories about finding the best products for their customers. Very often we have been able to make huge cost savings on behalf of our customers:

- This year Mazar Singh, one of our mortgage consultants, saved a customer £57,100 by reducing their mortgage term by eight years. In the process he also reduced their monthly payments by £13 with no remortgage fees at all from the bank.
- David Smith, another one of our mortgage consultants, worked with a customer who had found a remortgage online for a 30-year term and a £500 set up fee. David was able to listen to our customer's needs and find an improved deal, reducing the term to 25 years and having no remortgage fees to pay! The customer was delighted. We are really proud that through David's expertise, our customer found an even better deal and ended up saving £78,500 in the process.
- This fantastic work continues into 2016 and we are delighted to report that David was able to save a recent remortgage customer £180,000 over the term of their mortgage. The customer is over the moon as he can now afford to save and be mortgage free straight after the fixed rate finishes.

We put the customer at the heart of everything we do and our continued focus on listening to and satisfying their needs, coupled with our innovative approach in the remortgage market, will bring further opportunities in 2016. Savings that we can make on remortgages then help our customers to afford better protection both for their life assurance and general insurance needs – ultimately an excellent outcome for our customers and a great way to build those life-long relationships.

Segmental review continued

B2B

> Our B2B businesses provide dedicated support to a diverse range of private and public sector businesses and banks throughout the UK. By strengthening our partnerships with corporate clients we know we can better meet their needs.

Paul Creffield
Managing director, B2B

HIGHLIGHTS

- Strong performance from Surveying Service business delivering 12% revenue growth and 34% increase in EBITDA contribution
- Residential development solutions performance grew with the addition of Ikon Consultancy and new homes hubs from Greene & Co.
- A strong underlying performance from Lambert Smith Hampton was strengthened by the acquisition of three businesses in 2015 plus excellent results from Ireland, which became the most profitable region outside London

Professional Services

The Professional Services division of B2B includes Surveying Services with the addition of Hamptons Valuations; Conveyancing Services; Estate and Asset Management taken from the Lettings and Estate Agency divisions; and Property Auctions from Estate Agency.

2015 was an excellent year for our Surveying Services business delivering sustainable growth in revenue and EBITDA year on year. Increased mortgage approvals drove £3.8 million additional contribution while productivity gains augmented results by a further £1.0 million after bearing the cost of our graduate training programme. Our qualified surveyor headcount has risen to 405 and we are continuing to recruit into our graduate programme. Risk management and quality of advice to all clients remain top priorities and we are pleased to report that our risk and compliance initiatives implemented over the past few years have resulted in significantly fewer valuation and defects claims. We are also pleased to confirm that both Nationwide Building Society and HSBC have renewed long term valuation contracts with us reflecting the quality and level of service we continue to deliver.

Conveyancing Services has seen a year of change, with moves affecting the panel management business and internal business generation teams connected with our Retail and London businesses. 2015 has seen fewer instructions which have impacted on revenue and EBITDA, but plans have been set to significantly increase instructions going forward. Nevertheless, our pipelines remain robust. The main highlight for 2015 has been the continued recruitment of new lawyers into training programmes so that we can adequately service volumes of expected instructions and the successful roll out of our upgraded software operating system, Visual Files.

We have aligned our Leasehold Management business with our Asset Management business under a single managing director going forward with a plan to continue our growth in this important area. However, 2015 proved a challenging year for Asset Management as the repossessions market in 2015 declined by 51%, impacting results.

Our Professional Services division comprises well established businesses and management teams who have contributed to the Building our Future strategy. Our plans for the future seek to drive increased Group value from Conveyancing by working with our partners in Retail, London and Financial Services to deliver an excellent service for home movers and we will continue our focus on the quality of service and reducing the potential for future claims. We are also researching new survey products for consumers and cementing our position as a leader in the market.

Residential Development Solutions

Countrywide Residential Development Solutions comprises the former Land & New Homes businesses reported in Estate Agency and Hamptons together with Preston Bennett, the leading new homes business acquired at the beginning of 2014. In 2015 we acquired Ikon Consultancy, a residential and mixed-use consultancy focused on providing a range of high quality added value services to private, public and housing association clients working across the wider regeneration sector, and a new homes hub from Greene & Co.

Performance was varied across the network in 2015. Strong results in London and Preston Bennett, together with the addition of Ikon and the Greene & Co hub, were offset by weaker performances in the regions, which are heavily reliant on the Group's branch network.

Developing a full service offering for developer clients, particularly SMEs, is a core strategy within Building our Future. Combining our resources in this area and forging even greater links with our Commercial team will allow us to present a joined up full service proposition from land acquisition and sale, viability studies, design and development, planning and consultancy services, including valuation, project management and conveyancing right through to marketing and sale of the completed units.

Moving into 2016 we are rolling out the successful new homes sales hub operating model, focusing our teams on client relationship development. Our data indicates that we are 2.5 times more likely to sell a home via the hub model than the distributed branch network. Furthermore, the average development sold through our hubs is 67 units compared to the average of nine-unit developments sold via the branches. These large-scale sites deliver economies of scale and attract more large developments.

Also we are pleased to announce the acquisitions of Lanes Property Agent (Cheshunt) and Lanes Land in January 2016, a land and new homes businesses operating in Enfield and Hertford, for £2.8 million. Complementing Preston Bennett's geographical reach in the northern home counties, this business sits squarely within our hubs' operating strategy.

We consider the new homes market to be a big opportunity in the UK underpinned by the Government's desire to build one million new homes by 2020. We will continue to grow our business in this area by opening hubs and acquiring specialist businesses to support our overall proposition.

Gross income summary

	2015 £'000	2014 £'000	Change %
Survey and valuation	66,295	59,241	12
Conveyancing	32,206	33,161	(3)
Other professional services	14,417	17,060	(15)
Professional Services	112,918	109,462	3
Land & New Homes	27,736	23,023	20
Commercial	101,686	72,798	40
Total gross income generated by B2B clients	242,340	205,283	18
Income passed to other business units	(23,289)	(22,968)	1
B2B net income	219,051	182,315	20

Lambert Smith Hampton

2015 was the second full year for the business post-acquisition as part of the Countrywide Group.

The year was notable on many fronts including very healthy year-on-year improvement in terms of both revenue and EBITDA growth of 65%. This has been supported by our acquisition programme in the sector and healthy commercial markets both in London and the regions, which aligns well with the business' regional footprint. The core business purchased in 2013 continued to grow steadily throughout the year. Excluding the contributions from the acquired businesses the like-for-like revenue grew by 6% to £73 million with EBITDA contribution rising by 5%. The Northern Ireland team, acquired in 2014, was perfectly placed to provide transactional and consultancy services to existing Lambert Smith Hampton clients, making Ireland the second most profitable region.

Lambert Smith Hampton continued in 2015 to execute upon its strategy, which includes both building upon its core service lines and strengthening by acquisition where we cannot develop easily through organic growth.

Our three acquisition highlights in 2015 were:

- ES Group, a well respected, 260-strong consultancy-led business with a major presence in many UK regions. The firm is a market leader in providing valuation and corporate recovery advice to banks and accountancy firms and is also at the forefront of the fast-growing alternatives market, particularly in hotels, healthcare and education.
- Tushingham Moore, which is the largest retail property specialist outside of London. Their team of consultants has provided expert integrated agency offering to the retail industry for over 20 years. Not only will Tushingham Moore increase Lambert Smith Hampton's retail and leisure profile across the UK, it will deliver synergy opportunities via our shopping centre management expertise in our Belfast office.
- Douglas Newman Good Commercial, one of the most respected commercial property advisors in Ireland. The business manages over 2 million sq ft of assets, generating income in excess of €45 million each year. Key clients include AIB, Bank of Ireland, Grant Thornton, NAMA, State Street and Tesco. Coupled with our market leading commercial presence in Northern Ireland this significantly strengthens our presence across many markets.

Our Commercial strategy is twofold. Building on the opportunities presented by the acquisitions, Lambert Smith Hampton will drive organic growth in retail and leisure industries and increasing its reach in Ireland. Meanwhile, the business will continue to search for suitable complementary businesses to acquire to strengthen its product and service range for clients. We will continue to grow our Lambert Smith Hampton commercial business by focusing on building recurring revenue streams attached to the consultancy side of the business. Our strategy remains to recruit top quality professionals to enhance our existing service offerings and acquire value-accretive commercial businesses that either provide us with complementary service opportunities or enable us to grow service lines where recruitment has been difficult and demand is high, such as building consultancy.

Outlook

We will continue to drive value for the Group through our strong businesses underpinned by resilient corporate relationships, significant recurring revenue streams and scalable opportunities.

Segmental review continued

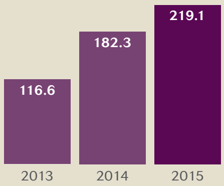
B2B continued

KPIs

Total income (£m)

219.1

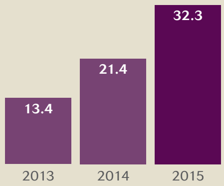
+20%



Adjusted EBITDA (£m)

32.3

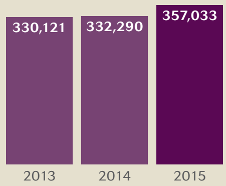
+51%



Surveys and valuations (number)

357,033

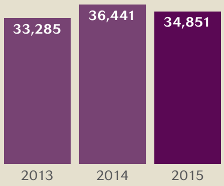
+7%



Conveyances completed (number)

34,851

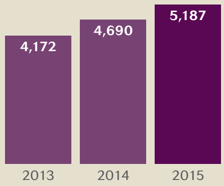
-4%



Exchanges – new homes (number)

5,187

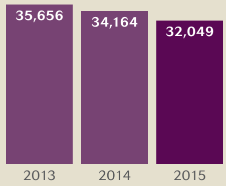
+11%



Corporate properties under management (number)

32,049

-6%



Case study

Victoria Centre

Our Lambert Smith Hampton Belfast office was established following our acquisition of BTW Shiells, Northern Ireland's leading advisor, in June 2014. The LSH Belfast office provides a full Asset and Property Management service on behalf of Commerz Real for Victoria Square, Northern Ireland's prime retail scheme – attracting footfall of 185,000 a week.

The retail-led mixed-use scheme is located in the heart of Belfast, with a lettable area of 921,358 sq ft, including a 229,547 sq ft two-level basement car park of 954 spaces, operated by Q Park. The centre comprises four trading levels and includes 99 units and restaurants, and an eight-screen cinema operated by Odeon. Anchored by House of Fraser, the centre boasts an unrivalled mix of high-end fashion retailers and iconic brands such as Apple, River Island, and Tommy Hilfiger.

The unique aspect of Victoria Square in Northern Ireland is that it is a place to shop, relax, live and work, with the centre including a residential element of 106 apartments. Victoria Square is a 'neighbourhood' and the dome covered public space is a hub connecting the walkways on the River Lagan, the rejuvenated Cathedral Quarter, and the city centre.

We've thrived from the opportunity to work this asset and improve the shopping and leisure experience for both the local community and the wider area. In 2015, we installed free public WiFi to benefit the community and managed an annual rent roll of just over £16 million, with 25 retail units let since our appointment, including Samsung, Five Guys, and STA Travel. We completed rental negotiations as part of proactive asset management to ensure retention of key brands, and delivered lease renewal and lease re-gears, including full shop refits. We also retendered two main service contracts for Cleaning, Security and Associated Services and Mechanical, Electrical and

Victoria Centre

Associated Services, achieving cost savings and enabling us to bring in over £2 million through full service charge management.

We're delighted to work with Commerz Retail, and we are currently advising on an internal signage package for the centre and assisting with climate improvement proposals for reduction of wind and rain through the open streetscape.

The integration of BTW Shiells has proved truly fruitful, with fantastic partnerships such as this enabling our further growth in Ireland, including the acquisition of Douglas Newman Good Commercial in July 2015. We believe that this work further consolidates LSH's position as the number one firm providing trusted on-the-ground advice in every part of the country.

Group financial review

We delivered a mixed performance in challenging market conditions, whilst laying down the foundations for future progress in line with our strategy. We have continued to acquire and integrate businesses during 2015 and we have put in place the financing we need to achieve the next phase of our strategy.

Jim Clarke
Group chief financial officer

Segmental results*

	Total income			EBITDA		
	2015 £'000	2014 £'000	Variance %	2015 £'000	2014 £'000	Variance %
Retail	254,451	265,651	(4)	43,343	58,621	(26)
London	177,982	172,635	3	34,162	37,107	(8)
Financial Services	80,994	76,439	6	20,709	18,586	11
B2B	219,051	182,315	20	32,302	21,363	51
Central Services	1,258	5,161	(76)	(17,539)	(14,574)	(20)
Total Group	733,736	702,201	4	112,977	121,103	(7)

* Previously reported results for 2014 have been restated to align with the new segmental structure.

Introduction

Countrywide delivered a mixed performance in a challenging period which saw the impact on our estate agency business of lower levels of housing transactions than in 2014. We have continued to invest both organically and non-organically throughout the year to ensure we have the foundation for future growth. The benefits of this strategy are evident in the performance from both our Financial Services and Surveying Services (B2B) businesses where prior investments in resource capacity have produced results which are ahead of their respective markets.

Our intent, as laid out in our Building our Future strategy, is to increase our resilience to the sales cycle volatility, both organically and through acquisition, and broaden the Group's business to deliver a strong future and sustainable long term value for our shareholders.

Accordingly, we have put in place the financing we need to fund our planned growth, having agreed a new banking facility in February 2016. Our strategy requires an increase in net debt levels, as we invest in the organic and non-organic elements required to keep us on target to achieve our 2020 objectives.

Results

- Group income was 4% higher at £733.7 million (2014: £702.2 million) reflecting growth in three of the four business units.
- EBITDA declined by 7% to £113.0 million (2014: £121.1 million) principally as a result of challenging conditions in the residential estate agency market and investment in our lettings business.

Our business units reported improvements in income, with the exception of Retail where challenging market conditions were exacerbated by the disruption of restructuring during the year. In Retail, 2015 has been a period of consolidation and investment in our estate agency and lettings operations, with significant acquisition investment in the latter to provide foundations for the next stage of our growth. However, Financial Services and Surveying Services (within B2B) delivered market-beating performances, with encouraging progress from our Commercial operations within B2B. Our central costs are likely to increase in coming years as the Group continues to grow.

Income statement, cash flow and balance sheet items

Depreciation and amortisation

We continue to show separately 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 £5.9 million, the principal drivers of which were increases of: £1.5 million and £2.7 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; and £1.4 million in respect of leasehold improvements as a result of the programme of branch refurbishments. Amortisation of intangible assets recognised through business combinations has increased by £1.1 million as a result of the incremental rate of growth in acquisitions during the year.

Group financial review continued

Income statement, cash flow and balance sheet items continued

Depreciation and amortisation continued

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, which will end in 2017.

Share-based payments

Share-based payment charges are also reported separately on the face of the profit and loss account. The most significant element of this charge relates to a specific scheme established at the point of the IPO in 2013 when 7.2 million options were granted to employees who were former equity holders of Countrywide Holdings, Ltd under the IPO Plan. The majority of these nil-cost options vested based on adjusted Group EBITDA for 2014 in March 2015 (80%) and the residual balance due to directors will vest in March 2016. The charge to the income statement in 2015 was £3.3 million (2014: £10.6 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 credit for the year was £0.5 million (2014: £2.1 million charge) as performance targets were not met. 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.

Contingent consideration

As a result of an increasing number of acquisitions during the year that, for commercial reasons, comprise a significant element of employment-linked contingent consideration, which is deemed remuneration under IAS19 'Employee benefits', we have decided to report these costs, amounting to £8.9 million, separately from underlying profits with further details in notes 6 and 29 'employees and directors' and 'acquisitions during the year', respectively, as the short term impact on the underlying business results would be material and distort underlying business performance.

Each of these contingent consideration arrangements require the vendors to remain in employment and, as such, have been treated as a post-combination employment expense, have been excluded from consideration, and are being accrued over the relevant periods of one to three years specific to each of the agreements.

Some of this contingent consideration is also subject to performance conditions being satisfied, with target EBITDA levels which must be achieved in order to realise the full payment, with a reduced payment made if targets are not fully met. Accruals for contingent consideration will therefore be reviewed at each period as future earn-out assumptions are revisited and any credits to the income statement in respect of downward revisions to estimates would be reported in the same way.

Exceptional items

We have reported net exceptional costs of £13.6 million, which comprises non-recurring costs of £16.1 million principally arising as a result of the strategic restructuring undertaken during the year, offset by £2.5 million of deferred income in respect of our contract with Zoopla (which ended at 31 December 2015).

Exceptional costs related to the strategic restructuring undertaken during the year have been analysed in further detail within note 10, but principally comprise: £6.1 million impairment charges from writing down a number of brands which have been rationalised as part of our review of the London market place; £3.3 million in respect of redundancy costs as a result of the costs incurred in implementing the new organisational design, with related recruitment costs of £0.5 million; and £3.3 million in respect of consultancy costs. A number of property restructuring costs were also incurred as a result of our strategic decision to bring our teams together in Oxford Street. However, the dilapidations and onerous leases costs of mothballing other offices has largely been offset by the £0.8 million profit generated by the sale of our Grosvenor Square leasehold, resulting in a net cost of £0.4 million. The net cash spend in 2015 on the strategic restructuring was £6.9 million.

Professional indemnity claims

During 2015 we received, as expected, reduced numbers of professional indemnity valuation claims and achieved significant successes in a number of challenging cases. The majority of claims received continue to relate to the period 2004 to 2008 and most are over six years since the survey was performed. The underlying trend of valuation claims arising since 2009 is very low and below those experienced before the decline in the property market. This is testament to the enhanced risk and compliance monitoring implemented over the past few years.

Estimating the liability for PI claims is highly judgemental, especially as we are now dealing with the more complicated cases. We have updated our financial models to reflect the latest inputs and trends and taken advice from our panel of lawyers in respect of open claims. During 2015 our experience was in line with expectation and the provision is unwinding as planned. While sensitivities have been applied to these models, any significant change in claims experience could have an impact on results, good or bad.

Finance charges

During 2015, our drawdown on bank borrowing facilities increased from £120 million to £200 million. Consequently, our finance costs have increased by £0.8 million and are now incurred at a margin of 1.75% over LIBOR.

Taxation

Our total tax charge for 2015 of £5.9 million (2014: £11.7 million) represents an effective tax rate of 12.5% (2014: 14.7%). The principal reasons for the lower effective rate are: the impact of the future reduction in the tax rate in restating deferred tax liabilities generated a £3.3 million tax credit; and realisation of share-based tax relief of £1.7 million.

Countrywide's business activities operate predominantly in the UK. All businesses are UK tax registered apart from small operations in Hong Kong and Ireland. We act to ensure that we have a collaborative and professional relationship with HMRC and enjoy a low risk rating. We conduct our tax compliance with a generally low risk approach whilst endeavouring to maintain shareholder value and optimise tax liabilities. 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.

In addition to our corporation tax contribution, our businesses generate considerable tax revenue for the Government in the UK. For the year ended 31 December 2015, we will pay corporation tax of £8.5 million (2014: £17.2 million) on profits for the year, we collected employment taxes of £172 million (2014: £132 million) and VAT of £99 million (2014: £95 million), of which the Group has incurred £61 million and £2.5 million (2014: £47 million and £1.9 million) respectively. Additionally we have paid £12 million (2014: £11.0 million) in business rates and collected £35.5 million (2014: £42.6 million) of stamp duty land tax though our conveyancing business.

Cash flow
Net cash generated from operating activities decreased by £22.8 million to £65.2 million for the year (2014: £88.0 million), representing 29.7 pence per share (2014: 40.1 pence). Both years have been impacted by payments to settle PI claims. Payments in 2015 were lower than expectations at £10.8 million (2014: £14.4 million) principally due to the timing of settlements.

Capital expenditure
Total capital expenditure on tangible assets in the year amounted to £19.7 million (2014: £23.9 million), principally relating to the programme of planned branch refurbishments, and an additional £5.4 million (2014: £6.1 million) has been incurred on software, which has been treated as an intangible asset.

Net assets
At 31 December 2015, our net assets per issued share were £2.48, a total of £544.6 million (2014: £531.6 million) and an increase of £13.0 million, or 2%, driven by a post-tax profit for the year of £41.8 million, offset by dividend returns to shareholders of £32.9 million.

In February 2016, we sold around 50% of our holdings in Zoopla Property Group plc and the £19.1 million proceeds will be returned to shareholders. We will continue to monitor opportunities with regard to our remaining stake.

Net debt
At 31 December 2015 we had cash balances of £24.3 million (2014: £28.6 million) and a £200 million revolving credit facility (RCF) drawn down (2014: £100 million term loan and £20 million revolving credit facility drawn) and finance leases of £10.1 million (2014: £12.3 million). (Full details of net debt are shown in note 21.) The £81.8 million increase in net debt arose principally as a result of net outflow on acquisitions amounting to £62.9 million during the year.

Shareholders' funds amounted to £544.6 million (2014: £531.6 million) giving balance sheet gearing of 25% (2014: 16%). Net debt represented 21% of the Group's market capitalisation at 31 December 2015, and 163% of the Group's adjusted EBITDA for the year.

Committed bank facilities
The Group's available bank facilities (excluding overdraft arrangements available) at 31 December 2015 comprised a £250 million RCF repayable in March 2018.

In February 2016, the Group increased its borrowing capacity to facilitate the strategic plans announced during 2015. We have renegotiated our existing £250 million RCF, to a £340 million RCF with the existing lenders and accompanying £60 million accordion facility repayable in 2020.

The basic terms of the facility remain unchanged although there is greater flexibility on the leverage covenant levels. It is our intention to take advantage of the current interest swap rates to fix a significant proportion of this facility.

Dividend policy

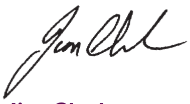
There has been no change to the Group's previously stated policy (as detailed in the chairman's statement within the 2014 annual report) in respect to normal dividends, which will remain unchanged at 35–45% of underlying profit after tax. Underlying profits are illustrated separately on the face of the income statement and are measured as profit after tax but before exceptional items, amortisation of acquired intangibles, contingent consideration and share-based payments.

This policy aligns with the Group's strategic plan, which requires an increased level of investment to deliver significant EBITDA growth and enhance shareholder returns. In February 2016, we sold 8,659,302 Zoopla shares realising £19.1 million, which will be returned to shareholders by way of a share buyback programme. We continue to hold 9,234,473 Zoopla ordinary shares. The Board has the potential to re-introduce special dividends from 2017.

Whilst there are always potential risks (see our principal risks detailed below) and constraints associated with dividend resources to deliver any dividend policy, the key judgements exercised in relation to the current year dividend proposal, which aligns with the stated dividend policy and will be subject to approval at the AGM, have been:

- distributable profits: the parent company balance sheet (see page 123) demonstrates significant headroom in terms of available distributable profits, providing coverage of both the proposed dividend and additional headroom for future delivery of normal dividends under the stated policy;
- availability of cash: the parent company can access available cash within the Group by the declaration of dividends within underlying subsidiaries (which also generates further distributable profits at the parent company level) or by choosing to call in intercompany balances or accessing external funding (undrawn facilities of £50 million at 31 December 2015); and
- debt covenants: the Group has sufficient headroom for both the proposed dividend and additional headroom for future delivery of normal dividends under the stated policy.

The Board has recommended a final dividend of 10.0 pence (net) per share (2014: 10.0 pence), giving a total 2015 dividend of 15.0 pence (net) per share (2014: 24.0 pence, including a 9.0 pence special dividend). Subject to approval at the AGM, to be held on 27 April 2016 the dividend will be paid on 5 May 2016 to shareholders on the register at 29 March 2016.



Jim Clarke
Chief financial officer
25 February 2016

Corporate sustainability

We believe that great people plus a great environment will deliver a world-class experience for our people and our customers.

Our people

To achieve our vision, our customers need to be at the heart of everything we do. For this to happen all of our people need to be connected to our purpose, inspired to be the best they can be, feel valued, engaged and committed to providing a brilliant customer experience. To expect this of our people we need to make sure that they have a great experience from the moment they consider joining Countrywide and throughout their career with us. To do this we will engage our people at every single touchpoint of this journey, building our employee value proposition, communicating clearly, bringing our values to life and creating an environment where people can excel.

Developing a high performance culture

To support our leaders to effectively lead through organisational change, embed our values and drive business performance, we held a series of senior leadership events in November and December 2015.

The first event on leading change through culture and values helped leaders understand more about their own leadership brand, examining culture and behaviours to positively reflect our values in the actions and conversations we have with our people and customers.

> I've grown as a person and leader through this training and it's completely changed the way I now approach meetings and lead my teams. I've already seen improvements in how the team engages and collaborates as a result.

The second event 'conducting powerful conversations' was a practical event which provided leaders with the tools, techniques and mindsets to conduct powerful conversations with their teams, focusing on driving performance.

13 workshops were held over a seven-week period, reaching over 100 leaders across the business.

We now plan to roll out an adapted version to the wider leadership team to enable a consistent approach to performance management.

Development and training

New apprenticeship and graduate recruitment schemes continue to deliver across several divisions of the Group, alongside City & Guilds accredited training for employees within our retail operations. This includes the opportunity of sponsorship to achieve recognised professional qualifications that are relevant to our sector. We provide full visibility of who we are and expertise we have through our online Register of Property Agents (www.agencypro.co.uk). The Register provides assurance that our people 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.

Making sure we attract the best talent is fundamental to the continued growth of Countrywide. It is only by investing in our people and ensuring they have the right tools to do their job in a safe and positive environment that we can be recognised as one of the best places to work in the UK.

LISTENING TO OUR PEOPLE – MYCOUNTRYWIDE SURVEY

In 2015 we completely overhauled our employee engagement survey, aligning it to our Building our Future strategy, to provide more insightful data across our strategic focus areas and support clear action planning.

Over 9,000 employees shared their feedback. That is an increase of 9% compared to 2014 and over 1,000 more responses giving us a better understanding of how people truly feel working for Countrywide.

Overall our engagement score increased to 70% compared to 2014. Over 75% of those surveyed felt inspired by our purpose and understood our strategy – both showing strong increases on 2014 results.

Only through taking action on the feedback received and working together to make the right improvements can we deliver performance improvements. We are determined to improve again in 2016 with a mid-year pulse survey to track the impact of our action plans. Across Countrywide we will continue to listen to our people and make the changes that bring us ever closer to being recognised as one of the best places to work in the UK.

9,000+

employees shared their feedback

> Being the Countrywide Great Tour Ambassador is an experience I'll never forget. I met loads of Countrywide colleagues, all tackling massive personal goals and with smiles on their faces (most of the time!) in aid of some fantastic causes. I've made friends for life over the 64 days and I truly appreciate the support I received from my family and Countrywide throughout – it was awesome.

James Dowling
Our Countrywide Great Tour Ambassador

Communication

Through impactful, clear, and honest communication we connect our people to our purpose and inform, engage and inspire them. To do this we work collaboratively with our leadership teams across Countrywide providing insight, guidance, expertise and tools to support performance and drive business growth.

Our Communication Business Partners provide a deep understanding of how employees think, feel and act across our four business units (BU) of Retail, London, B2B and Financial Services.

From newsletters to events, people roadshows to video interviews, we use the most relevant channels to reach all our employees and will continue to expand our reach in 2016 with the launch of a new Group-wide intranet.

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).

Employee engagement – The Great Tour

In the Summer of 2015 we were thrilled to support The Great Tour, in tandem with CTC, the national cycling charity. Britain's ultimate cycling challenge is a 64-day circumnavigation of coastline starting in Holyhead and finishing in Anglesey, a route which covers 6,800 kilometres. As lead sponsor we were able to provide a fantastic opportunity for people to take part no matter what level their fitness, connecting with colleagues from all over our business to complete the challenge.

Over 300 riders from Countrywide took part in The Great Tour, participating in every single stage of the event, with many more supporting along the way. Six charities partnered with the cycling event: Alzheimer's Society; Leukaemia and Lymphoma Research; Macmillan Cancer Support; Action for A-T; Anthony Nolan; and CTC. We raised over £35,000 for these fantastic causes.

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 £18,000 during 2015. Countrywide also supports two national charities – Shelter (helping the homeless) and Cancer Research UK.

£70,000+

has been raised by our employees for local charities and communities in 2015

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.

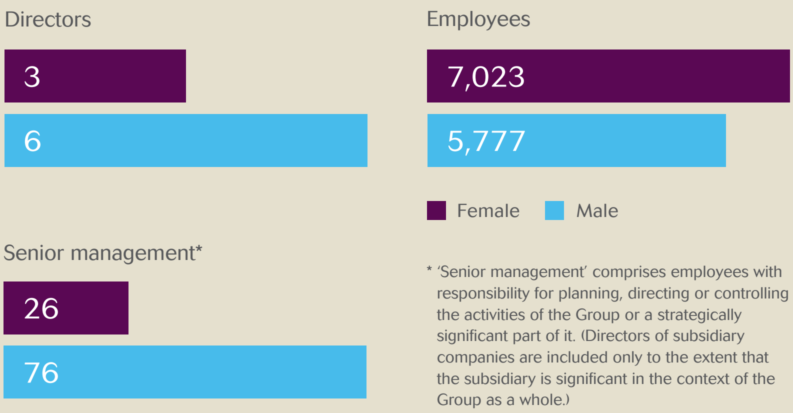
Equal opportunities

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.

Corporate sustainability continued

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.)

Equal opportunities continued

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.

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.

Health and safety

The health and safety, welfare and wellbeing of employees is of paramount importance to us. It is our policy to create and improve standards of health and safety, which will lead to the avoidance and reduction of risks and ensure that the Company complies with all health and safety legislation. A detailed health and safety policy statement is held at all branch premises and displayed on the notice boards.

Information security

We are committed to ensuring the integrity and security of business information, with particular attention given to personal and sensitive data where inappropriate use or inadequate maintenance and safeguarding could have serious repercussions.

Our policies and procedures are based on requirements for a secure operating environment, an assessment of the risks that the Group faces and relevant legal and best practice requirements. 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.

During 2015 we recycled over

876 tonnes

of rubbish

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 876 tonnes of rubbish during 2015.

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 continuous improvement, as we recognise the need for sustainable development.

THE FOLLOWING INITIATIVES ARE IN PLACE:

- We use printing paper which is chlorine free and carries the FSC Kitemark and which is compliant with ISO 9001:2008, ISO 14001:2004 and is OHSAS 80001:2007 certified. We currently recycle 80% of paper across the Group.
- 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 by the end of 2017.
- Employees are encouraged to dispose of all paper waste in secure bins, 100% of which is recycled.
- We recycle 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.

Greenhouse gas emissions

For our greenhouse gas emissions disclosures, please see the directors' report on page 69.

Employees are encouraged to dispose of all paper waste in secure bins, of which

100%

is recycled

Corporate governance

Chairman's introduction to corporate governance

We continued to strengthen corporate governance as reflected in the Board effectiveness review.

> Your Board remains strongly committed to ensuring that Countrywide maintains and continuously improves the structures and processes required to underpin the effective delivery of its growth strategy. We believe that good governance is an essential part of the way we conduct our business on a daily basis, while maintaining effective risk management, control and accountability.

Dear shareholder

Your Company continues to be led by a strong and balanced Board, which is well qualified to challenge, motivate and support the management of the business. In the 2014 annual report, the Group announced the start of a strategic review ('Building our Future') which commenced implementation in the first half of 2015. The Group now has a revised corporate strategy for the years to 2020. The Board was necessarily closely involved in the formulation and approval of the strategy, which the executive team is now tasked with delivering for shareholders and stakeholders.

Whilst there have been no changes in the Board during 2015, I indicated my desire to step down from the role of chairman once a successor was identified and in post. The Board authorised the Nomination Committee to engage in the search and selection process for a new chairman and this activity commenced in the final quarter of 2015. Further details on this process and external support are detailed in my report of the Nomination Committee on page 46. On 11 February, the Company announced that I will retire as non-executive chairman, and we will confirm the new appointment of Peter Long as chairman at the Annual General Meeting on 27 April 2016, subject to FCA approval.

The Nomination Committee will continue to review the composition of the Board to ensure that we have the right balance of skills, experience, diversity and independence to support the future development of the Group.

The Board acknowledges the insights to be gained from an external evaluation of its effectiveness and that of its Committees for helping to identify key areas for future improvement or focus. A Board evaluation review was commissioned during 2015, led by myself and facilitated by Lintstock Limited, an independent corporate advisory firm. The initial phase of this review has concluded during February 2016 and the process is discussed in further detail on page 47.

The Board understands the importance of presenting a fair, balanced and understandable assessment of the Group's position and prospects and of the importance of effective reporting, risk management and internal control procedures. As part of the strategic planning process, the Group reviewed its risk appetite and ensured that there were governance improvements to align our risk and internal audit capabilities as detailed within the Audit and Risk Committee report on pages 48 to 53. The appointment of a chief risk and compliance officer, with appropriate levels of additional dedicated resource, and the appointment of Deloitte LLP as the Group's internal auditor using a full outsourced model (following a period of co-sourcing), provided an integrated assurance plan and a more co-ordinated approach to the Group's risk management and audit activities.

Your Board is fully committed to supporting both the principles and application of best practice in corporate governance. I believe that we continued to strengthen effective corporate governance procedures during 2015 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. Following the recent completion of the externally facilitated Board effectiveness review, we will agree a set of priorities against which we will report progress in future years to ensure that we, as a Board, are leading from the front in providing the right example for Countrywide.

I am pleased that Peter Long has accepted the role of chairman and would like to welcome him to Countrywide. Peter is chairman of Royal Mail plc and is a member of TUI AG's supervisory board, having previously held a variety of senior roles in the travel and leisure sector. He was formerly senior independent non-executive director of RAC plc (2001–2005) and Rentokil Initial plc (2005–2014), and was also non-executive director of Debenhams plc (2006–2009). Peter brings a strong customer focus and a wealth of plc board experience.

Grenville Turner

Grenville Turner
Chairman
25 February 2016

Board of directors

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

Grenville Turner
Chairman

N

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, Titlestone Ltd and Bellpenny Ltd. He is also a non-executive director of Zoopla Property Group, English National Ballet and DCLG. Grenville is a qualified chartered banker and holds an MBA from Cranfield School of Management.

Peter Long
Chairman designate
Independent
non-executive director

None

Peter was appointed non-executive director of the Company on 11 February 2016. Peter will take over as non-executive chairman following the Company's AGM on 27 April 2016, subject to FCA approval. Peter is chairman of Royal Mail plc, and having ceased to be joint chief executive of TUI AG, with effect from 9 February 2016 is a member of TUI AG's supervisory board. Prior to this, he held a variety of senior roles in the travel and leisure sector. He was formerly senior independent non-executive director of RAC plc (2001–2005) and Rentokil Initial plc (2005–2014). He was also a non-executive director of Debenhams plc (2006–2009).

Alison Platt
Chief executive officer

None

Alison joined the Group in September 2014. Alison was previously managing director at Bupa, responsible for international development markets, and has held a range of senior posts including chief operating officer of the 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.

In January 2016, the Board also announced the appointment of Alison as an independent non-executive director to the Board of Tesco PLC with effect from 1 April 2016.

David Watson
Deputy chairman
and senior independent
non-executive director

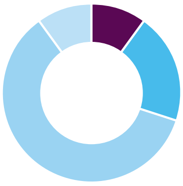
A N R

David joined the Group in September 2013 as non-executive director of the Company (and was previously chairman of the Audit and Risk Committee before being appointed as deputy chairman). 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 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.

Jim Clarke
Chief financial officer

None

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.



Chairman	1
Executive directors	2
Independent non-executive directors	6
Non-independent non-executive director	1

Cathy Turner
Independent non-executive director

A N R

Cathy was appointed non-executive director of the Company and chairman of the Company's Remuneration Committee on 31 July 2013. She is also a non-executive director and chairman of the remuneration committee of Aldermore PLC. She is an honorary fellow of UNICEF UK and a member of the board of the Royal College of Art. She has extensive industry experience working with Deloitte & Touche, Ernst & Young and Towers Watson 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. She was chief administrative officer of Lloyds Banking Group PLC. Cathy is a graduate of the University of Lancaster.

Richard Adam
Independent non-executive director

A N R

Richard was appointed non-executive director of the Company in June 2014 and chairman of the Company's Audit and Risk Committee in August 2014. A chartered accountant qualifying with KPMG in 1982, Richard has nearly 30 years' experience as a 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. Richard is also senior independent non-executive director of Countryside Properties plc where he chairs the audit committee. He was previously non-executive director and chairman of the audit committee of SSL International plc. Richard is a graduate of the University of Reading.

Jane Lighting
Independent non-executive director

A N R

Jane was appointed non-executive director of the Company in June 2014. She has spent her career in broadcast media, including chief executive officer of Channel 5 Broadcasting for five years until 2008. She was formerly non-executive director at Paddy Power plc and a senior independent director at Trinity Mirror and is currently a Trustee of the Royal Television Society.

Rupert Gavin
Independent non-executive director

N R

Rupert was appointed non-executive director of the Company in June 2014. He is chairman of the Board of Trustees of Historic Royal Palaces, and he 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.

Caleb Kramer
Non-executive director

None

Caleb Kramer 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.

Key to Committee membership:

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

Corporate governance statement

Introduction

This corporate governance report intends to give shareholders a clear understanding of Countrywide's corporate governance arrangements and their operation within the Group during the year, including an analysis of the level of compliance with the principles of the UK Corporate Governance Code ('the Code') issued by the Financial Reporting Council in September 2014. The Code can be viewed at www.frc.org.uk.

Compliance with the 2014 Code

The directors have considered the contents and requirements of the Code and note the following instance 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 provision 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. (Whilst Grenville did not meet the independence criteria set out in B.1.1 of the Code on appointment, following his appointment the test of independence is not appropriate in relation to the role of chairman.)

The corporate governance report 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, decision making 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, the Board retains control of key decisions and has in place a formal schedule of matters specifically reserved for its approval which can be found at www.countrywide.co.uk/investor-relations/corporate-governance/. The Board retention of decision making and control of these key areas ensures effective stewardship and risk management by providing integrated reporting, e.g. in respect of strategic priorities and associated risk and mitigating governance controls.

Specific decisions reserved for the Board are summarised as follows:

Responsibility	Specific actions during the year		
Strategy and direction	Approval of strategy and annual budgets.	Authorisation of acquisition and disposal activity.	Review of internal control arrangements and affirmation of risk management strategies.
Risk management and accountability controls	Approval of financial statements, other updates to the market and recommendations on dividends.	Approval of authority levels and financial and treasury policies.	Review of internal control and risk management, including health and safety.
Governance	Appointments to and removals from the Board.	Terms of reference for and membership of the Board.	Review of governance arrangements.

The roles of chairman and chief executive are separated, clearly defined and approved by the Board. A copy of 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.

The Board delegates matters to the three Board Committees (Audit and Risk, Nomination, and Remuneration), 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 and the specific terms of reference for each of the Committees can be found on the governance section of our website. 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.

Effectiveness

The Board and its Committees continue to benefit from an appropriate balance of expertise, experience, independence and knowledge of the Group and its business sectors. At 31 December 2015, the Board comprised two executive and seven non-executive directors.

The Nomination Committee considers the skill set and sector experience of the Board, appointments to the Board, director development and succession planning. Details of these activities and the process of Board evaluation and development are discussed in the Nomination Committee report on pages 46 to 47.

The Board has ten scheduled meetings during the year; additional meetings are arranged if required. The Board Committee meetings are scheduled around the regular Board meetings. 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 (i.e. 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[2]	19 February 2013	10/10	—	1/2	—
Alison Platt	1 September 2014	10/10	—	—	—
Jim Clarke	28 December 2012	10/10	—	—	—
Caleb Kramer[1]	19 February 2013	7/10	—	—	—
David Watson[2]	2 September 2013	10/10	4/4	1/2	4/4
Cathy Turner	31 July 2013	10/10	4/4	2/2	4/4
Richard Adam	9 June 2014	10/10	4/4	2/2	4/4
Jane Lighting[1]	9 June 2014	9/10	3/4	2/2	3/4
Rupert Gavin[1]	25 June 2014	9/10	—	2/2	4/4
Peter Long	11 February 2016	n/a	n/a	n/a	n/a

1 Caleb Kramer was engaged in various overseas activities which meant that his attendance at Board meetings was intermittent. Rupert Gavin and Jane Lighting were also absent from each of the specific meetings above due to unexpected, unavoidable personal commitments.

2 Grenville Turner and David Watson were not present at the second Nomination Committee meeting as a result of the formation of a separate independent sub-committee.

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. Excluding the chairman, 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. As stated above, Grenville Turner was not deemed to be independent prior to his appointment as chairman on 1 September 2014.

The Code recommends that at least half the Board, excluding the chairman, should comprise non-executive directors determined by the Board to be independent. Excluding the chairman, there are six (of a possible seven) non-executive directors determined to be independent and two executive directors, and therefore the Board 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.

Accountability

The Board remains committed to presenting a fair, balanced and understandable assessment of the Group's position and prospects and of the importance of effective reporting, risk management and internal control procedures. Both the Audit and Risk Committee and the Board received drafts of the annual report to facilitate review and provide an opportunity for challenge and discussion.

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. Principle risks associated with the Group's business are summarised on pages 21 to 23 of the strategic report. The Board has an Audit and Risk Committee which monitors and reports on the Group's risk management systems. The Audit and Risk Committee also considers how the Board should apply corporate reporting and internal control principles and is responsible for maintaining an appropriate relationship with the Group's auditor, PricewaterhouseCoopers LLP. The report of the Audit and Risk Committee is set out on pages 48 to 53.

Remuneration

Details relating to the Company's policy on remuneration together with the level and components of remuneration available to the Company's directors are provided in the Remuneration Committee's report on pages 54 to 66.

Dialogue with shareholders

As chairman, I ensure that the 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 2015 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 trading updates, 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 and at other appropriate points, e.g. Capital Markets Day in October 2015, to share the strategic plans and offer an opportunity to engage with the business unit managing directors and other senior executives.

Constructive use of the AGM

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 131.

Grenville Turner
Chairman
25 February 2016

Report of the Nomination Committee

2015 saw the Committee focus on Board evaluation and succession planning, including my own desire to step down as chairman.

Dear shareholder

2015 saw the Committee focus on Board evaluation and Board Committee composition and succession planning, including my own desire to step down as chairman.

Role and responsibilities

The Committee is responsible for ensuring that the composition of the Board and its Committees is appropriate and enables it 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
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

There has been no change in composition of the Committee during the year. We therefore remained in full compliance with the Code recommendation that a majority of members should be independent non-executive directors throughout the year.

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

The Committee's work

The Committee held two formal meetings during 2015 which were to commence the process for the Company's appointment of a new chairman. The main matters that the Committee considered during the year are described on the following page.

The Committee's terms of reference are available at:

www.countrywide.co.uk/investor-relations/corporate-governance

Board and Committee composition

The matter considered by the Committee in its meeting in October 2015 was in light of my decision to step down as non-executive chairman. The Board authorised the Committee to establish a sub-committee, excluding me due to having a potential conflict of interest, to engage in the search and selection process for a new chairman. Cathy Turner was appointed to chair the sub-committee and lead the process of identifying a suitable successor as chairman.

In this initial meeting to commence the search process, the Committee considered the skills and experience desired in my successor and prepared a candidate profile. The sub-committee appointed an independent search and selection agency, Ridgeway Partners, to assist in the search for suitable candidates. Ridgeway Partners has no prior connection with the Group. An initial list of potential candidates was presented to the non-executive directors for consideration and discussion. Following this first scoping meeting, which I had been invited to attend and comment on alongside the other directors, I then stepped down from active participation and formal decision making and did not form part of the sub-committee tasked with locating and appointing my successor.

Following interviews by Ridgeway Partners, this initial list was reduced to a shortlist of three potential external candidates who were initially interviewed by Cathy Turner and Alison Platt. At their meeting in December 2015, the sub-committee considered this final shorter list of preferred candidates.

In making their recommendations to the Board in 2016, the sub-committee specifically considered the existing non-executive experience and skill sets and the desirable experience in suitable candidates to ensure the right mix of skills and experience as the Company evolves. The sub-committee chairman led the selection process, interviewing a selection of shortlisted candidates and proposing a narrower list of possible appointees to be interviewed by the remainder of the Board. Following these interviews, and based upon a combination of feedback from all of the interviewers, the sub-committee met to agree the preferred candidate and proposed remuneration terms. The remuneration terms were formulated using independent data provided to the sub-committee by New Bridge Street (advisors to the Remuneration Committee) and an annual fee of £180,000 was agreed. The sub-committee 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 and race 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 in order to secure an appropriate balance of skills and attributes that are needed to ensure effective stakeholder engagement and deliver the business strategy.

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 pages 37 and 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.

The more strategic issue of succession planning for executive and non-executive roles was also considered as part of the wider Building our Future strategic review and associated restructuring of the executive team during the year. As part of the organisational redesign, core skills and capabilities were reviewed against the requirements of the Group and candidates for key positions were interviewed and assessed by Talent Q, an external advisory company with no connection to the Group, to conclude independent assessments prior to appointment and ensure the development of executive strength within the Group. In addition, we have also invested in our senior management development programme during the year. To support our leaders to effectively lead through organisational change, embed our values and drive business performance, we held a series of senior leadership events in November and December 2015 in addition to an ongoing programme of leadership skills training.

Board effectiveness

At the start of the year, an internal evaluation of the performance of the Board, its Committees, the directors and the chairman was conducted using an internal questionnaire process, as previously adopted. 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 the respective Committees.

During the year, the Board appointed an independent agency, Lintstock, to conduct a formal externally facilitated evaluation of the performance of the Board, its Committees, the directors and the chairman in compliance with the Code recommendation for triennial external evaluation. Lintstock have no prior connection with the Group.

The Board has instructed Lintstock to provide a phased three-year plan:

- 2015: during November 2015, questionnaires were distributed to all directors to cover: full Board review; individual performance review; chairman review; and review of each of the three Board Committees. These questionnaires were also supplemented to include Lintstock interviews with each of the directors;
- 2016: completion of questionnaires as detailed above; and
- 2017: completion of questionnaires as supplemented again by Lintstock and interviews with each of the directors. By 2017, following the appointment of a new chairman during 2016, the Board memberships will have been in operation for a full year and will thus provide a well grounded base of experience to refresh an effective discussion of opportunities to improve Board effectiveness.

As the initial phase of this process has concluded in such close proximity to preparation of the annual report, with the final report due to be tabled for Board consideration on 30 March 2016, details of the conclusions from the external Board evaluation process and resultant recommendations, and progress against these, will be provided in our 2016 annual report.

Following the internal performance evaluation conducted during the year, 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
Chair of the Nomination Committee
25 February 2016

Report of the Audit and Risk Committee

Members of the Committee have continued to take an active role in overseeing the business and have benefited from continued improvement in the control and risk framework.

Dear shareholder

I am pleased to report how the Committee discharged its responsibilities during the 2015 financial year, setting out the key tasks undertaken and major areas of activity. Members of the Committee have continued to take an active role in overseeing the business and the risks and challenges it faces and have benefited from continued improvement in the control and risk framework following: the appointment of Deloitte as internal auditor in the first quarter of 2015; and the appointment of the Group chief risk and compliance officer during the second quarter of 2015.

Role and responsibilities

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 systems and internal controls; and
- scrutinising the activities, performance, independence and effectiveness of the auditor.

The assurance framework required by the Committee is provided by complementary contributions from management reports, internal and external audit reports, and risk management and compliance reports. However, as chairman of the Committee I have also held meetings with the Company's internal (Deloitte) and external (PricewaterhouseCoopers LLP) auditors, the chief financial officer, the chief risk and compliance officer and senior members of the Group finance department, and other senior executives in which key issues relevant to the Committee's work were discussed.

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
25 February 2016

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

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

There have been no changes to the composition of the Committee during 2015 and therefore the Committee remained in full compliance with the UK Corporate Governance Code ('the Code') recommendation of a minimum of three independent non-executive directors throughout the year.

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 biographies of each member of the Committee are 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, the Group chief risk and compliance officer, the Group financial controller, the company secretary and the Group's external auditor, PricewaterhouseCoopers LLP (PwC). In addition, internal risk management and compliance representatives and other advisors, including the Group's outsourced internal audit providers, Deloitte, 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, undertaken as part of the wider external Board evaluation process, the Committee carried out a review of its terms of reference to align with best practice and developments in the UK Corporate Governance Code.

The agendas for the four scheduled meetings of the Committee during 2015 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 the Group's 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 these matters had been considered and consistent conclusions had been reached.

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

At the request of the Board, the Committee also considered whether the 2015 annual report was fair, balanced and understandable and whether it provided the necessary information for the shareholders to assess the Group'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 the detailed review by senior management and the external auditor. 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.

Prior to the publication of both the half and full-year results for the Group, the Committee undertook a detailed assessment of the appropriateness of the adoption by the Group of the going concern basis in the preparation of the financial statements. For further information in respect of the going concern, please refer to the directors' report on page 69.

Prior to the publication of the full-year results for 2015, the Committee undertook a detailed assessment of the viability statement and recommended to the Board that the directors can believe that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. For the detailed viability statement, please refer to our risk section on page 20 of the strategic report.

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	Given the materiality of the professional indemnity provision, the Committee receives regular updates on the status of the provision which includes the status of existing claims, including legal updates on those cases which are individually significant, and the number and nature of new claims arising. At the year end, we reviewed the methodology and resultant professional indemnity provision prepared by management and compared the emerging pattern of settled claims to assess whether the methodology and assumptions remained appropriate. Where management has updated its 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	Management provided the Committee with a paper supporting the carrying value of the goodwill and, where relevant, the brand names in each of the cash generating units of the Group. Following the restructuring undertaken during the year, London business unit management conducted a review of brands and concluded an initial rationalisation of brand usage. As a result, management had identified that a charge of £6.1 million was required to write off the brand names, which would cease usage entirely and impair those which would only be supported by a lower number of branches. We reviewed the discounted cash flows and sensitivities prepared by management, discussing assumptions adopted and resultant levels of headroom. Based on the work performed, the Committee concurred that: • a prudent approach underpinned the conclusion of no impairment being required in respect of goodwill; and • the impairment charge of £6.1 million identified by management in respect of brand names was appropriate and, having arisen as a result of the strategic review, concluded as part of the restructuring during the second half of the year, would be disclosed as an exceptional charge.
Acquisition accounting including assignment of fair values and the treatment of contingent consideration	During 2015, the Group continued to acquire companies and standalone lettings books as part of its ongoing programme of growth of lettings activity. In addition, acquisitions continued in other business units and some of these acquisitions have incorporated contingent consideration, rather than solely deferred consideration, which is linked to future performance as well as the continued employment of the vendors. We reviewed a management paper summarising the acquisitions undertaken during the year, which noted that: • these acquisitions all followed existing models and methodologies in relation to the fair valuation of intangible assets. We were therefore satisfied with the fair value accounting approach and intangible asset valuations proposed by management; and • a number of the acquisitions included contingent consideration that was linked to both the future performance of the business and the continued employment of the vendors. Given the materiality of these costs, which require accounting as deemed remuneration, management proposed disclosure of the contingent consideration as an employment cost, but isolated from underlying earnings for transparency and comparability between years. We discussed the classification and disclosure proposed by management and concurred with the columnar presentation adopted on the face of the income statement.
Presentation and disclosure of exceptional items	As a result of the Group strategic restructuring during the year, material sums have been expended in a number of areas which have been deemed as exceptional items. Management compiled a summary demonstrating the nature of the expenditure, and the rationale for presenting these items as exceptional. We reviewed this summary, providing challenge to management to demonstrate the robust classification of items as exceptional, including consistency of the application of the term to the treatment of debits and credits. Following discussion, including with the external auditor at the February Committee meeting, we were satisfied with the judgement exercised in the presentation and disclosure of exceptional items. For more detail in respect of exceptional items see note 10.

The accounting treatment of all significant issues and judgements was subject to review by the external auditor. For further information on the critical accounting estimates and assumptions refer to the notes of the consolidated financial statements on page 87. For a discussion of the areas of particular audit focus by the auditor, refer to pages 73 to 74 of the independent auditor's report.

Risk management and internal control

The Board recognises that the successful management of risk as part of our everyday activities is essential to support the achievement of our strategic objectives. Through delegation by the Board the Committee is responsible for reviewing and monitoring the effectiveness of the Group's risk management systems and internal control. Operation of the Group's risk management framework, as detailed on page 18, which is designed to support consistent and effective management of risk throughout the Group is overseen by an oversight structure, as detailed on page 20, 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 UK Corporate Governance Code guidance. Management is responsible for the identification and evaluation and management of significant risks applicable to its areas of the business together with the design, operation and monitoring of suitable controls to manage risks to an acceptable level. These risks are assessed on a continual basis at business unit leadership meetings and updated accordingly in the Board risk report.

The Committee considered, discussed and made decisions in relation to a range of risk and internal control-related matters during the course of the year, the most significant of which are outlined below:

- reviewed the outputs of a review into the Group's risk management practices and approved the revisions to the Group's risk management framework;
- reviewed, and recommended to the Board for approval, changes to the Committee's terms of reference and calendar of duties;
- reviewed proposals for the approval of the Group's risk strategy, risk appetite and policy framework, for implementation in 2016;
- reviewed the quarterly Countrywide Group Risk Report from the Group Executive Risk Committee on the 'top risks' facing the Group, the relative assessment of impact and likelihood and actions underway/ taken to deliver target risk ratings in a six-month horizon;
- approved the strategic internal audit plan, outlining those areas to be covered by the work of internal audit during 2015–2017 and monitored the progress against the plan at each meeting. This included updates on management actions relating to findings and the closure of recommended actions. The Committee also receives and approves updates on changes to the plan for the forthcoming year;
- approved the appointment of Deloitte LLP as the Group's internal auditor using a full outsourced model, following the annual review of the effectiveness of the Group's internal audit function and a period of co-sourcing, under the direction of the Group chief risk and compliance officer;
- received updates from the Group chief risk and compliance officer in relation to the Group's FCA regulated operations, including regulatory relationship matters and outputs from the Financial Services business unit's internal audit committee;

> "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.

- approved the 2016 Group risk function plan, outlining the objectives and activities of the Group Risk function for the forthcoming year;
- monitored the risks and associated controls over the financial reporting processes, including the process by which the Group's financial statements are prepared for publication;
- reviewed reports from the external auditor on any issues identified during the course of its work, including a report on control weaknesses identified;
- reviewed, and recommended for approval, the Group's risk management disclosures for inclusion within the annual report and accounts, including the consideration of the Group's 'viability statement' as required under the Code; and
- reviewed arrangements by which employees have access to a confidential whistle-blowing hotline operated by an independent third party and received reports arising from this activity.

Report of the Audit and Risk Committee continued

Oversight of the external audit

The Committee's oversight of the external auditor includes reviewing and approving the annual audit plan. In reviewing the plan, the Committee discusses and challenges 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 its independence and objectivity. PwC operates a five-year rotation policy for audit partners for a listed entity and, as a result of this policy, following the publication of our 2014 results Chris Burns became the new Group audit partner in succession to Darryl Phillips. Before completely relinquishing his responsibilities in relation to the Group's audit, Darryl Phillips attended the Company's AGM in April 2015. Chris Burns and members of his team attended each of the Committee's meetings during 2015.

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	2015 £'000	2014 £'000
Audit-related assurance services	44	44
Accounting advisory services	11	—
Tax advisory services	9	60
Due diligence on acquisition targets	—	97
Review of risk and governance structure	—	19
Access to PwC inform	—	1
Non-audit fees	**64**	221
Audit fees (excluding audit-related assurance services)	**606**	556

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 2015 represent 10% 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 continued the 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 2015 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 Group chief risk and compliance officer. 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 considers 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 AGM in 2015, 99.54% (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 retender for the contract since then, the Committee intends 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 applicable to financial years beginning on or after 1 January 2015. Our statement of compliance with the provisions of the Order in the current year is 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 Committee and the auditor;
- the Committee has influenced the appointment of the successor to the audit engagement partner and only it has concluded on his progression in the role during 2014–2015, 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).

Annual evaluation of Committee performance

As part of the overall Board evaluation process, the Committee reviewed its performance for 2015. This evaluation considered areas such as the Committee's processes and support, its time management and composition, its effectiveness in reviewing the work of internal and external audit and in reviewing the internal control systems, the quality of reporting and management of risk and confirmed that the Committee continues to be highly effective in undertaking its responsibilities.

During the year, the Board appointed an independent agency, Lintstock, to conduct a formal externally facilitated evaluation of the performance of the Board and its committees, as noted in our Nomination committee report. Since the initial phase of this process has concluded in such close proximity to the preparation of the annual report, full details of the priorities determined for the Committee will be provided in our 2016 annual report.

Directors' remuneration report

Annual statement

"Our remuneration decisions, in a challenging year, demonstrate our commitment to operating a strong pay-for-performance culture.

Dear shareholder

On behalf of the Board, I am pleased to present our directors' remuneration report for the year ended 31 December 2015.

This directors' remuneration report is divided into the following three sections:

- this annual statement: summarising and explaining the major decisions on, and any substantial changes to, the directors' remuneration in the year;
- the remuneration policy report: setting out the basis of remuneration that has applied since approval at the 2014 AGM; and
- the annual report on remuneration: explaining the remuneration earned by the directors in the year ended 31 December 2015 and a statement as to how the remuneration policy will be implemented in 2016.

The remuneration policy is subject to a binding vote every three years (sooner if changes are made to the policy). The Committee considers that the policy, approved by shareholders at the 2014 AGM, continues to be appropriate and therefore no changes have been made since shareholder approval. The annual report on remuneration is subject to an annual shareholder advisory vote and will be presented to shareholders at the AGM on 27 April 2016.

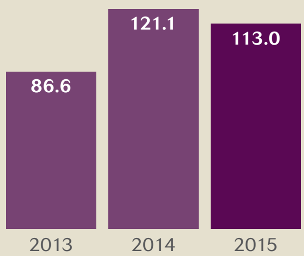
I hope that you find this report informative in respect of how we remunerate and incentivise our directors through a remuneration policy that is supportive of, and aligned to, the Company's strategic aims and objectives.

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

Adjusted EBITDA[1] (£m)

113.0

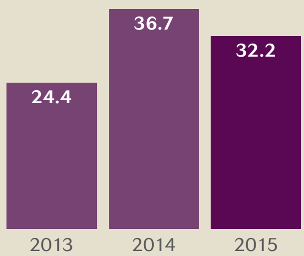
-7%



Adjusted basic EPS[2] (£m)

32.2

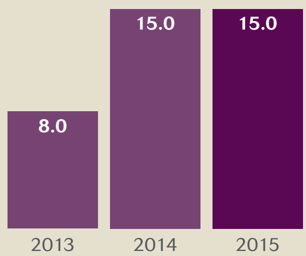
-12%



Total ordinary dividends[3] (p)

15.0

0%



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

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

3 Including proposed final dividend of 10.0 pence (net) per share.

2015 performance and reward

During 2015, against the challenging backdrop of less than expected residential sales volumes, Group EBITDA of £113.0 million for the year ended 31 December 2015 was 7% below the £121.1 million EBITDA achieved in 2014, which was the most profitable year in the Group's history.

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 executive directors in respect of 2015 were:

- following a detailed review, the base salary of the chief financial officer was increased from £300,000 to £340,000, effective from 1 June 2015, reflecting his increased responsibilities in the revised organisational structure implemented to align with the strategy;
- 41.7% of maximum annual bonus (one-third to be delivered in shares), reflecting the lower level of financial performance of the Group and the partial achievement of specific executive team objectives aligned to the Group's strategy. For details of the 2015 bonus arrangements please see page 62 of the annual report on remuneration; and
- 0% current expectation of vesting of 2013 LTIP awards for Jim Clarke and Grenville Turner (who was chief executive officer at the grant date) on 6 September 2016. This expected vesting level is directly linked to the challenging performance conditions attached to these awards which are based on EPS performance conditions measured over the three years to 31 December 2015 and relative TSR performance conditions measured over the three years to 18 March 2016.

Remuneration policy for 2016

The Committee regularly reviews the remuneration policy for the executive directors and senior managers to ensure it is transparent and aligned to the interests of shareholders; it is weighted to incentivise sustainable performance; it 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. There have been no changes to the Board during 2015 and the Committee's most recent conclusions are that the existing remuneration policy remains appropriate and should continue to operate for 2016.

The key points to note are as follows:

- recognising the increase awarded to the chief financial officer during 2015, and the chief executive officer's salary positioning, there will be no increase in base salary levels of executive directors;
- 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 2016 annual bonus framework will remain largely consistent with the 2015 annual bonus, incorporating both financial (70% of the award) and strategic/personal targets (30% of the award). The strategic/personal targets will align with the strategic objectives of the Group and represent both customer and personal outcomes; and
- the long term incentive grant policy, whereby nil-cost awards are granted annually with vesting based on delivering growth in 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. Reflecting the Committee's desire to incentivise delivery of the ambitious strategy, LTIP awards of 187.5% of salary and 162.5% of salary will be granted in 2016 to the chief executive officer and chief financial officer respectively. These awards are within the maximum LTIP limit of 200% of salary approved by shareholders.

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. However, as the policy will come to the end of its three-year shareholder approved life at the 2017 AGM, the Committee will carry out a detailed review of the policy in the second half of 2016 and consult with major shareholders and representative bodies on the Committee's conclusions.

Further details on how the current policy will be applied in practice for the 2016 financial year are set out in the annual report on remuneration on page 61.

Shareholder support

The Committee was delighted to receive positive support from 96% of the shareholders who voted on our 2014 remuneration report (the annual statement and annual report on remuneration) at the AGM on 29 April 2015. 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
25 February 2016

Directors' remuneration report continued

Remuneration policy report

Introduction

With effect from its approval at the Company's first AGM on 30 April 2014, this policy report sets out the framework that shapes 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. We have chosen to repeat the remuneration policy report in line with best practice and to ensure transparency even though continued presentation is not required.

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 interests 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.

Summary remuneration policy

The Committee remains of the view that the remuneration policy continues to be appropriate and therefore there has been no change to the policy from the prior year (and indeed the 2014 AGM). 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

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 on page 36 of the annual report.

Statement of consideration of shareholder views

The Company welcomes dialogue with its 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.

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' remuneration report continued

Remuneration policy report continued

Summary remuneration policy continued

Future policy table continued

Component	Purpose/link to strategy	Operation
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

Notes to summary policy table

1 A description of how the Company intends to implement the remuneration policy for 2016 is set out in the following annual report on remuneration.

2 The annual bonus is primarily focused on Group EBITDA 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:

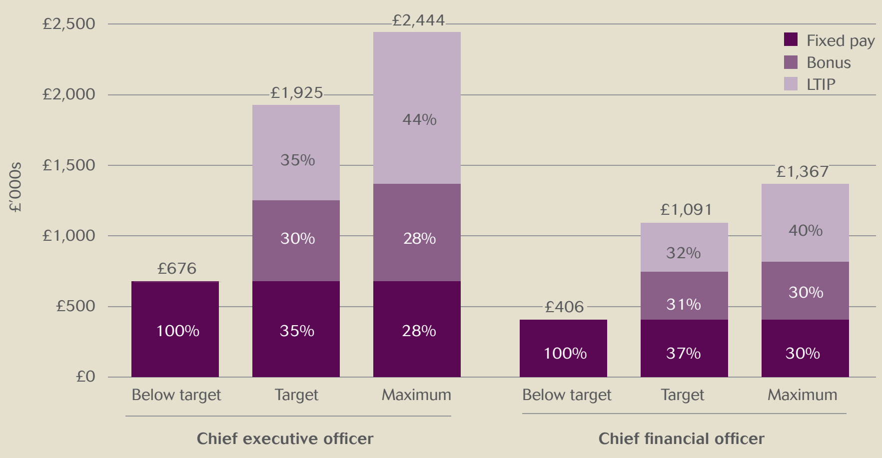
- who participates;
- the timing of the grant of award and/or payment;
- the size of an award (up to plan/policy limits) and/or a payment;
- the result indicated by the performance conditions;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- 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).

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.

Opportunity	Applicable performance measure
• 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 Committee, chair of Remuneration Committee and senior independent director	• n/a



The scenarios adopt the following assumptions:

- fixed pay consists of base salary as at 1 January 2016, 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, for 2016, a 187.5/162.5% of salary LTIP award); 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 59. 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.

Directors’ remuneration report continued

Remuneration policy report continued

Service agreements and letters of appointment

Each of the executive directors’ 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 (UK) LLP 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 2015 are set out below:

Non-executive director	Commencement date of original term	Unexpired term as at 27 April 2016 AGM
Grenville Turner	1 September 2014	4 months
David Watson	2 September 2013	n/a
Cathy Turner	31 July 2013	n/a
Richard Adam	9 June 2014	1 month
Rupert Gavin	25 June 2014	1 month
Jane Lighting	9 June 2014	1 month
Caleb Kramer	19 March 2013	n/a

Individuals will be subject to re-election at the 2016 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. An 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 leaves 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 2015 are disclosed on page 62.

Annual report on remuneration

Implementation of the remuneration policy for the year ending 31 December 2016

Details of how the Committee intends to operate the remuneration policy for directors for the year ending 31 December 2016 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 2015 £'000	1 June 2015 £'000	1 January 2016 £'000
Alison Platt	575	575	575
Jim Clarke*	300	340	340

* Following a review of Jim Clarke's performance, role and increased responsibilities following a reorganisation of the Executive Committee during 2015, Jim Clarke's salary was increased to £340,000 per annum, effective 1 June 2015. No increases were awarded from 1 January 2016.

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. Alison Platt and Jim Clarke will receive a salary supplement in lieu of pension entitlement of up to 15% of base salary. Following a review, Jim Clark's pension was switched from a contribution to the defined contribution section of the Group scheme to a salary supplement and aligned to that provided to Alison Platt with effect from 1 April 2015.

Annual bonus

For 2016, maximum bonus potential will continue to be 120% of salary for executive directors for 2016 and one-third of any bonus payable will be deferred into Company shares for a period of three years.

The annual bonus will continue to be based on Group EBITDA targets. This will comprise 70% of the award. In addition, targets based on customer satisfaction (15%) and personal/strategic objectives (15% of award) will also apply, albeit these targets will be underpinned by an EBITDA hurdle. The Committee has chosen not to disclose the performance targets in advance for 2016 as these include items which the Committee considers commercially sensitive. Retrospective disclosure of the targets and performance against them will be presented in the 2016 annual report on remuneration.

Malus and clawback provisions will continue to operate in respect of deferred bonus awards.

Long term incentives

The annual award of LTIPs to be granted in 2016 will be assessed over the three-year performance period from 1 January 2016 to 31 December 2018 and will be subject to the following targets:

- EPS (two-thirds) – 25% of this part of an award will vest for EPS growth of 5% per annum increasing pro-rata to 100% vesting for EPS growth of 15% 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 the comparator group, increasing pro-rata to 100% vesting at upper quartile.

Reflecting the Committee's desire to incentivise delivery of the ambitious strategy, LTIP awards of 187.5% of salary and 162.5% of salary will be granted in 2016 to the chief executive officer and chief financial officer respectively. 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 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 2016 are as follows:

Director	Committee chairman role	2015 £'000	2016 £'000
Grenville Turner	Chairman, Nomination	150	150
David Watson	Deputy chairman and senior independent director	95	95
Cathy Turner	Remuneration	55	55
Richard Adam	Audit and Risk	55	55
Rupert Gavin	—	45	45
Jane Lighting	—	45	45
Caleb Kramer	—	40	45

Directors' remuneration report continued

Annual report on remuneration continued

Directors' remuneration for the year ended 31 December 2015 (audited)

The remuneration of the directors for the 2015 and 2014 financial years was as follows:

	Salary and fees		Taxable benefits[3]		Annual bonuses[4]		Long term incentives[8]		Pension[5]		Other[6]		Total	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Executive directors														
Alison Platt[1,2]	575	192	15	5	288	—	—	—	86	29	—	329	964	555
Grenville Turner[2]	—	317	—	10	—	253	—	7,116	—	48	—	—	—	7,744
Jim Clarke	323	300	15	15	170	240	—	4,269	45	35	—	—	553	4,859
Non-executive directors														
Grenville Turner[2]	150	50	—	—	—	—	—	—	—	—	—	—	150	50
Caleb Kramer	40	40	—	—	—	—	—	—	—	—	—	—	40	40
David Watson	95	132	—	—	—	—	—	—	—	—	—	—	95	132
Cathy Turner	55	55	—	—	—	—	—	—	—	—	—	—	55	55
Richard Adam[7]	55	31	—	—	—	—	—	—	—	—	—	—	55	31
Rupert Gavin	45	24	—	—	—	—	—	—	—	—	—	—	45	24
Jane Lighting[7]	45	25	—	—	—	—	—	—	—	—	—	—	45	25
Sandra Turner	—	20	—	—	—	—	—	—	—	—	—	—	—	20
	1,383	1,186	30	30	458	493	—	11,385	131	112	—	329	2,002	13,535

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

2 Alison Platt also acts as a non-executive director for Cable & Wireless Communications plc and retains an annual fee of £65,000. 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. Whilst chief executive of Countrywide plc, Grenville Turner was chairman of Knightsbridge Student Housing Limited and Bellpenny Limited, and 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.

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

4 Details of the annual bonus targets and payments for 2015 are set out below. In accordance with the remuneration policy, one-third of any bonus is subject to deferral into shares, normally vesting after three years, subject to continued service. As such, deferred share awards equal to £96,000 and £56,667 will shortly be granted to Alison Platt and Jim Clarke respectively.

5 Alison Platt received a 15% of salary supplement in lieu of pension entitlements. As described above, Jim Clarke received a contribution to the defined contribution section of the Group scheme of 12% of salary to 31 March 2015 and a 15% of salary supplement thereafter.

6 As described last year, 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 Long term incentives incorporated as comparatives in the table above were based on expected vesting of the IPO options (based on an 83% vesting level which had been determined on 2014 EBITDA performance criteria). The actual values at vesting of the first 50% crystallising on 18 March 2015 were £4,151,000 and £2,491,000 respectively for Grenville Turner and Jim Clarke based on the share price at vesting, incorporating the associated cash-settled dividend equivalents. The expected value at vesting of the final 50% crystallising on 18 March 2016 (using the average share price for the three months ended 31 December 2015 of 435 pence), incorporating the value of dividend equivalents, is £3,581,000 and £2,148,000 respectively for Grenville Turner and Jim Clarke. As such, the total value of the IPO options, based on the actual value of that part of the awards which vested in March 2015 and the estimated value of those vesting in March 2016 is £7,732,000 and £4,639,000 respectively for Grenville Turner and Jim Clarke.

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

2015 annual bonus award (audited)

Executive directors had the potential to receive an annual bonus of up to 120% of base salary.

Group EBITDA targets (up to 80% of salary)

The primary driver of the award was 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 2015) 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.

In determining the 2015 annual bonus award, the Committee considered:

- Group EBITDA of £113.0 million, which represents underperformance of the target Group EBITDA of £136.2 million in the plan; and
- a market size estimated to be 3% down on the prior year.

Whilst performance against the original plan would have triggered a bonus of 33% of the maximum under this part of the bonus (i.e. 26% of salary), the lower than expected market size and adjustment for acquisitions resulted in a flexing upwards of the annual bonus award to 37.5% of the maximum (i.e. 30% of salary).

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

Measure	Weighting	Performance required: Threshold	On-target	Maximum	Actual	Payout
Flexed Group EBITDA	66.7%	£106.2m	£132.7m	£146.0m	£113.0m	30% of salary

Strategic targets (up to 40% of salary)
The remaining third of bonus potential was dependent upon an assessment of progress against: the growth strategy; embedding performance measurement across the organisation; implementing a new organisation structure aligned with strategy; and enhancements to operational excellence, including IT architecture. After assessing performance, the Committee acknowledged progress in most areas and determined a bonus of 20% of salary, (50% of the maximum award).

Total award
Performance against the flexed EBITDA targets (for up to 80% of salary) resulted in 37.5% of the maximum award under this element (30% of salary) while performance against the strategic targets (for up to 40% of salary) resulted in 50% of the maximum payable under this element (20% of salary). Therefore the total bonus payable was 41.6% of the maximum (50% of salary). In line with the deferral policy, one-third of the bonus award will be deferred into Company shares for a period of three years.

Vesting of scheme interests in respect of the year ended 31 December 2015 (audited)

Awards granted under the LTIP in September 2013 are due to vest on 6 September 2016 based upon absolute EPS and relative TSR performance as follows:

	Threshold target 0% vesting at or below	Maximum target 100% vesting at or above	Actual performance	Vesting %
Absolute EPS for the three years ended 31 December 2015	36p	44p	32p	0%
Relative TSR for the three years ended 18 March 2016	Median	Upper quartile	Below median*	0%

* Expected based on current performance levels.

Based on the above, none of the outstanding 2013 LTIP awards held by Grenville Turner and Jim Clarke are currently expected to vest.

Scheme interests awarded during the year (audited)

LTIP awards
The following LTIP awards, structured as nil-cost options, were granted to executive directors during 2015:

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	16/03/2015	150% of salary	527	163,507	862	25%	Three-year period ending 31 December 2017	16 March 2018 (16 March 2025)
Jim Clarke	16/03/2015	130% of salary	527	73,934	390	25%	Three-year period ending 31 December 2017	16 March 2018 (16 March 2025)

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

Performance targets for these awards are as follows:

- EPS growth (two-thirds) – 25% of this part of an award will vest for achieving a minimum of 10% compound growth per annum in EPS increasing pro-rata to 100% vesting for achieving 25% compound growth per annum in EPS for the three-year period ending 31 December 2017; 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.

Directors' remuneration report continued

Annual report on remuneration continued

Outstanding share awards

	Date of grant	Interest at 1 January 2015	Options/awards granted during the year	Options/awards lapsed during the year	Options/awards exercised during the year	Interest at 31 December 2015	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)
LTIP	16/03/15	—	163,507	—	—	163,507	—	16/03/18 (16/03/25)
Grenville Turner								
IPO options	18/03/13	1,828,045	—	(310,768)	(758,639)	758,638	5.25	50% 18/03/15 50% 18/03/16
Deferred bonus	22/05/15	—	14,660	—	—	14,660	—	22/05/18
LTIP	06/09/13	129,545	—	—	—	129,545	—	06/09/16 (06/09/23)
Jim Clarke								
IPO options	18/03/13	1,096,827	—	(186,461)	(455,183)	455,183	5.25	50% 18/03/15 50% 18/03/16
LTIP	06/09/13	70,909	—	—	—	70,909	—	06/09/16 (06/09/23)
LTIP	21/03/14	58,735	—	—	—	58,735	—	21/03/17 (21/03/24)
Deferred bonus	22/05/15	—	13,889	—	—	13,889	—	22/05/18
LTIP	16/03/15	—	73,934	—	—	73,934	—	16/03/18 (16/03/25)

The executive directors' interests in ordinary shares of the Company under the SIP as at 31 December 2015 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 2015	Partnership shares purchased	Matching shares awarded	Dividend shares purchased	Total SIP shares at 31 December 2015
Jim Clarke	550	362	181	33	1,126

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 2015 have been subject to audit and are set out in the table below:

	Legally owned		LTIP awards		IPO options					
	31 December 2015	31 December 2014	Unvested	Vested	Unvested	Vested	SIP matching share awards restricted	DSBP options (unvested)	Total 31 December 2015	Shareholding guideline (100% of salary)[2]
Alison Platt	41,700	—	409,812	—	—	—	—	—	451,512	313%
Jim Clarke	1,088,596[1]	1,088,596	203,578	—	455,183	—	364	13,889	1,761,610	2,066%
Grenville Turner	171,529[1]	1,071,524[1]	129,545	—	758,638	—	—	14,660	1,074,372	n/a
David Watson	16,370[1]	12,578[1]	—	—	—	—	—	—	16,370	n/a
Cathy Turner	9,747	9,747	—	—	—	—	—	—	9,747	n/a
Richard Adam	10,000	10,000	—	—	—	—	—	—	10,000	n/a
Rupert Gavin	6,500	4,550	—	—	—	—	—	—	6,500	n/a
Jane Lighting	9,500	9,500	—	—	—	—	—	—	9,500	n/a
Caleb Kramer	—	—	—	—	—	—	—	—	—	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 3.99 pence on 31 December 2015.

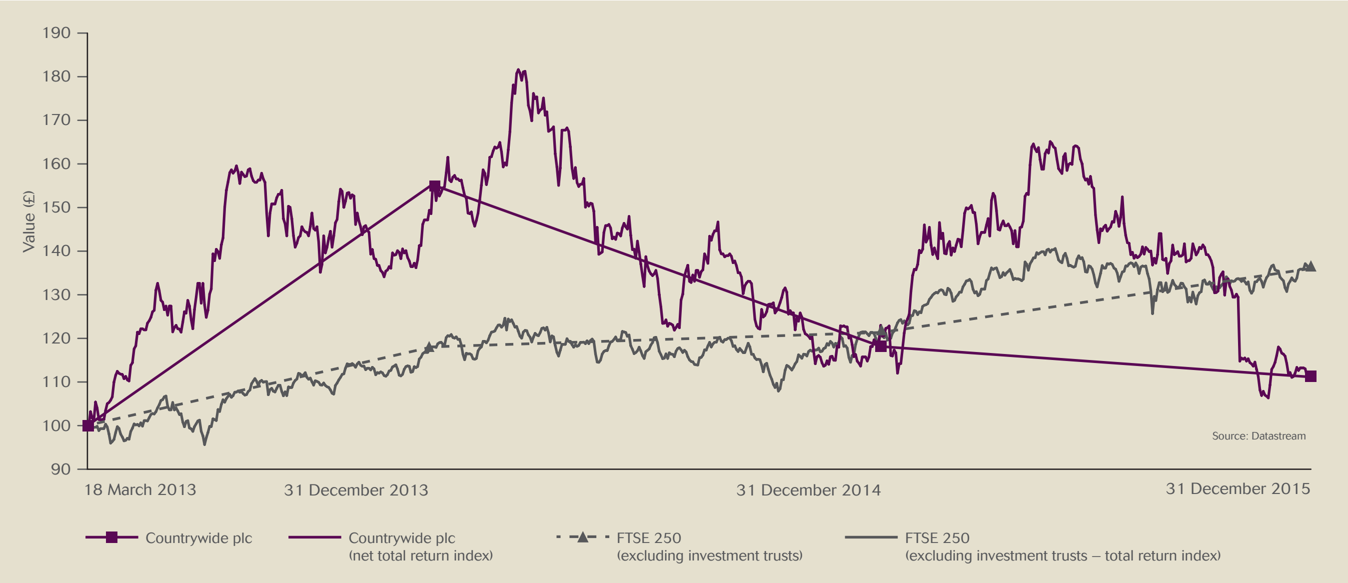
There have been the following changes in the interests of any director between 1 January 2016 and the date of this report:

- purchase of SIP partnership shares by Jim Clarke (79 shares); and
- issue of SIP matching share awards to Jim Clarke (40 shares).

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

No payments have been made for loss of office.

Performance graph and table



The graph shows the value, by 31 December 2015, 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 %
2015	Alison Platt	964	42	n/a
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.

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 2015 and 2014:

	Percentage increase in remuneration in 2015 compared with remuneration in 2014	
	Chief executive officer	Average pay based on all Countrywide employees
Salary and fees	0%	6.6%
All taxable benefits	0%	0.5%
Annual bonuses/variable pay	n/a*	(0.6)%

* Excluding her buyout arrangement in respect of her previous employment, Alison Platt was not entitled to receive a Countrywide annual bonus for 2014 given that she joined the Group part-way through the year (1 September 2014).

Directors' remuneration report continued

Annual report on remuneration continued

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:

	2015 £'000	2014 £'000	Change %
Employee costs	418,583	392,794	7
Dividends	32,944	43,889*	(25)
Tax charge	5,942	11,712	(49)
Retained profits	8,407	23,588	(64)

* Incorporating a special divided of 9.0 pence (net) per share amounting to £19,750,000. The underlying dividend level has therefore remained constant between 2014 and 2015 at 15.0 pence per share (including proposed dividends).

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

There have been no changes to the composition of the Committee during the year. 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 2015. 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 2015 received fees of £55,455 (2014: £30,140) in connection with its work for the Committee.

Shareholder voting and engagement

At the Company's AGM held on 29 April 2015, 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	182,351,729	95.62%	8,358,993	4.38%	87.46%	1,321,677

While the Committee was pleased with the level of shareholder support at the 2015 AGM, indicated by the level of votes in favour of the remuneration report resolution, and the improved 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 report and related policy.

Approval

This report was approved by the Board of directors on 25 February 2016 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 2015

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2015. 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 63 to 64 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 60 of the directors' remuneration report
LR 9.8.4(14)	Details of transactions with controlling shareholders	Page 120 (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 5 May 2016 to shareholders on the register at 29 March 2016. Together with the interim dividend of 5.0 pence (net) per share paid on 9 October 2015, the total dividend in respect of the year is, therefore, 15.0 pence (net) per share (2014: 24.0 pence (net) per share, inclusive of a special dividend of 9.0 pence (net) per share paid in September 2014).

Capital structure

Details of the issued share capital are shown in note 26 to the Group financial statements on page 110 of this annual report. The Company has one class of ordinary share which carries the right to one vote at a general meeting of the Company and has 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 AGM held on 30 April 2014, during the first quarter of 2015 the Company purchased 1,465,000 ordinary shares with a nominal value of £14,650, and representing 0.66% of the Company's called up ordinary share capital, for a consideration of £6,773,000. The reason for the purchase was to improve the return available to shareholders and enhance earnings per share. All shares purchased by the Company during 2014 and 2015 were then used to settle the IPO options vesting in March 2015.

At the end of the year, the directors had authority, under a shareholder resolution approved at the AGM on 29 April 2015, to make one or more market purchases of its ordinary shares, limited to: a maximum number of 21,506,296 ordinary shares; a minimum price (exclusive of expenses) 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 the highest current independent bid on the trading venues where the purchase is carried out at the relevant time. This authority expires at the conclusion of the AGM on 27 April 2016.

As a routine matter, the Company will be seeking to have this authority renewed at the 2016 AGM.

Directors' report continued

Substantial shareholdings

At 24 February 2016, 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	65,196,855	29.68
Franklin Templeton Investment Management	24,564,302	11.18
Fidelity Worldwide Investment	23,333,447	10.62
Harris Associates LP	13,127,700	5.98
Jupiter Asset Management	7,910,494	3.60

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 currently have a combined total holding of approximately 29.68% of the Company's voting rights but who, during the course of 2015, did by virtue of our buyback programme have a holding exceeding 30%. 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 2016, 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 (if and when they have an interest exceeding 30%), 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 the signing of 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 were in force during the financial year and remain in force at the date of this report.

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 reappoint 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 45 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 three-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 36 to the Group financial statements on page 120 of this annual report and are incorporated into this directors' report by cross-reference.

Greenhouse gas (GHG) emissions

GHG emissions data for the year 1 January to 31 December

	Tonnes of CO_2e*	
	2015	2014
Scope 1		
Controlled vehicle fleet	5,175	6,725
Scope 2		
Electricity and heat purchased for own use	12,422	16,237
Tonnes of CO_2e*/£m revenue	23.9	32.7

* CO_2e is a universal unit of measurement used to indicate the global warming of GHG expressed in terms of the 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 2015 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
25 February 2016

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.

Financial statements

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 2015 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.

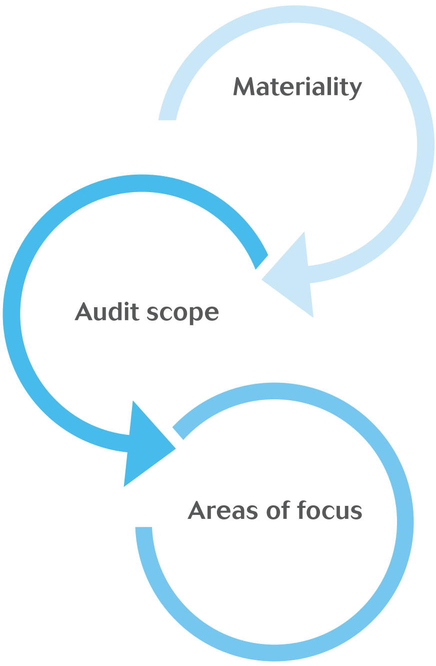
What we have audited
The financial statements, included within the Annual Report, comprise:

- the Consolidated balance sheet as at 31 December 2015;
- 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 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: £3.1 million (2014: £4.0 million) which represents 5% of the Group's profit before tax and exceptional items.

- The Group operates in four operating segments as set out in the Annual Report (refer to pages 88 to 89). Each of the operating segments is broken down into a number of reporting units which are consolidated into the Group financial statements along with central reporting entities.
- Reporting units from the four operating segments were included in the scope of our work and the Group audit team performed an audit of the financial information at each of these locations.
- In some of the operating segments we audited complete financial information of all the reporting units and in others 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 approximately 96% (2014: 97%) of the Group's revenues and 89% (2014: 93%) of the Group's profit before tax.
- Included in the coverage above, the central reporting entities and group functions, together with the parent company, were subject to a full scope audit.

The areas of focus are:

- Judgements and estimates in relation to professional indemnity provisions;
- Impairment assessment of goodwill and other indefinite life intangible assets;
- Accounting for acquisitions, particularly the identification of intangible assets relating to the businesses acquired; and
- Classification of exceptional items.

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 was evidence of bias by the directors that represented 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 opposite. 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 results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

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 Refer to page 50 (Report of the Audit and Risk Committee), page 87 (Critical accounting estimates and judgements), and pages 105 to 106 (notes). Professional indemnity (PI) provisions principally relate to the Surveyors and Lambert Smith Hampton businesses within the Business to Business operating segment. In common with other valuers, the Group is subject to significant claims in relation to incorrect mortgage valuation reports primarily carried out between 2004 and 2007. 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. All the claims received are listed and analysed through the Bordereaux report and the provisions held are based on experience of settling past claims, discussions with the Group's insurers and advice from legal counsel. The provisions are for both claims already received and claims yet to be received. The second category requires significant management judgement given the need to estimate the incidence and amount of future claims. We focused on this area because the determination of the size of the provisions held and the likely settlements arising are inherently judgemental.	*Claims received* • 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. • Open large legal claims were discussed with Group Legal, and appropriate documentation considered to understand the legal position and the basis of material risk positions. For large claims, we also compared a sample of historical provisions to the actual amounts settled, determining that management's estimation techniques were satisfactory. • Management holds a 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. *Claims yet to be received* • For claims not yet received but incurred, we evaluated the model and approach used by the management by testing the mathematical accuracy of the underlying calculations and satisfied ourselves that the input data used reflected the latest observed trend of claims of losses and average loss incurred. From the evidence obtained, we consider the level of provisioning at the balance sheet date to be reasonable.

Impairment assessment of goodwill and other 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 98 (notes).
 	
We focused on this area due to the size of the goodwill balance (£471.6 million) across the Group and the value of the other intangible assets, principally brand names (£183.2 million) which are assumed to have indefinite useful economic lives.
 	
Following the reorganisation of the Group's structure, the Cash Generating Units (CGUs) to which goodwill was previously allocated has been altered and certain goodwill balances have been reallocated between CGUs. We note that goodwill allocation requires some judgement.
 	
Management concluded that there is significant headroom between the recoverable value of the CGUs and their carrying value. However, in relation to brand names, management has impaired £6.1 million of the carrying value to reflect the cessation in the use of certain brand names following a strategy review and reorganisation of the business.
 	
This is an area of focus for us because the assessment of the recoverable value of the CGUs and brand names involves judgements about the future results of the business and the appropriate discount rates to apply to the future cash flows.
	CGUs and allocation of goodwill and other indefinite life intangible assets
	• We considered whether appropriate CGUs have been identified and we agree with management's conclusion that the new CGUs represent the smallest identifiable group of assets that generate independent cash flows and reflect the level at which key decisions are undertaken in managing the business.
	• We examined the basis used to reallocate the goodwill and other indefinite life intangible assets to the new CGUs and determined that judgements were appropriate and supported.
	
	Impairment assessment of goodwill and other indefinite life intangible assets
	• We assessed management's impairment methodology under both the existing and the re-organised Group structure, as required under IAS 36 'Impairment of Assets'. We evaluated 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 challenged the directors' key assumptions for discount rates and growth rates by comparing them to historical results and industry comparators. We found that discount rates are in line with industry comparators that we considered.
	• We performed sensitivity analysis around the key drivers of the cash flow forecasts. Our tests included applying:
	  – a 5% decrease in EBITDA on current growth forecasts;
	  – WACC rate increased by 20%; and
	  – no growth during FY2016 and beyond.
	• Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill and other indefinite life intangible assets 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.
	• In addition, with respect to brand names, having reviewed the discounted cash flows prepared, we agree with the impairment charge recognised of £6.1 million relating to the brand names abandoned as part of the reorganisation of the Group.
	
	On an overall basis, we agree with management's view that currently appropriate headroom exists and no further impairment is required.

Independent auditor's report to the members of Countrywide plc continued

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
Accounting for acquisitions, particularly the identification of intangible assets relating to the businesses acquired Refer to page 50 (Report of the Audit and Risk Committee), page 87 (Critical accounting estimates and judgements) and page 114 (notes). During the year the Group continued to make a number of acquisitions with a total consideration of £76.3 million, some of which is deferred and contingent on the future performance of the acquired entity. As a result of these acquisitions, the following intangible assets were recognised: • customer contracts and relationships (£15.3 million); • brands (£4.4 million); • pipeline in the estate agency business (£0.5 million); and • goodwill (£53.1 million). Accounting for business combinations can be complex, particularly in relation to the identification of intangible assets and, accounting for deferred contingent 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 the identification of intangible assets and any estimated deferred consideration where linked to the continued employment of the vendors and, in certain cases, contingent upon future profitability.	*Net assets (excluding intangibles) and consideration* • 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 agreed the net assets acquired, which consisted mainly of working capital, by agreeing them to completion statements or other similar supporting documentation and confirmed that they had been treated in line with the terms of the contract. • 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 verified that the contingent employment-linked consideration is appropriately calculated based on the forecast profit levels and charged to the Income statement in accordance with IFRS 3 'Business Combinations.' *Recognition of Intangibles* • We challenged management on the recognition of brand names, customer relationships and contracts and were able to corroborate these to customer lists and the Group's continued use of the related brand names post-acquisition. • On a sample basis, we tested the accuracy and completeness of models used for calculating the separately identified intangible assets by comparing them to models used on previous acquisitions within the Group and our experience of other valuation models. • We also tested the accuracy of the calculation of goodwill arising on the business combinations and noted no issues. The recognition of intangible assets is judgemental, but we are satisfied that the assumptions and models used by management are reasonable and consistent with prior years. We are satisfied that the treatment of consideration is in line with IFRS 3 and concur with the management assumption that budgeted profit targets will be met on those acquisitions with deferred contingent consideration.
Classification of exceptional items Refer to page 50 (Report of the Audit and Risk Committee), page 87 (Critical accounting estimates and judgements) and page 92 and 93 (notes). The Group recognised net exceptional items of £13.6 million comprising the following: • Strategy and restructuring costs (£14.3 million); • Acquisition costs of £1.0 million and regulatory settlement costs of £0.8 million; and • Zoopla deferred income (£2.5 million). Separately identifying and disclosing items as exceptional on the face of the income statement requires judgement as such presentation could be misleading to investors. We focused on this judgement, the potential for management bias, as well as the consistency and accuracy of the amounts disclosed within exceptional items.	• We assessed the rationale behind management's classification and the appropriateness of the transactions recognised as exceptional items using our knowledge of the business, inquiries of management, examination of documents supporting the strategic change and related reorganisation, and through consideration of expenses that are typically connected with restructuring activities. • We also assessed the completeness and balance of exceptional items through identifying other large or unusual items in underlying profit, considering potential disclosure where significant. • We agreed a sample of expenses to calculations and invoices, and verified payments made to bank statements to conclude on the consistency and accuracy of classification. In light of the strategic changes and restructuring during the year, we are satisfied that the classification, judgements and disclosures made by management are appropriate and in line with the Group accounting policy on exceptional items.

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.

Materiality

The scope of our audit was 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 on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Report on the Group financial statements continued

Our audit approach continued

Materiality continued

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

Overall Group materiality	£3.1 million (2014: £4.0 million).
How we determined it	5% of the Group's profit before tax and exceptional items.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. We have excluded the effect of exceptional items to eliminate their disproportionate effect and provide a consistent year-on-year basis for our work. We do not exclude the adjusted measures of share-based payment charges, amortisation and employment linked contingent consideration expenses on the basis that these items recur annually.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.2 million (2014: £0.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 69, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. 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; and
- the information given in the Corporate governance statement set out on pages 44 to 45 with respect to internal control and risk management systems and about share capital structures 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.	We have no exceptions to report.
• the statement given by the directors on page 70, 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 position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on pages 50 to 51, as required by provision C.3.8 of the Code, describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the directors' confirmation on page 21 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 20 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Independent auditor's report to the members of Countrywide plc continued

Other required reporting continued

Consistency of other information continued

ISAs (UK & Ireland) reporting continued

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

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 Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate governance statement relating to ten further provisions of the 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 parent 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 parent company financial statements of Countrywide plc for the year ended 31 December 2015 and on the information in the Directors' remuneration report that is described as having been audited.

Christopher Burns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 February 2016

Consolidated income statement

For the year ended 31 December 2015

	Note	2015 Pre-exceptional items, amortisation, contingent consideration and share-based payments £'000	2015 Exceptional items, amortisation, contingent consideration and share-based payments £'000	2015 Total £'000	2014 Pre-exceptional items, amortisation and share-based payments £'000	2014 Exceptional items, amortisation and share-based payments £'000	2014 Total £'000
Revenue		718,699	—	718,699	685,094	—	685,094
Other income	5	15,037	—	15,037	17,107	—	17,107
	4	733,736	—	733,736	702,201	—	702,201
Employee benefit costs	6	(405,242)	(13,341)	(418,583)	(378,327)	(14,467)	(392,794)
Depreciation and amortisation	14, 15	(20,180)	(11,178)	(31,358)	(14,247)	(10,112)	(24,359)
Other operating costs	7	(215,517)	—	(215,517)	(202,771)	—	(202,771)
Share of (loss)/profit from joint venture	17(b)	(914)	—	(914)	813	—	813
Group operating profit/(loss) before exceptional items		91,883	(24,519)	67,364	107,669	(24,579)	83,090
Exceptional income	10	—	2,534	2,534	—	17,098	17,098
Exceptional costs	10	—	(16,133)	(16,133)	—	(15,241)	(15,241)
Operating profit/(loss)	4	91,883	(38,118)	53,765	107,669	(22,722)	84,947
Finance costs	8	(6,376)	—	(6,376)	(5,584)	—	(5,584)
Finance income	9	321	—	321	285	—	285
Net finance costs		(6,055)	—	(6,055)	(5,299)	—	(5,299)
Profit/(loss) before taxation		85,828	(38,118)	47,710	102,370	(22,722)	79,648
Taxation (charge)/credit	11	(15,168)	9,226	(5,942)	(21,643)	9,931	(11,712)
Profit/(loss) for the year		70,660	(28,892)	41,768	80,727	(12,791)	67,936
Attributable to:							
Owners of the parent		70,243	(28,892)	41,351	80,268	(12,791)	67,477
Non-controlling interests		417	—	417	459	—	459
Profit/(loss) attributable for the year		70,660	(28,892)	41,768	80,727	(12,791)	67,936
Earnings per share attributable to owners of the parent							
Basic earnings per share	13			18.93p			30.84p
Diluted earnings per share	13			18.82p			30.01p

The notes on pages 82 to 120 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Profit for the year		41,768	67,936
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) arising in the pension scheme	25	3,248	(2,415)
Deferred tax arising on the pension scheme	25	(650)	507
		2,598	(1,908)
Items that may be subsequently reclassified to profit or loss			
Foreign exchange rate loss		(255)	(117)
Available-for-sale financial assets:			
– Gains arising during the year	17(c)	7,836	3,200
– Less reclassification adjustments for gains included in the profit and loss		(237)	(11,076)
		7,344	(7,993)
Other comprehensive income for the year		9,942	(9,901)
Total comprehensive income for the year		51,710	58,035
Attributable to:			
Owners of the parent		51,293	57,576
Non-controlling interests		417	459
Total comprehensive income for the year		51,710	58,035

The notes on pages 82 to 120 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2015

		Attributable to owners of the parent						
	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
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 1 January 2015		**2,194**	**211,841**	**98,683**	**218,660**	**531,378**	**190**	**531,568**
Profit for the year		—	—	—	41,351	41,351	417	41,768
Other comprehensive income								
Currency translation differences		—	—	(255)	—	(255)	—	(255)
Realisation of capital reorganisation reserve on liquidation of Countrywide Holdings, Ltd		—	—	(92,820)	92,820	—	—	—
Movement in fair value of available-for-sale financial assets	17(c)	—	—	7,836	—	7,836	—	7,836
Reclassification of gains on disposal of available-for-sale financial assets		—	—	(237)	—	(237)	—	(237)
Actuarial gain in the pension fund	25	—	—	—	3,248	3,248	—	3,248
Deferred tax movement relating to pension	25	—	—	—	(650)	(650)	—	(650)
Total other comprehensive income		—	—	(85,476)	95,418	9,942	—	9,942
Total comprehensive income		—	—	(85,476)	136,769	51,293	417	51,710
Transactions with owners								
Issue of share capital	26	2	(2)	—	—	—	—	—
Share-based payment transactions	27	—	—	—	3,226	3,226	—	3,226
Deferred tax on share-based payments		—	—	—	(767)	(767)	—	(767)
Liquidation of non-controlling interest in subsidiary		—	—	—	50	50	(50)	—
Purchase of treasury shares	28	—	—	(7,760)	—	(7,760)	—	(7,760)
Utilisation of treasury shares for IPO options	28	—	—	20,035	(20,035)	—	—	—
Dividends paid	12	—	—	—	(32,944)	(32,944)	(454)	(33,398)
Transactions with owners		2	(2)	12,275	(50,470)	(38,195)	(504)	(38,699)
Balance at 31 December 2015		**2,196**	**211,839**	**25,482**	**304,959**	**544,476**	**103**	**544,579**

The notes on pages 82 to 120 form an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December 2015

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Goodwill	14(a)	471,626	418,496
Other intangible assets	14(b)	239,457	236,996
Property, plant and equipment	15	49,974	45,523
Investment property	16	—	13,235
Investments accounted for using the equity method:			
Investments in joint venture	17(b)	2,305	3,219
Available-for-sale financial assets	17(c)	57,760	33,290
Deferred tax assets	24	10,645	16,215
Total non-current assets		831,767	766,974
Current assets			
Trade and other receivables	18	123,432	98,644
Cash and cash equivalents	19	24,336	28,583
Total current assets		147,768	127,227
Total assets		979,535	894,201
Equity and liabilities			
Equity attributable to the owners of the parent			
Share capital	26	2,196	2,194
Share premium		211,839	211,841
Other reserves	28	25,482	98,683
Retained earnings		304,959	218,660
		544,476	531,378
Non-controlling interests	17(a)	103	190
Total equity		544,579	531,568
Liabilities			
Non-current liabilities			
Borrowings	21	4,586	86,950
Net defined benefit scheme liabilities	25	415	5,216
Provisions	23	16,899	25,457
Deferred income	22	4,967	6,961
Trade and other payables	20	4,709	4,344
Deferred tax liability	24	40,669	44,858
Total non-current liabilities		72,245	173,786
Current liabilities			
Borrowings	21	204,662	44,760
Trade and other payables	20	128,503	109,312
Deferred income	22	4,111	5,708
Provisions	23	22,336	22,035
Current tax liabilities		3,099	7,032
Total current liabilities		362,711	188,847
Total liabilities		434,956	362,633
Total equity and liabilities		979,535	894,201

The notes on pages 82 to 120 form an integral part of these consolidated financial statements.

The financial statements on pages 77 to 120 were approved by the Board of directors and signed on its behalf by:

Jim Clarke
Chief financial officer
25 February 2016

Consolidated cash flow statement

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit before taxation		47,710	79,648
Adjustments for:			
Depreciation	15	14,244	9,824
Amortisation of intangible assets	14	17,114	14,535
Share-based payments	27	3,226	11,367
Impairment of intangible assets	14	6,126	—
Profit on disposal of non-current assets		(1,413)	(16,949)
Unrealised gains on revaluation of available-for-sale financial assets		(1,202)	—
Amortisation of deferred income	10	(2,534)	(2,534)
Loss/(income) from joint venture	17(b)	914	(813)
Finance costs	8	6,376	5,584
Finance income	9	(321)	(285)
		90,240	100,377
Changes in working capital (excluding effects of acquisitions and disposals of Group undertakings):			
Increase in trade and other receivables		(14,297)	(4,119)
Decrease in trade and other payables		(2,419)	(10,309)
(Decrease)/increase in provisions		(8,349)	2,052
Net cash generated from operating activities		65,175	88,001
Interest paid		(5,213)	(5,004)
Income tax paid		(13,687)	(15,531)
Net cash inflow from operating activities		46,275	67,466
Cash flows from investing activities			
Acquisitions net of cash acquired	29	(62,875)	(41,017)
Purchase of property, plant and equipment	15	(16,561)	(17,355)
Purchase of intangible assets	14	(5,431)	(6,084)
Purchase of non-controlling interest		—	(857)
Proceeds from sale of property, plant and equipment		3,898	294
Proceeds from disposal of business		—	1,959
Proceeds from disposal of available-for-sale financial assets		383	21,302
Capital expenditure/purchase of investment property	16	(171)	(13,017)
Purchase of available-for-sale financial assets	17(c)	(2,438)	(2,186)
Dividends received	17(b)	—	507
Interest received		321	285
Net cash outflow from investing activities		(82,874)	(56,169)
Cash flows from financing activities			
Term and revolving facility loan drawn	21	80,000	45,000
Financing fees paid		(1,127)	(813)
Capital repayment of finance lease liabilities	21	(5,363)	(4,521)
Dividends paid to owners of the parent	12	(32,944)	(43,889)
Dividends paid to non-controlling interests		(454)	(526)
Purchase of own shares	26	(7,760)	(14,290)
Net cash inflow/(outflow) from financing activities		32,352	(19,039)
Net decrease in cash and cash equivalents		(4,247)	(7,742)
Cash and cash equivalents at 1 January		28,583	36,325
Cash and cash equivalents at 31 December	19	24,336	28,583

The notes on pages 82 to 120 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 2015. 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 County House, Ground Floor, 100 New London Road, Chelmsford, Essex CM2 0RG.

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 annual improvements to existing standards which are mandatory for the Group for the first time for the financial year beginning on or after 1 January 2015 (IFRS 1, IFRS 3, IFRS 13, IAS 40 and IFRIC 21) have had no material impact on the Group.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Group. None of these new standards or interpretations are expected to have a material impact on the consolidated financial statements of the Group, with the exception of the following:

- Amendments to IAS 19 'Employee benefits';
- IFRS 9 'Financial instruments';
- IFRS 15 'Revenue from contracts with customers'; and
- IFRS 16 'Leases'.

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, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will require virtually all lease contracts to be recognised on the balance sheet as well as significant new, enhanced disclosures. At this stage the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

(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 2014, the Group consolidated the results and position of Albion PRS Investments Unit Trust (see note 16) as the Group controlled the Unit Trust and had the ability to affect returns though its power over the Unit Trust. Further external investment in 2015, and finalisation of a full and independent fund structure, removed the ability of the Group to control the investment from 15 May 2015. From this date, the property fund units were transferred to available-for-sale financial assets with subsequent changes in valuation being recorded in other comprehensive income. Please refer to notes 16 and 17 for further information.

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 the 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.

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.

2. Accounting policies continued

(d) Basis of consolidation continued

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 presentational 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 have 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:

	2015	2014
Hong Kong Dollars	11.49	12.10
Euros	1.36	1.28
Barbadian Dollars	—	3.12

(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. The allocation is made to those cash generating units or groups of units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

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 the acquirer's interest in the net fair value of the 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.

Available-for-sale (AFS) financial assets are non-derivatives valued on the following basis as detailed in note 17.

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.

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.

2. Accounting policies continued

(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. Significant trade receivables are reviewed for impairment if they are past due. Trade receivables past due beyond 90 days for individual customers or 180 days for commercial contracts that are not assessed to be impaired individually are, in addition, assessed for impairment on a collective basis.

(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.

(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 interests

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 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 are 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. The Group offers the following residential lettings services to customers: Tenant Introduction, Tenant Renewal, Standard Lettings (often referred to as Rent Collection), or a Full Property Management service, plus a Leasehold Property Management service. Commissions and fees earned for Tenant Introduction (or Tenant Renewal) in respect of securing (or extending) the letting are recognised in full at the point of delivery of the service, which is considered to be when the underlying tenancy agreement commences. A revenue clawback provision, based on historical experience, is recognised for those contracts containing a break clause and which may require a refund if broken early. Fees for standard lettings and property management services, including leasehold property management services, are recognised on a straight line basis over the life of the agreement. 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.

Notes to the financial statements continued

2. Accounting policies continued

(s) Revenue continued

Services rendered continued

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.

(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) Adjusting 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 strategic 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 as well as adjusting items, specifically amortisation of intangibles arising on business acquisitions, contingent consideration 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 substantively 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 substantively 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 Executive 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.
- 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 Surveying Services. 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, the 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 2009 for surveys carried out between 2004 and 2008.

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 2015 the number of claims received continued to decline and were lower than expected and the claim rate declined for the first time. Nevertheless, 84% of the claims received were for surveys over six years old. While there is very little experience relating to old claims on which to base any future model our experience in the second half of 2015 was favourable and we do not foresee any reason to increase our rates. 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. However, 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. It should be noted that a 5% increase in the claim rate (which is applied to all surveys performed between 2004 and 2008) could lead to a £3 million increase in the provision for future claims.

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

We achieved a significant number of successes closing many cases in 2015, several without loss. The liability rate increased during the year as those claims remaining in the system are more likely to suffer a loss. However since the volume of claims is much smaller, the impact of this increase was not material.

The liability rate is sensitive to changes in experience and therefore we have used the average liability rate for claims closed over two years as the most appropriate claim liability rate to estimate the provision for those claims already received. As the number of open claims at the end of the year and unreported claims anticipated is much lower than in previous years, a 10% increase in the average liability rate would impact the provision by £0.5 million.

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

The average loss in respect of all exceptional claims received has increased by 6%; however this has had a small impact on the provision because a proportion of these losses has been borne by insurers. However this is the loss used to estimate the value of unreported claims. Our experience in respect of the average loss arising from those claims closed over the past two years reflects a decline of 9%. This is the value used to estimate the further provision required for claims already received. Overall applying a further 10% increase in the average loss would increase the total provision required by £0.6 million, lower than in previous years owing to the reduced number of claims.

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.

Exceptional items
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. Further details of material, non-recurring items the directors have disclosed as exceptional items, including the strategic costs of restructuring the business, are provided in note 10.

Notes to the financial statements continued

4. Segmental reporting

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

As part of the Group's Building our Future strategy, the Group's businesses have been reorganised around customer groups and geography and the Executive Committee considers the business to be split into four main types of business generating revenue: Retail, London, Financial Services and Business to Business (B2B), and 'all other segments' comprising central head office functions.

There are therefore differences from the last annual financial statements in the basis of segmentation and the related basis of measurement of segment profit or loss. Full details of the restructuring of the reportable business segments undertaken in the second half of 2015, and the resultant impact on income and EBITDA (including comparative data), were released in January 2016 and are available on our website at www.countrywide.co.uk/investor-relations/results-and-presentations/ as 'Summary of segment changes'.

- The branch network now combines estate agency and lettings operations, enabling management to focus on delivering excellent service to our retail customers. The network has been segregated between London and the regions (Retail).
- The London business unit (BU) led by Graham Bell comprises branches in and around London and the entire Hamptons International network of branches.
- The Retail BU led by Samantha Tyrer comprises all other branches across the United Kingdom.
- The Financial Services BU led by Peter Curran remains unchanged except to reflect enhanced conveyancing revenue from customers introduced by the consultant network.
- The Business to Business (B2B) BU led by Paul Creffield brings together all our lines of business which are delivered to corporate clients. These include: Surveying Services which now includes Hamptons Valuations; Conveyancing Services; Estate and Asset Management taken from the Lettings and Estate Agency divisions; Countrywide Residential Development Solutions business (CWRDS – comprising the former Countrywide Land & New Homes and Hamptons Residential Development & Investment businesses) from Estate Agency and Hamptons; Property Auctions from Estate Agency; and Lambert Smith Hampton. Conveyancing, Countrywide Residential Development Solutions, Asset Management and Property Auctions all use the branch network to deliver products and services on behalf of our clients, therefore revenue is paid across to the other BUs.

The segmental analysis opposite therefore includes a restatement of the 2014 results under the revised reporting structure.

The Retail network combines estate agency and lettings operations. Estate agency generates commission earned on sales of residential and commercial property and Lettings earns fees from the letting and management of residential properties and fees for the management of leasehold properties. The London division revenue is earned from both estate agency commissions and lettings and management fees. The Financial Services division receives commission from the sale of insurance policies, mortgages and related products under contracts with financial service providers. Business to Business services comprise all lines of business which are delivered to corporate clients, including surveying services, conveyancing services and revenue from Lambert Smith Hampton. Surveying services generates 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 Executive 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, contingent consideration 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.

The revenue from external parties reported to the Executive Committee is measured in a manner consistent with that in the income statement.

Revenue and other income from external customers arising from activities in the UK was £732,099,000 (2014: £701,710,000) and that arising from activities overseas was £1,637,000 (2014: £491,000).

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. Non-current assets attributable to the UK of £830,828,000 (2014: £766,956,000) are included in the total assets in the tables on the following pages. Non-current assets of £939,000 (2014: £18,000) are attributable to the overseas operations. The equity investment in joint venture is disclosed within 'all other segments' and is £2,305,000 (2014: £3,219,000).

The available-for-sale financial assets are disclosed within 'all other segments' £52,072,000 (2014: £30,957,000) and Retail £5,688,000 (2014: £2,333,000).

4. Segmental reporting continued

2015	Retail £'000	London £'000	Financial Services £'000	B2B £'000	All other segments £'000	Total £'000
Revenue	231,989	170,742	75,796	239,805	367	718,699
Other income	6,611	3,814	1,186	2,535	891	15,037
Total income	238,600	174,556	76,982	242,340	1,258	733,736
Inter-segment revenue	15,851	3,426	4,012	(23,289)	—	—
Total income from external customers	254,451	177,982	80,994	219,051	1,258	733,736
EBITDA before adjusting items	43,343	34,162	20,709	32,302	(17,539)	112,977
Contingent consideration*	—	(1,096)	—	(7,730)	(121)	(8,947)
Share-based payments	(464)	(123)	(64)	(250)	(3,493)	(4,394)
Depreciation and amortisation	(13,252)	(4,284)	(6,009)	(6,477)	(1,336)	(31,358)
Share of loss from joint venture	—	—	—	—	(914)	(914)
Exceptional income	—	—	—	—	2,534	2,534
Exceptional costs	(844)	(6,768)	(393)	(1,079)	(7,049)	(16,133)
Segment operating profit/(loss)	28,783	21,891	14,243	16,766	(27,918)	53,765
Finance income						321
Finance costs						(6,376)
Profit before tax						47,710
Total assets	335,495	198,067	110,621	249,566	85,786	979,535
Total liabilities	407,453	151,581	225,612	273,232	(622,922)	434,956
Additions in the year						
Goodwill	30,789	16,676	—	5,665	—	53,130
Intangible assets	7,821	5,619	349	11,170	742	25,701
Property, plant and equipment	9,551	4,741	1,875	1,373	3,877	21,417

2014	Retail £'000	London £'000	Financial Services £'000	B2B £'000	All other segments £'000	Total £'000
Revenue	243,413	166,590	71,476	203,615	—	685,094
Other income	5,845	3,164	1,269	1,668	5,161	17,107
Total income	249,258	169,754	72,745	205,283	5,161	702,201
Inter-segment revenue	16,393	2,881	3,694	(22,968)	—	—
Total income from external customers	265,651	172,635	76,439	182,315	5,161	702,201
EBITDA before adjusting items	58,621	37,107	18,586	21,363	(14,574)	121,103
Share-based payments	(2,521)	(344)	(111)	(512)	(10,979)	(14,467)
Depreciation and amortisation	(9,106)	(3,544)	(5,444)	(4,415)	(1,850)	(24,359)
Share of profit from joint venture	—	—	—	—	813	813
Exceptional income	—	—	—	—	17,098	17,098
Exceptional costs	—	(1,047)	—	(15,145)	951	(15,241)
Segment operating profit/(loss)	46,994	32,172	13,031	1,291	(8,541)	84,947
Finance income						285
Finance costs						(5,584)
Profit before tax						79,648
Total assets	296,467	140,531	103,231	260,426	93,546	894,201
Total liabilities	55,405	21,960	(4,215)	11,493	277,990	362,633
Additions in the year						
Goodwill	17,647	20,168	311	600	—	38,726
Intangible assets	9,025	3,231	343	3,176	1,418	17,193
Property, plant and equipment	7,422	5,912	1,588	1,728	7,650	20,300

* As a result of an increasing number of acquisitions during 2015 that, for commercial reasons, comprise a significant element of contingent consideration which is deemed remuneration under IFRS 3 'Business combinations', we have decided to report these costs separately from underlying profits because the short term impact on the underlying businesses would be material and distort underlying business performance (see note 6).

Notes to the financial statements continued

5. Other income

	2015 £'000	2014 £'000
Rent receivable	999	1,569
Dividend income on available-for-sale financial assets	325	1,395
Other operating income	13,713	14,143
	15,037	17,107

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

	2015 £'000	2014 £'000
Wages and salaries	360,374	336,799
Contingent consideration deemed remuneration (note 29)	8,947	—
Share options granted to directors and employees (note 27)	3,372	12,860
Defined contribution pension cost (note 25)	6,687	5,637
Defined benefit scheme costs	193	105
Social security costs	39,010	37,393
	418,583	392,794

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

By business segment	2015 Number	2014 Number
Retail	4,734	4,791
London	2,014	1,886
Financial Services	968	998
B2B	2,613	2,451
Head office	219	203
	10,548	10,329

(b) Key management compensation

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

	2015 £'000	2014 £'000
Wages and salaries	3,490	4,032
Short term non-monetary benefits	46	52
Share-based payments	1,605	9,427
Post-employment benefits	114	134
Termination costs	903	—
	6,158	13,645

7. Other operating costs

	2015 £'000	2014 £'000
Rent	27,894	27,320
Advertising and marketing expenditure	19,932	19,698
Vehicles, plant and equipment hire	17,680	17,536
Other motoring costs	14,205	13,293
Repairs and maintenance	7,839	7,081
Trade receivables impairment	607	1,181
Profit on disposal of business	—	(2,133)
Profit on disposal of available-for-sale financial assets	(237)	—
Profit on revaluation of investment property	(400)	(218)
Other	127,997	119,013
Total operating costs	215,517	202,771

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:

	2015 £'000	2014 £'000
Fees payable to the Company's auditor and its associates for the audit of the consolidated financial statements	135	135
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the Company's subsidiaries	471	421
– audit-related assurance services	44	44
– non-audit services	11	20
– tax advisory services	9	60
– services relating to corporate finance transactions entered into or proposed to be entered into on behalf of the Company	—	97
	670	777

8. Finance costs

	2015 £'000	2014 £'000
Interest costs:		
Interest payable on borrowings	2	141
Interest payable on revolving credit facility (and previously term loan)	4,573	3,424
Interest arising from finance leases	665	581
Other interest paid	114	42
Cash payable interest	5,354	4,188
Amortisation of loan facility fee	868	1,160
Net interest costs arising on the pension scheme (note 25)	154	158
Other finance costs	—	78
Non-cash payable interest	1,022	1,396
Finance costs	6,376	5,584

9. Finance income

	2015 £'000	2014 £'000
Interest income	321	285

Notes to the financial statements continued

10. Exceptional items

The following items have been included in arriving at profit before taxation:

	2015 £'000	2014 £'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
	2,534	17,098
Exceptional costs		
Strategic and restructuring costs		
Redundancy costs	(3,289)	—
Recruitment costs	(478)	—
Consultancy costs	(3,288)	—
Profit on sale of leasehold property	836	—
Property closure costs	(1,211)	—
Impairment of brands	(6,126)	—
Other strategy-related costs	(669)	—
Total strategic and restructuring costs	(14,225)	—
Regulatory settlement costs (including legal fees)	(826)	—
Insurance claims and litigations	—	(15,241)
Acquisition expenses	(1,082)	—
Total exceptional costs	(16,133)	(15,241)
Net exceptional (costs)/income	(13,599)	1,857

2015

Exceptional income

During 2015 there has been continued amortisation of the deferred income in relation to Zoopla Property Group plc warrants which cease unwind at 31 December 2015 (see note 17(c)).

Exceptional costs

Strategic and restructuring costs

During the year the Group has undertaken the 'Building our Future' strategic review and incurred a number of exceptional, non-recurring costs in relation to the project and related restructuring costs. The principal elements are:

- Following an initial period of organisational design work, a number of redundancies were made throughout the year as the leadership structure evolved to meet the future needs of the Group. All redundancy costs directly related to this strategic review have been collated and amounted to £3,289,000. This included the costs of redundancies which were communicated to the individuals prior to 31 December 2015, and settlements agreed, but whose employment ceases during 2016.
- The organisational redesign also resulted in the creation of a number of posts created to meet the revised needs of the Group. As a result, recruitment costs of £478,000 were incurred during the year.
- As part of the strategic review, external agencies have been involved where specialists skills have been required. Consultancy costs of £3,288,000 have been incurred in relation to a number of projects that include: strategic support and change management; IT transformation; organisational redesign; talent development and leadership skills training; and internal communication in support of specific strategic objectives identified.
- The Group decided to rationalise its property footprint in London to integrate the London and B2B teams into our existing commercial and corporate rented property in Oxford Street. As a result, the Group sold its existing leasehold premises in Grosvenor Square generating a profit on sale of £836,000 (net of legal costs). Offsetting this profit are costs in relation to exiting additional space in London that was surplus to requirements. As a result, costs of £1,211,000 were incurred in relation to dilapidations costs, onerous lease provisions and the rental costs of the additional Oxford Street space during the three-month period of refurbishment and relocation when costs were also being incurred in the original sites.
- Following the reorganisation of business units, a review of brands was undertaken and as a result of this rationalisation of intended future brand use an impairment of £6,126,000 was identified (note 14).

Other costs directly related to the strategic review were collated, and whilst individually immaterial, these aggregate to a total cost of £669,000 and principally relate to the costs of strategic sessions and leadership training.

Regulatory settlement costs

On 19 March 2015, the Competition and Markets Authority (CMA) concluded its investigation into an association of estate and lettings agents in Hampshire. Hamptons Estates Limited was one of three parties forming part of an association that admitted arrangements which had the object of reducing competitive pressure on estate agents and lettings agents' fees in the local area in and around Fleet in Hampshire in a period prior to the Group's ownership. The exceptional cost above reflects the penalty payable to the CMA and associated legal costs.

Acquisition expenses

The Group incurred acquisition expenses of £1,082,000 across a number of transactions undertaken during the year (note 29).

10. Exceptional items continued

2014

Exceptional income

During 2014 there was continued amortisation of the deferred income in relation to Zoopla warrants which 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 were 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.

11. Taxation

Analysis of charge in year

	2015 £'000	2014 £'000
Current tax on profits for the year	8,543	17,241
Adjustments in respect of prior years	(82)	(701)
Total current tax	8,461	16,540
Deferred tax on profits for the year		
Origination and reversal of temporary differences	1,196	(3,747)
Impact of change in tax rate	(3,483)	(1,219)
Adjustments in respect of prior years	(232)	138
Total deferred tax (note 24)	(2,519)	(4,828)
Income tax charge	5,942	11,712

	2015 £'000	2014 £'000
Tax on items charged to equity		
Deferred tax adjustment arising on share-based payments	(767)	(369)
Tax on items (charged)/credited to other comprehensive income		
Deferred tax adjustment arising on the pension scheme assets and liabilities	(650)	507

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	47,710	79,648
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 20.25% (2014: 21.49%)	9,661	17,116
Effects of:		
Profits from joint venture	185	(175)
Other expenses not deductible	1,892	1,459
Permanent difference relating to depreciation not deductible	907	231
Tax relief on purchased goodwill	(152)	(302)
Tax relief on share-based payments charged to equity	(1,715)	—
Rate change on deferred tax provision	(3,510)	(1,219)
Income not subject to tax due to availability of unprovided losses	(1,128)	(4,850)
Adjustments in respect of prior years	(314)	(563)
Overseas losses	116	15
Total taxation charge	5,942	11,712

The changes to the main rate of corporation tax for UK companies announced in the Summer 2015 Budget were substantively enacted for financial reporting purposes in Finance (No 2) Act 2015 on 18 November 2015. The main rate of corporation tax will reduce to 19% from 1 April 2017 and will reduce to 18% from 1 April 2020.

The relevant deferred tax balances have been remeasured using rates applicable to when the balances are expected to unwind.

Notes to the financial statements continued

12. Dividends

	2015 £'000	2014 £'000
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2014 of 10.0 pence (net) per share (2013: 6.0 pence (net) per share)	21,963	13,167
– interim dividend for the year ended 31 December 2015 of 5.0 pence (net) per share (2014: 5.0 pence (net) per share)	10,981	10,972
– special dividend for the year ended 31 December 2015 of nil pence (net) per share (2014: 9.0 pence (net) per share)	—	19,750
Total	32,944	43,889

A final dividend in respect of the year ended 31 December 2015 of 10.0 pence (net) per share, amounting to an estimated total dividend of £22.0 million, is to be proposed at the Annual General Meeting (AGM) on 27 April 2016. 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.

	2015 £'000	2014 £'000
Profit for the year attributable to owners of the parent	41,351	67,477
Weighted average number of ordinary shares in issue	218,447,386	218,811,538
Basic earnings per share (in pence per share)	18.93p	30.84p

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.

	2015 £'000	2014 £'000
Profit for the year attributable to owners of the parent	41,351	67,477
Weighted average number of ordinary shares in issue	218,447,386	218,811,538
Adjustment for weighted average number of contingently issuable share options	1,264,900	6,047,243
Weighted average number of ordinary shares for diluted earnings per share	219,712,286	224,858,781
Diluted earnings per share (in pence per share)	18.82p	30.01p
Adjusted earnings		
Profit for the year attributable to owners of the parent	41,351	67,477
Adjusted for the following items, net of taxation:		
Amortisation arising on intangibles recognised through business combinations	4,542	5,990
Contingent consideration	8,947	—
Share-based payments charge	3,628	11,933
Exceptional income	(2,534)	(17,098)
Exceptional costs	14,309	11,966
Adjusted earnings, net of taxation	70,243	80,268
Adjusted basic earnings per share (in pence per share)	32.16p	36.68p
Adjusted diluted earnings per share (in pence per share)	31.97p	35.70p

14. Intangible assets

(a) Goodwill

	2015 £'000	2014 £'000
Cost		
At 1 January	835,852	797,190
Arising on acquisitions (note 29)	53,130	38,726
Disposals	—	(64)
At 31 December	888,982	835,852
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	471,626	418,496

(b) Other intangible assets

	2015					
	Computer software £'000	Brand names £'000	Customer contracts and relationships £'000	Pipeline £'000	Other intangibles £'000	Total £'000
Cost						
At 1 January	62,748	218,739	110,258	5,159	—	396,904
Acquisitions through business combinations (see note 29)	3	4,446	15,287	534	—	20,270
Additions	5,431	—	—	—	—	5,431
Disposals	(15,521)	—	—	—	—	(15,521)
At 31 December	52,661	223,185	125,545	5,693	—	407,084
Accumulated amortisation and impairment losses						
At 1 January	48,315	33,844	72,590	5,159	—	159,908
Charge for the year	5,936	—	10,710	468	—	17,114
Impairment (note 14)	—	6,126	—	—	—	6,126
On disposals	(15,521)	—	—	—	—	(15,521)
At 31 December	38,730	39,970	83,300	5,627	—	167,627
Net book amount						
At 31 December	13,931	183,215	42,245	66	—	239,457

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

	2015 £'000	2014 £'000
Cost – capitalised finance lease	6,381	6,381
Accumulated depreciation	(1,808)	(532)
Net book amount	4,573	5,849

Notes to the financial statements continued

14. Intangible assets continued

(b) Other intangible assets continued

	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

All amortisation and impairment charges are 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 are therefore subject to annual, or more frequent, impairment reviews if events or changes in circumstances indicate potential impairment.

A review of brands was undertaken following the reorganisation of the business units. Rationalisation of intended future brand use by the London business unit has resulted in an impairment charge of £6,126,000 (see note 10). All remaining brands have been reviewed with no further impairment identified. The carrying amounts of various brand names owned by the Group are disclosed below.

	2015 £'000	2014 £'000
Brand names		
Bairstow Eves	17,173	17,173
John D Wood	14,464	14,464
Mann & Co	5,462	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
	150,524	154,480
Other brands	32,691	30,415
Net book value	183,215	184,895

14. Intangible assets continued

(c) Impairment

The reorganisation of the Group into four new business units has led to a change in the composition of the Group's cash generating units (CGUs), which represent the smallest identifiable group of assets that generate cash flows that are largely independent of the cash flows from other groups of assets. In accordance with internal management structures, the new CGUs comprise Retail, London and Financial Services, with the B2B business unit being split further into Professional Services, Countrywide Residential Development Solutions and Commercial. Management monitors goodwill and intangible assets at this CGU level. 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. Where necessary, assets have therefore been reallocated to the new CGUs that are expected to benefit from the business combination in which the goodwill or intangible asset arose as follows:

2015	Retail £'000	London £'000	Financial Services £'000	B2B CGUs: Professional Services £'000	B2B CGUs: Countrywide Residential Development Solutions £'000	B2B CGUs: Commercial £'000	Total £'000
Goodwill	168,650	71,960	87,888	132,890	775	9,463	471,626
Indefinite life intangible assets	68,054	86,784	—	—	—	28,377	183,215
	236,704	158,744	87,888	132,890	775	37,840	654,841

2014	Retail £'000	London £'000	Financial Services £'000	B2B CGUs: Professional Services £'000	B2B CGUs: Countrywide Residential Development Solutions £'000	B2B CGUs: Commercial £'000	Total £'000
Goodwill	137,861	55,284	87,888	132,890	—	4,573	418,496
Indefinite life intangible assets	68,054	88,464	—	—	—	28,377	184,895
	205,915	143,748	87,888	132,890	—	32,950	603,391

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; and
- review and test its goodwill and indefinite life intangible assets annually or in the event of a significant change in circumstances.

The 2015 impairment review was performed in accordance with IAS 36 'Impairment of assets' by comparing the carrying amount of each CGU against its recoverable amount. Given the structural reorganisation during 2015, the impairment review was undertaken on both the old CGU basis and the new CGU structure.

The recoverable amount of each CGU is based on value-in-use calculations that have been determined from cash flow projections derived from formally approved strategic budgets and forecasts covering the three-year period from 2016 to 2018 with nil growth for 2019 and 2020. Growth rates applied within the strategic plan are based on past experience, market data and expectation of future market outlook and development. For the purpose of the impairment review, 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% into perpetuity. The discount rate used is based on the Group's estimated cost of capital.

The main assumptions on which the forecast cash flows are based comprise:

- 3% growth in UK housing volumes in 2016, 2% growth in 2017 and 2018, and 0% growth assumed for subsequent periods;
- a pre-tax discount rate of 9%; and
- the benefits of past restructuring changes which have been taken into account where there is appropriate certainty over cost reductions.

The 2015 goodwill impairment review concluded that the recoverable amount for each CGU to which goodwill is allocated exceeded the carrying value of each CGU under both the old and the new CGU structures, resulting in no indication of impairment (2014: £Nil).

A similar impairment review of indefinite life intangible assets identified an impairment of £6.1 million (2014: £Nil) against brands as a direct result of the decision to rationalise intended future brand use within the London business unit following the strategic review and resultant reorganisation of the Group (see note 10). The strategic review concluded that certain London brands will be abandoned, with the existing businesses rebranded to other London brand names held by the Group. The impairment review did not identify any further impairment of CGUs containing indefinite life intangible assets.

The 2014 impairment review was based on cash flows from the five-year approved strategic plan for the period from 2015 to 2019, with a terminal value from the fifth year and a growth rate of 0% into perpetuity. The discount rate used for the 2014 impairment review was 8%.

Notes to the financial statements continued

14. Intangible assets continued

(c) Impairment continued

Cumulative impairments, including the brand impairment identified during the current year combined with previous impairments resulting from the severe financial crisis that originated in 2008, amount to the following:

	Goodwill £'000	Brand names £'000	Computer software £'000	Total £'000
Cash generating unit				
Retail	217,319	33,844	—	251,163
London	45,961	6,126	—	52,087
Financial Services	114,076	—	—	114,076
B2B – Professional Services	40,000	—	10,500	50,500
B2B – Countrywide Residential Development Solutions	—	—	—	—
B2B – Commercial	—	—	—	—
	417,356	39,970	10,500	467,826

Sensitivity analysis

Management has undertaken sensitivity analyses to determine the effect of changes in assumptions on the outcome of the 2015 impairment reviews. The key assumptions driving the value-in-use calculations are the discrete growth rates underpinning the cash flow forecasts for each CGU across the Group, including housing market volumes, financial services transaction volumes and the effects of strategic acquisitions within each CGU. Management considered various scenarios which concluded that appropriate headroom existed between the recoverable values and the carrying values of each CGU. In line with the sensitivity analysis undertaken in 2014, an aggressive scenario was also modelled to determine the impact of applying nil growth rates in 2016 and beyond across all CGUs, but keeping all other cash flows such as capital investment in line with the strategic plan. This scenario resulted in goodwill allocated to the Retail CGU being impaired by £91 million. Management does not consider this impairment scenario to be likely; mitigating actions are available should the Group experience a market downturn.

A similar sensitivity analysis conducted at the end of 2014, with nil growth in housing transaction volumes in 2015 and beyond, identified that goodwill allocated to the B2B Professional Services CGU would be impaired by £37 million largely as a result of increased professional indemnity liabilities. Management did not consider that impairment scenario to be a likely outcome due to the CGU having secured additional contracts and having plans in place for improved growth and efficiencies.

Sensitivity analysis has also been undertaken in respect of the discount rate applied within the value-in-use calculations. Significant headroom remained when different discount rates were applied, resulting in no identification of potential impairment.

15. Property, plant and equipment

	2015					
	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	2,093	32,537	578	67,904	5,529	108,641
Acquisition of subsidiaries (note 29)	—	100	4	1,625	—	1,729
Additions at cost	—	2,585	219	6,943	9,941	19,688
Disposals	(167)	(3,197)	(2)	(11,399)	—	(14,765)
Transfers	—	9,439	—	—	(9,439)	—
At 31 December	1,926	41,464	799	65,073	6,031	115,293
Accumulated depreciation						
At 1 January	340	18,932	57	43,789	—	63,118
Charge for the year	22	4,038	120	10,064	—	14,244
Disposals	(28)	(644)	(1)	(11,370)	—	(12,043)
At 31 December	334	22,326	176	42,483	—	65,319
Net book amount						
At 31 December	1,592	19,138	623	22,590	6,031	49,974

Assets in the course of construction with a value of £6,031,000 relate principally to branch refurbishments in progress for which no depreciation has been charged. Depreciation commences when the asset enters operational use and the asset is transferred to the operational asset category.

15. Property, plant and equipment continued

	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

Furniture and equipment includes the following amounts in respect of computer hardware where the Group is a lessee under a finance lease:

	2015 £'000	2014 £'000
Cost – capitalised finance lease	9,683	12,062
Accumulated depreciation	(5,404)	(1,829)
Net book amount	4,279	10,233

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:

	2015 £'000	2014 £'000
Property, plant and equipment	4,437	3,688

16. Investment property

	£'000
At 1 January 2015	13,235
Capital expenditure	171
Change in fair value of investment property	400
Transfer to available-for-sale assets (see note 17(c))	(13,806)
At 31 December 2015	—

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 was transferred into a separate, unlisted, residential property fund, Albion PRS Investments Unit Trust, now renamed Vista UK Residential Real Estate 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 2014 year end. As a result, the assets were consolidated and reflected directly within investment property. However, this asset holding was transferred to available-for-sale financial assets on completion of the independent fund structure and loss of control of the structure in May 2015.

The fair value of the investment property at 31 December 2014 was 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 was 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 2015 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 Group plc	Holding company	UK	—	100
Balanus Limited	Holding company	UK	—	100
Retail				
Countrywide Estate Agents	Estate Agency and Lettings	UK	—	100
London				
Hamptons Group Limited	Holding company	UK	—	100
Hamptons Estates Limited	Estate Agency and Lettings	Hong Kong	—	100
B2B				
Lambert Smith Hampton Limited	Property consultancy	UK	—	100
Lambert Smith Hampton Limited (N Ireland)	Property consultancy	UK	—	100
Lambert Smith Hampton Limited (Ireland)	Property consultancy	Ireland	—	100
Lambert Smith Hampton Group Limited	Property consultancy	UK	—	100
Countrywide Surveyors Limited	Surveying Services	UK	—	100
United Surveyors Limited	Surveying Services	UK	—	100
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

A full list of subsidiary undertakings at 31 December 2015 is included within the Appendix. The appendix on pages 128 to 130 forms part of these financial statements.

Following the liquidation of Countrywide Social Housing Limited during 2015, summary financial information for the remaining subsidiary that has non-controlling interests is presented below:

	Capital Private Finance Limited	
	2015 £'000	2014 £'000
Current assets	138	470
Non-current assets	3	5
Current liabilities	(228)	(209)
Non-current liabilities	(89)	(103)
Net (liabilities)/assets	(176)	163
Revenues	1,961	1,889
Net profit	716	490
Dividends paid	670	435

There is no other comprehensive income arising in the above subsidiary in either year.

17. Investments continued

(b) Interests in joint venture

TM Group (UK) Limited

At 31 December 2015 the Group had a 33% (2014: 33%) interest in the ordinary share capital of 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.

	2015 £'000	2014 £'000
At 1 January:		
– net assets excluding goodwill	1,739	1,433
– goodwill	1,480	1,480
	3,219	2,913
Dividend received	—	(507)
Share of (losses)/profits retained	(914)	813
At 31 December:		
– net assets excluding goodwill	825	1,739
– goodwill	1,480	1,480
	2,305	3,219

The summarised financial information of TM Group (UK) Limited, which is accounted for using the equity method, is presented below:

	2015 £'000	2014 £'000
Cash and equivalents	7,465	5,715
Other current assets (excluding cash)	2,149	2,474
Total current assets	9,614	8,189
Non-current assets	806	712
Current liabilities	(7,946)	(3,684)
Net assets	2,474	5,217
Net assets adjusted for the percentage of ownership	825	1,739
Income	61,447	59,283
Depreciation	(284)	(166)
Expenses (excluding depreciation)	(63,957)	(56,726)
Interest income	52	48
Post-tax results	(2,742)	2,439
Share of post-tax results	(914)	813

There is no other comprehensive income arising in the joint venture in either year.

Notes to the financial statements continued

17. Investments continued

(c) Available-for-sale financial assets

	2015 £'000	2014 £'000
At 1 January	33,290	42,877
Transferred from investment property (see note 16)	13,806	—
Zoopla shares purchased for cash	2,090	2,090
Zoopla shares acquired on crystallisation of warrants	—	2,835
Disposal of Zoopla shares	(383)	(17,786)
Acquisition of shares in unlisted equity and debentures	348	96
Increase in fair value through income statement on the date of purchase	802	—
Movement in fair value	7,836	3,200
Amortisation	(29)	(22)
At 31 December	57,760	33,290

Available-for-sale financial assets, which are all Sterling denominated, include the following:

	2015 £'000	2014 £'000
Listed equity securities: Zoopla Property Group plc	42,856	33,165
Unlisted residential property fund units	14,455	—
Unlisted equity	353	60
Wimbledon debentures (acquired and amortised over the life of the debenture)	96	65
At 31 December	57,760	33,290

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 ended 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).

There was a transfer of investment property into available-for-sale financial assets during the year arising from the loss of control of the investment property fund as planned (see note 16). There was a change in valuation technique from that applied at 31 December 2014 and whilst the fair value of the investment within the investment property fund has remained at Level 2, this is now based on receipt of a net asset valuation statement from the trustees on a quarterly basis.

18. Trade and other receivables

	2015 £'000	2014 £'000
Amounts falling due within one year		
Trade receivables not past due	51,361	42,512
Trade receivables past due but not impaired	29,400	22,818
Trade receivables past due but impaired	3,124	4,165
Trade receivables	83,885	69,495
Less: provision for impairment of receivables	(3,124)	(4,165)
Trade receivables – net	80,761	65,330
Amounts due from customers for contract work	2,241	1,251
Other receivables	19,413	14,243
Prepayments and accrued income	21,017	17,820
	123,432	98,644

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. Significant trade receivables are reviewed for impairment if they are past due. All 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.

18. Trade and other receivables continued

As at 31 December 2015, trade receivables of £29,400,000 (2014: £22,818,000) 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:

	2015 £'000	2014 £'000
Less than 3 months	18,417	15,647
Over 3 months	10,983	7,171
	29,400	22,818

Trade and other receivables are denominated in Pounds Sterling with the exception of £728,000 (2014: £252,000) which are receivable in Hong Kong Dollars and Euros.

A summary of the movement in the provision for impairment of receivables is detailed below:

	2015 £'000	2014 £'000
At 1 January	4,165	3,848
Additional provisions (note 7)	607	1,181
Amounts utilised	(1,648)	(864)
At 31 December	3,124	4,165

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

	2015 £'000	2014 £'000
Cash and cash equivalents		
Cash at bank and in hand	21,246	16,578
Short term bank deposits	3,090	12,005
	24,336	28,583

Of the short term bank deposits, a number were interest bearing within the following range: 2015: 0.5%–0.55% (2014: 0.5%–0.55%).

The following amounts were held in foreign currencies:

	2015 £'000	2014 £'000
Hong Kong Dollars	126	134
Euros	325	—
Barbadian Dollars	—	121
	451	255

20. Trade and other payables

	2015 £'000	2014 £'000
Trade payables	13,261	13,875
Other financial liabilities	2,700	2,560
Deferred consideration	7,987	5,103
	23,948	21,538
Other tax and social security payable	31,577	26,988
Accruals and other payables	77,687	65,130
	133,212	113,656
Trade and other payables due within one year	128,503	109,312
Trade and other payables due after one year	4,709	4,344
	133,212	113,656

The principal components of trade and other payables due after one year are payments of £3,099,000 due under bonus awards (2014: £1,171,000) and accrued National Insurance share-based payment charges of £1,610,000 (2014: £613,000).

Notes to the financial statements continued

20. Trade and other payables continued

At 31 December 2015, other financial liabilities include put options of £2,700,000 (2014: £2,560,000) to acquire the non-controlling interests in an entity 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:

	2015 £'000	2014 £'000
Exercisable in 2016	2,700	2,560

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 £419,000 (2014: £135,000).

21. Borrowings

	2015 £'000	2014 £'000
Non-current		
Bank borrowings	—	80,000
Other loans	1,000	1,000
Capitalised banking fees	(1,872)	(1,613)
Finance lease liabilities	5,458	7,563
	4,586	86,950
Current		
Bank borrowings	200,000	40,000
Finance lease liabilities	4,662	4,760
	204,662	44,760
Total borrowings	209,248	131,710

Analysis of net debt

	At 1 January 2015 £'000	Cash flow £'000	Non-cash changes £'000	At 31 December 2015 £'000
Cash and cash equivalents	28,583	(4,247)	—	24,336
Capitalised banking fees	1,613	1,127	(868)	1,872
Loan notes	(1,000)	—	—	(1,000)
Term loan due after one year	(80,000)	80,000	—	—
Term loan due within one year	(20,000)	20,000	—	—
Revolving credit facility due within one year	(20,000)	(180,000)	—	(200,000)
Finance leases due after one year	(7,563)	—	2,105	(5,458)
Finance leases due within one year	(4,760)	5,363	(5,265)	(4,662)
Total	(103,127)	(77,757)	(4,028)	(184,912)

Borrowings and other loans

On 6 February 2015 the Company entered into an Amendment and Restatement Agreement relating to the term and revolving credit facility agreement, originally dated 20 March 2013, which is due to expire in March 2018. The facility is now a £250 million revolving credit facility (RCF), with no term loan elements, with any outstanding balance repayable in full on 20 March 2018. Interest is currently 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 twice a year (and can vary between 1.5% and 2.25%). The RCF is available for utilisation subject to satisfying fixed charge and leverage covenants and £80 million was drawn down during the period.

The unsecured loan notes are non-interest bearing, repayable in 2029, and arose on the purchase of Mortgage Intelligence Holdings Limited.

21. Borrowings continued

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:

	2015 £'000	2014 £'000
No later than one year	5,026	5,087
Later than one year and no later than five years	5,795	8,444
	10,821	13,531
Future finance charges on finance lease liabilities	(701)	(1,208)
Present value of finance lease liabilities	10,120	12,323

The present value of finance lease liabilities is as follows:

	2015 £'000	2014 £'000
No later than one year	4,662	4,760
Later than one year and no later than five years	5,458	7,563
	10,120	12,323

22. Deferred income

Deferred income will unwind as follows:

	2015			2014
	Cash £'000	Non-cash £'000	Total £'000	Total £'000
Within one year	3,166	945	4,111	5,708
After one year:				
Between one and two years	3,077	945	4,022	4,021
Between two and three years	—	945	945	1,995
Between three and four years	—	—	—	945
	3,077	1,890	4,967	6,961
	6,243	2,835	9,078	12,669

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 Property Group plc. 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

	2015					
	Onerous contracts £'000	Property repairs £'000	Clawback £'000	Claims and litigation £'000	Other £'000	Total £'000
At 1 January	1,145	3,870	3,424	36,786	2,267	47,492
Acquired in acquisition (note 29)	—	—	—	—	94	94
Utilised in the year	(598)	(1,248)	(6,920)	(10,760)	(118)	(19,644)
Charged to income statement	709	855	7,231	2,883	(391)	11,287
Unwind of discount rate	6	—	—	—	—	6
At 31 December	1,262	3,477	3,735	28,909	1,852	39,235
Due within one year or less	83	1,092	2,478	18,146	537	22,336
Due after more than one year	1,179	2,385	1,257	10,763	1,315	16,899
	1,262	3,477	3,735	28,909	1,852	39,235

Notes to the financial statements continued

23. Provisions continued

	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 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

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 Group's 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. 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 three years.

24. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18%–20% (2014: 20%).

The movement on the deferred tax account is shown below:

	2015 £'000	2014 £'000
Deferred tax liability at 1 January	(28,643)	(31,507)
Credited to income statement	2,519	4,828
Acquired on acquisition of subsidiary (note 29)	(2,483)	(2,089)
Disposed on disposal of subsidiary	—	(13)
(Charged)/credited to other comprehensive income	(650)	507
Charged to equity	(767)	(369)
Net deferred tax liability at 31 December	(30,024)	(28,643)
Deferred tax asset	10,645	16,215
Deferred tax liability	(40,669)	(44,858)
Net deferred tax liability at 31 December	(30,024)	(28,643)
Deferred tax asset expected to unwind within one year	43	1,694
Deferred tax asset expected to unwind after one year	10,602	14,521
	10,645	16,215
Deferred tax liability expected to unwind within one year	(1,826)	(1,600)
Deferred tax liability expected to unwind after one year	(38,843)	(43,258)
	(40,669)	(44,858)

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.

	2015		
	Asset/ (liability) £'000	(Charged)/ credited to income £'000	Charged to other comprehensive income/equity £'000
Origination and reversal of temporary differences			
Capital allowances	6,705	(787)	—
Employee pension liabilities	83	(311)	(650)
Share-based payments	1,516	(3,027)	(767)
Trading losses	116	(590)	—
Intangible assets	(39,782)	6,882	—
Gain deferred by roll-over relief	(887)	—	—
Other temporary and deductible differences	2,225	600	—
	(30,024)	2,767	(1,417)

	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

Deferred tax assets have not been recognised in respect of unused capital losses of £19,759,000 (2014: £24,375,000), in respect of non-trading loan relationships of £106,000 (2014: £629,000), and in respect of trading losses of £49,000 (2014: £248,000). 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 £7,473,000 (2014: £5,966,000) 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 ('the 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 £6,687,000 (2014: £5,637,000).

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 were reviewed as part of the recent valuation (as 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 three years. During the year, the Group paid £1.9 million (2014: £1.9 million) to the defined benefit scheme. During the year which commenced on 1 January 2016, the employer is expected to pay contributions of £1.9 million (2015: £1.9 million). Further contributions of £1.9 million will be made in each of the next three 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 2015, updated to 31 December 2015. 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:

	2015 £'000	2014 £'000
Present value of funded obligations	(47,850)	(50,740)
Fair value of plan assets	47,435	45,524
Net liability recognised in the balance sheet	(415)	(5,216)

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 2015	(50,740)	45,524	(5,216)
Expected return on scheme assets	—	1,579	1,579
Actuarial gain	—	1,121	1,121
Employer contributions	—	1,900	1,900
Service cost	(193)	—	(193)
Interest cost	(1,733)	—	(1,733)
Actuarial gain from changes in financial assumptions	1,700	—	1,700
Actuarial gain from changes in demographic assumptions	1,029	—	1,029
Actuarial loss from changes in experience adjustments	(602)	—	(602)
Benefits paid	2,496	(2,496)	—
Expenses	193	(193)	—
At 31 December 2015	(47,850)	47,435	(415)

	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)

25. Post-employment benefits continued

Defined benefit pension arrangements continued

The major categories of scheme assets as a percentage of total scheme assets are:

	2015 %	2014 %
Cash	1	1
UK equities	5	5
Overseas equities	6	5
UK fixed interest gilts	11	12
Corporate bonds	46	47
Other – GARS	11	10
Other – insured pensioners	20	20
	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:

	2015 £'000	2014 £'000
Current service cost	193	105
Net interest cost on pension scheme liabilities (within finance costs)	154	158
Total charge to the income statement	347	263

The amounts recognised in the statement of comprehensive income are:

	2015 £'000	2014 £'000
Actuarial gain on scheme assets	1,121	4,252
Actuarial gain/(loss) on scheme liabilities:		
Actuarial gain/(loss) from changes in financial assumptions	1,700	(6,667)
Actuarial gain from changes in demographic assumptions	1,029	—
Changes due to experience adjustments	(602)	—
Other comprehensive income	3,248	(2,415)
Deferred tax adjustment arising on the pension scheme assets and liabilities	(650)	507
	2,598	(1,908)
Cumulative actuarial loss recognised in the statement of comprehensive income (after tax)	(4,529)	(7,127)

The principal assumptions made by the actuaries were:

	2015	2014
Rate of increase in pensions in payment and deferred pensions		
– On benefits earned prior to 1 December 1999	4.20%	4.15%
– On benefits earned after 1 December 1999	3.10%	2.80%
Discount rate	3.70%	3.50%
RPI inflation	2.20%	2.85%
CPI inflation	1.20%	1.85%
Expected net return on plan assets	3.50%	3.50%
Cash commutation	20%	20%
Life expectancy at age 65 (years)		
– Male pensioner member	22.8	22.8
– Female pensioner member	24.7	25.0
– Male pensioner non-member (age 45 now)	24.5	24.6
– Female pensioner non-member (age 45 now)	26.6	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	Fair value of assets £'000	Deficit £'000	Change from disclosed deficit £'000
Defined benefit obligation	47,850	47,435	415	—
Discount rate less 0.25%	49,594	47,660	1,934	1,519
RPI and linked assumptions plus 0.25%	48,042	47,444	598	183
Members living one year longer than assumed	49,955	47,974	1,981	1,566

Defined benefit obligation trends:

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Scheme assets	**47,435**	45,524	39,143	37,906	38,071
Scheme liabilities	**(47,850)**	(50,740)	(43,581)	(44,518)	(44,534)
Scheme deficit	**(415)**	(5,216)	(4,438)	(6,612)	(6,463)
Experience (loss)/gain on scheme liabilities	**(602)**	—	84	1,156	(24)
Gain from changes in the demographic assumptions for value of scheme liabilities	**1,029**	—	1,015	644	—
Gain/(loss) from changes in the assumptions for value of scheme liabilities	**1,700**	(6,667)	28	(1,150)	(4,237)
Experience gain/(loss) adjustments on assets	**1,121**	4,252	(474)	(513)	1,660

Expected maturity analysis of undiscounted pension benefits at 31 December 2015:

	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	2,003	2,012	6,495	77,901	88,411

26. Share capital

Called up issued and fully paid ordinary shares of 1 pence each

	Number	£'000
At 1 January 2015	219,444,961	2,194
Share capital issued	196,873	2
At 31 December 2015	**219,641,834**	**2,196**

The Company acquired 1,465,000 of its own shares through purchases on the London Stock Exchange throughout January and February 2015. The total amount paid to acquire the shares was £6,773,000. The shares were held as 'treasury shares' with those purchased in 2014. The Company then reissued all of these shares in March 2015 in respect of the IPO option vesting. All shares issued by the Company were fully paid. An additional 196,873 shares were issued at nominal value to complete the satisfaction of the IPO options crystallising in March 2015.

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, 449,172 shares (2014: 225,151 shares), costing £2,241,000 (2014: £1,254,000), 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 £3,372,000 in the year ended 31 December 2015 (2014: £12,860,000), comprising £3,226,000 of equity-settled share-based payments, and £146,000 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 £1,022,000 (2014: £1,607,000).

The following table analyses the total cost between each of the relevant schemes, together with the number of options outstanding:

		Outstanding at 31 December		
	2015		2014	
	Charge £'000	Number of options (thousands)	Charge £'000	Number of options (thousands)
IPO plan	**3,288**	**1,221**	10,560	7,185
Long term incentive plan	**(510)**	**2,033**	2,097	1,550
Deferred share bonus plan	**78**	**59**	—	—
Share incentive plan	**516**	**449**	203	225
	3,372	**3,762**	12,860	8,960

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 54 to 66.

Executive schemes

IPO plan

At the time of the flotation in March 2013, the Company granted nil-cost share options to executive directors and designated senior management as 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.

50% of the IPO options granted to the executive directors became exercisable on the second anniversary of the date of granting the IPO option; the remaining 50% of the IPO options become exercisable on the third anniversary of the date of granting the IPO option. IPO options granted to other participants became exercisable on the second anniversary of the date of granting the IPO option. The number of options that vested in March 2015 was subject to the performance criterion based on EBITDA for 2014 as well as continued service and the vesting level achieved was 83%. The same criterion applies to the options that will vest in March 2016.

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.

Deferred share bonus plan (DSBP)

The Group operates a DSBP for executive directors and other senior employees whose bonus awards are settled partly in cash and partly in nil-cost share options at the discretion of the Remuneration Committee. The number of options that will vest is subject to market performance criteria over a three-year period and continued service.

Notes to the financial statements continued

27. Share-based payments continued

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:

	2015				2014			
	Executive schemes*		Other schemes		Executive schemes*		Other schemes	
	IPO Number of options (thousands)	LTIP Number of options (thousands)	DSBP Number of options (thousands)	SIP* Number of options (thousands)	IPO Number of options (thousands)	LTIP Number of options (thousands)	DSBP Number of options (thousands)	SIP* Number of options (thousands)
At 1 January	7,185	1,550	—	225	7,185	758	—	26
Granted	—	1,130	59	228	—	792	—	199
Exercised	(4,579)	—	—	—	—	—	—	—
Lapsed	(1,385)	(647)	—	(4)	—	—	—	—
At 31 December	1,221	2,033	59	449	7,185	1,550	—	225

* Executive schemes are granted at £Nil consideration and SIP matching shares are granted at £Nil consideration.

The IPO options that became exercisable on the second anniversary of the date of granting the IPO were the only scheme exercisable at the year end.

Share options outstanding at the end of the year have the following expiry date (and all have £Nil exercise prices):

Grant – vest	Expiry date	Exercise price pence	Share options (thousands) 2015	Share options (thousands) 2014
IPO plan				
18 March 2013–18 March 2015/2016	18 March 2021	—	1,221	7,185
LTIP grants				
6 September 2013–6 September 2016	6 September 2023	—	561	758
21 March 2014–21 March 2017	21 March 2024	—	363	546
8 September 2014–8 September 2017	8 September 2024	—	246	246
16 March 2015–16 March 2018	16 March 2025	—	730	—
31 March 2015–31 March 2018	31 March 2025	—	24	—
21 September 2015–21 September 2018	21 September 2025	—	109	—
DSBP				
22 May 2015–22 May 2018	22 May 2025	—	59	—
SIP				
Monthly rolling grants and vesting three years later		—	449	225
			3,762	8,960

The following information is relevant to the determination of the fair value of the awards granted during the year under the schemes:

	IPO plan	LTIP (TSR condition)	LTIP (EPS condition)	DSBP	Share incentive plan
Option pricing model	Binomial Lattice	Monte Carlo/ Stochastic	Black Scholes	Fair value at grant date	Fair value at grant date
Weighted average share price at grant date	350p	494p–664p	494p–664p	576p	531p
Exercise price	0p	0p	0p	0p	0p
Weighted average contractual life	2.2 years	3 years	3 years	3 years	3 years
Expected dividend yield	1.5%	1.0–3.04%	1.0–2.56%	2.6%	n/a
Risk-free interest rate	1.8%	0.5–0.9%	n/a	n/a	n/a
Volatility	n/a	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	Foreign exchange reserve £'000	Available-for-sale financial assets reserve £'000	Treasury share reserve £'000	Total £'000
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 1 January 2015	**92,820**	**(173)**	**20,552**	**(14,516)**	**98,683**
Currency translation differences	—	(255)	—	—	(255)
Realisation of capital reorganisation reserve on liquidation of Countrywide Holdings, Ltd	(92,820)	—	—	—	(92,820)
Disposal of fair value of available-for-sale financial assets	—	—	(237)	—	(237)
Movement in fair value of available-for-sale financial assets	—	—	7,836	—	7,836
Utilisation of treasury shares for IPO options	—	—	—	20,035	20,035
Purchase of treasury shares	—	—	—	(7,760)	(7,760)
Balance at 31 December 2015	**—**	**(428)**	**28,151**	**(2,241)**	**25,482**

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.

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.

Notes to the financial statements continued

29. Acquisitions during the year

During 2015, the Retail business unit acquired 27 operations 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 £38.3 million, the most significant of which were on 10 November 2015, when the Group acquired 100% of the equity share capital of Sutton Kersh, and on 6 November 2015, when the Group acquired 100% of the equity share capital of John Francis for the consideration noted in the table below. The London business unit acquired five businesses as part of its targeted acquisition strategy to expand in certain under-represented geographical areas for a total consideration of £23.0 million, the most significant of which was on 7 May 2015, when the Group acquired 100% of the equity share capital of The Greene Corporation Limited and five subsidiary companies for the consideration noted below. In accordance with the strategy to increase the Group's commercial footprint and non-cyclical revenue streams, the B2B business unit also acquired four businesses for a total consideration of £15.0 million, the most significant of which was on 10 March 2015, when the Group acquired the trade and assets of Edward Symmons Group for the consideration noted below.

	Greene & Co £'000	ES Group £'000	John Francis £'000	Sutton Kersh £'000	Other £'000	Total £'000
Intangible assets	5,110	4,843	231	635	9,451	20,270
Property, plant and equipment	1,132	204	96	172	125	1,729
Trade and other receivables	4,021	—	444	647	2,640	7,752
Cash at bank	—	—	985	1,237	3,212	5,434
Trade and other payables	(3,791)	—	(659)	(730)	(2,894)	(8,074)
Corporation tax	(310)	—	(171)	(186)	(701)	(1,368)
Deferred tax	(1,022)	—	(63)	(127)	(1,271)	(2,483)
Provisions	(94)	—	—	—	—	(94)
Net assets	5,046	5,047	863	1,648	10,562	23,166
Goodwill	11,214	5,143	4,162	3,002	29,609	53,130
Consideration	16,260	10,190	5,025	4,650	40,171	76,296
Settled by:						
Initial consideration	16,260	4,239	4,850	4,500	38,460	68,309
Deferred consideration	—	5,951	175	150	1,711	7,987
	16,260	10,190	5,025	4,650	40,171	76,296
Cash paid	16,260	4,239	4,850	4,500	38,460	68,309
Cash at bank	—	—	(985)	(1,237)	(3,212)	(5,434)
Net cash flow arising from acquisitions	16,260	4,239	3,865	3,263	35,248	62,875
Revenue post-acquisition	8,372	16,425	833	774	11,324	37,728
Profit post-acquisition	1,141	2,705	197	181	3,620	7,844
Proforma revenue to 31 December 2015	12,445	20,336	4,521	4,502	25,586	67,390
Proforma profit to 31 December 2015	1,542	3,016	595	762	6,884	12,799

The acquired receivables for all acquired businesses are all current and their fair value is not materially different. 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. No other contingent liabilities, not included in the net assets above, have been identified on these acquisitions.

The goodwill of £53.1 million arises from a number of factors including expected synergies, including cost reductions from purchasing and processing efficiencies, and unrecognised assets such as the assembled workforces.

The deferred consideration noted above is payable over a period of up to six years as fixed payments at specified times in line with the purchase agreements. In addition, contingent consideration arrangements arising on four of the acquisitions made during the year require the Group to pay in cash a potential undiscounted maximum aggregate amount of £6.9 million.

Each of these contingent consideration arrangements require the vendors to remain in employment and as such have been treated as a post-combination employment expense, excluded from consideration noted above, and are being accrued over the relevant periods of one to three years specific to each of the agreements. £2.3 million of this contingent consideration is also subject to performance conditions being satisfied. These are target EBITDA levels which must be achieved in order to realise the full payment, with a reduced payment made if targets are not fully met. The accrual has been made on the assumption that each target will be fully met and the £2.3 million will be payable over the earn-out period. Accruals for contingent consideration will be reviewed at each period end as future earn-out assumptions are revisited and any credits to the income statement in respect of downward revisions to estimates will be treated in the same way.

The costs of these acquisitions amounted to £1.1 million (2014: £0.8 million) and have been written off to profit and loss.

30. Acquisitions during the prior year

During the prior year the Group acquired 36 businesses. The total consideration paid was £48.9 million and goodwill recognised was £38.7 million. The proforma revenue and EBITDA generated by these businesses in 2014 was £31.0 million and £9.5 million respectively.

31. Operating lease commitments – minimum lease payments

Commitments under non-cancellable operating leases due are as follows:

	2015		2014	
	Property £'000	Vehicles, plant and equipment £'000	Property £'000	Vehicles, plant and equipment £'000
Within one year	24,432	14,218	21,444	13,621
Later than one year and less than five years	51,723	22,717	46,654	16,706
After five years	47,292	2	24,001	—
	123,447	36,937	92,099	30,327

At 31 December 2015, the Group had sub-leased a number of surplus premises and was entitled to receive rents under non-cancellable leases as follows:

	2015 £'000	2014 £'000
Sub-leases		
Within one year	528	823
Later than one year and less than five years	769	842
After five years	205	142
	1,502	1,807

32. Client monies

At 31 December 2015, client monies held by subsidiaries in approved bank and building society accounts amounted to £257,454,000 (2014: £315,389,000). Neither the cash asset nor any corresponding obligation has been recognised by the Group.

33. Financial instruments

Financial instruments by category

	31 December 2015		
Assets as per balance sheet	Loans and receivables £'000	Available for sale £'000	Total £'000
Available-for-sale financial assets	—	57,760	57,760
Trade and other receivables excluding prepayments	102,415	—	102,415
Cash and cash equivalents	24,336	—	24,336
	126,751	57,760	184,511

	31 December 2015		
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)	—	199,128	199,128
Finance lease liabilities	—	10,120	10,120
Put options	2,700	—	2,700
Trade and other payables excluding non-financial liabilities	—	96,627	96,627
	2,700	305,875	308,575

Notes to the financial statements continued

33. Financial instruments continued

Financial instruments by category continued

Assets as per balance sheet	31 December 2014 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

Liabilities as per balance sheet	31 December 2014 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

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 financial 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:

	2015 £'000	2014 £'000
Floating rate assets	21,246	16,578
Fixed rate assets	3,090	12,005
Interest-free assets	160,175	114,114
Total financial assets	184,511	142,697
Floating rate liabilities	198,128	118,387
Fixed rate liabilities	10,120	12,323
Interest-free liabilities	100,327	86,687
Total financial liabilities	308,575	217,397

The average rate at which the fixed rate liabilities were fixed in 2015 was 5.53% (2014: 3.59%) and the average period for which the liabilities were fixed was 365 days (2014: 365 days).

There is no material difference between the book and the fair values of the financial assets and liabilities.

The interest payable on the revolving credit facility is at variable rates.

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 centrally. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of liabilities exposed to the floating rates.

	2015 £'000	2014 £'000
Increase in basis points	100	100
Effect on profit before tax (£'000)	(2,000)	(1,200)
Decrease in basis points	(50)	(50)
Effect on profit before tax (£'000)	1,000	600

Liquidity risk

The liquidity risk of each Group entity is managed centrally by the Group treasury function which monitors 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 £250 million revolving credit facility which incurs interest payments on defined one, three or six month periods.

The Group's discounted financial liabilities at the year end were as follows:

	2015 £'000	2014 £'000
Trade payables	13,261	13,875
Other financial liabilities	2,700	2,560
Deferred consideration	7,987	5,103
Borrowings	199,128	119,387
Finance lease liabilities	10,120	12,323
Accruals and other payables	75,379	64,149
	308,575	217,397

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.

	2015 £'000	2014 £'000
In less than one year	299,018	125,678
In more than one year but not more than two years	2,599	33,073
In more than two years but less than three years	4,991	57,303
In more than three years but not more than four years	967	1,991
In more than four years but less than five years	—	980
Over five years	1,000	1,000
	308,575	220,025

Notes to the financial statements continued

34. Financial risk management continued

Counterparty credit risk

The Group's financial assets at the year end were as follows:

	2015 £'000	2014 £'000
Cash and cash equivalents	24,336	28,583
Trade receivables	80,761	65,330
Amounts due from customers for contract work	2,241	1,251
Other receivables	19,413	14,243
	126,751	109,407

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:

	2015 £'000	2014 £'000
Individual customers	28,525	26,888
Major lenders	13,381	9,985
Other commercial customers	41,979	32,622
	83,885	69,495

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):

	2015 £'000	2014 £'000
A1	3,390	6,249
A2	5,986	6,225
A3	14,960	837
BA1	—	15,272
	24,336	28,583

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 £57,760,000 (2014: £33,290,000). If the price used in the 2015 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 £2.1 million.

34. Financial risk management continued

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:

	2015 £'000	2014 £'000
Borrowings (note 21)	209,248	131,710
Cash and cash equivalents (note 19)	(24,336)	(28,583)
Net debt	184,912	103,127
Shareholders' equity	544,476	531,378
Total capital	729,388	634,505
Gearing ratio	25%	16%

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.

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 prices) (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 2015:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Available-for-sale financial assets	42,856	14,455	449	57,760
Liabilities				
Put options	—	—	2,700	2,700

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

There was a transfer of investment property into available-for-sale financial assets during the year arising from the loss of control of the investment property fund as planned (see note 16). There was a change in valuation technique from that applied at 31 December 2014 and whilst the fair value of the investment within the investment property fund has remained at Level 2, this is now based on receipt of a net asset valuation statement from the trustees on a quarterly basis.

The fair value of the investment property fund at 31 December was 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 was based on the Market Rent valuation technique.

Level 1 financial assets comprise quoted equity instruments in Zoopla Property Group plc ('Zoopla shares').

Notes to the financial statements continued

34. Financial risk management continued

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:

	2015		2014	
	Available-for-sale financial assets £'000	Liabilities £'000	Available-for-sale financial assets £'000	Liabilities £'000
Opening balance at 1 January	125	2,560	42,877	4,955
Acquisitions	324	—	5,021	(780)
Disposals	—	—	(17,786)	—
Transfers from Level 3 to Level 1	—	—	(38,990)	—
Gains and losses recognised in profit or loss	—	140	(22)	(1,615)
Gains and losses recognised in total comprehensive income	—	—	9,025	—
Closing balance at 31 December	449	2,700	125	2,560

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.

The fair value of all other financial assets and liabilities approximates to their carrying value.

35. Related party transactions

Key management compensation is given in note 6(b). Other related party transactions are as follows:

Trading transactions

		Transaction amount		Balance (owing)/owed	
Related party relationship	Transaction type	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Joint venture	Purchases by Group	(2,567)	(2,539)	(192)	(193)
Joint venture	Rebate received/receivable	2,792	394	1,441	23
Joint venture	Dividend received	—	507	—	—
Oaktree Capital Management	Director's fee paid	40	40	10	—

The joint venture rebate for 2015 reflects the rebate against both 2014 and 2015 purchases. The rebate accrued at 31 December 2014 reflected agreed rebate positions in respect of 2014 purchases, with a further retrospective rebate in respect of 2014 purchases being agreed and settled during 2015. At 31 December 2015 the value accrued is in respect of 2015 purchases, following agreement with the joint venture prior to the year end.

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 2015 regarding related party transactions.

36. Events after the reporting period

On 15 February 2016, Countrywide plc sold 8,659,302 ordinary shares in Zoopla Property Group plc ('Zoopla'), representing 2.1% of Zoopla's ordinary share capital, for a price of 220 pence per share. Following the disposal, the Group continues to hold 9,234,473 Zoopla ordinary shares, representing 2.2% of Zoopla's ordinary shares.

During the first few weeks of the year the Group has acquired two businesses and made a strategic investment amounting to £4.3 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 2016, resulting in an increase in the revolving credit facility from £250 million to £340 million and a £60 million accordion facility. For further details please refer to the Group financial review within the strategic report of the consolidated financial statements.

Independent auditor's report to the members of Countrywide plc

Report on the parent company financial statements

Our opinion

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

- give a true and fair view of the state of the parent company's affairs as at 31 December 2015;
- 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Company balance sheet as at 31 December 2015; 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 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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 International Standards on Auditing (UK and Ireland) ("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 parent company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

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.

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 70, 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 parent 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.

Independent auditor's report to the members of Countrywide plc continued

Responsibilities for the financial statements and the audit continued

What an audit of financial statements involves
We conducted our audit in accordance with 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 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.

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 group financial statements of Countrywide plc for the year ended 31 December 2015.

Christopher Burns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 February 2016

Company balance sheet
As at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investments	4	386,372	147,657
Current assets			
Debtors	5	260,810	265,003
Cash at bank and in hand		3,369	6,028
		264,179	271,031
Creditors: amounts falling due within one year	6	(200,180)	(44,292)
Net current assets		63,999	226,739
Total assets less current liabilities		450,371	374,396
Creditors: amounts falling due after more than one year	7	—	(78,387)
Net assets		450,371	296,009
Capital and reserves			
Called up share capital	8	2,196	2,194
Share premium account	9	211,839	211,841
Treasury reserve	9	(2,241)	(14,516)
Profit and loss account	9	238,577	96,490
Total shareholders' funds	10	450,371	296,009

The notes on pages 124 to 127 form an integral part of the parent company (registration number: 08340090) financial statements.

These financial statements on pages 123 to 127 were approved by the Board of directors and signed on its behalf by:

Jim Clarke
Chief financial officer
25 February 2016

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 2015. 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 year.

As permitted under section 408 of the Act the Company has elected not to present its own profit and loss account for the year. The profit for the financial year was £191,840,000 (2014: loss of £8,176,000). The results of the parent company are disclosed in the reserves reconciliation in note 9.

The Company has taken advantage of the exemption in FRS 101, 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 101 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 year 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.

	2015 £'000	2014 £'000
Wages and salaries	1,863	1,791
Share-based payments	2,086	4,453
Social security costs	270	247
Post-employment benefits – defined contribution and salary supplement	140	112
	4,359	6,603

The information disclosed in the Group's consolidated financial statements under IFRS 2 'Share-based payment' is within note 27, providing further information regarding the Company's equity-settled share-based payment arrangements.

3. Dividends

	2015 £'000	2014 £'000
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2014 of 10.0 pence (net) per share (2014: 6.0 pence (net) per share)	21,963	13,167
– interim dividend for the year ended 31 December 2015 of 5.0 pence (net) per share (2014: 5.0 pence (net) per share)	10,981	10,972
– special dividend for the year ended 31 December 2015 of nil pence (net) per share (2014: 9.0 pence (net) per share)	—	19,750
Total	32,944	43,889

A final dividend in respect of the year ended 31 December 2015 of 10.0 pence (net) per share, amounting to an estimated total dividend of £22.0 million, is to be proposed at the Annual General Meeting (AGM) on 27 April 2016. 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

	2015 £'000
Cost	
At 1 January 2015	147,657
Increase in investment by exchange of Countrywide Holdings, Ltd debt for underlying investment in Countrywide Group plc	238,715
At 31 December 2015	386,372
Accumulated impairment	
At 1 January 2015 and at 31 December 2015	—
Net book amount	386,372

In 2014, the Company owned 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 was that of investment holding company. Countrywide Holdings, Ltd was liquidated during October 2015 and the increase in investment has occurred by exchange of Countrywide Holdings, Ltd debt for underlying investment in Countrywide Group plc as part of the restructuring prior to liquidation of Countrywide Holdings, Ltd.

At 31 December 2015, the Company owned directly the whole of the issued and fully paid ordinary share capital of its subsidiary undertaking, Countrywide Group plc, a company registered in the UK whose principal activity was that of investment holding company.

Interests in Group undertakings, held indirectly by the Company, are detailed within the Appendix of the consolidated financial statements, which form part of these financial statements.

Notes to the Company financial statements continued

5. Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year		
Amounts owed by Group undertakings	257,202	261,699
Group relief receivable	2,432	1,896
Deferred tax asset	1,138	1,350
Prepayments and accrued income	36	58
Other debtors	2	—
	260,810	265,003

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

	2015 £'000	2014 £'000
Trade creditors	14	—
Bank loans	200,000	40,000
Capitalised banking fees	(1,872)	—
Other creditors	2,038	4,292
	200,180	44,292

7. Creditors: amounts falling due after more than one year

	2015 £'000	2014 £'000
Bank loans	—	80,000
Capitalised banking fees	—	(1,613)
	—	78,387

On 6 February 2015 the Company entered into an Amendment and Restatement Agreement relating to the term and revolving credit facility agreement, originally dated 20 March 2013, which is due to expire in March 2018. The facility is now a £250 million revolving credit facility (RCF), with no term loan elements, with any outstanding balance repayable in full on 20 March 2018. Interest is currently 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 twice a year (and can vary between 1.5% and 2.25%). The RCF is available for utilisation subject to satisfying fixed charge and leverage covenants and £80 million was drawn down during the year (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 2015	219,444,961	2,194
Share capital issued	196,873	2
At 31 December 2015	**219,641,834**	**2,196**

The Company acquired 1,465,000 of its own shares through purchases on the London Stock Exchange throughout January and February 2015. The total amount paid to acquire the shares was £6,773,000. The shares were held as 'treasury shares' with those purchased in 2014. The Company then reissued all of these shares in March 2015 in respect of the IPO option vesting. All shares issued by the Company were fully paid. An additional 196,873 shares were issued at nominal value to complete the satisfaction of the IPO options crystallising in March 2015.

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, 449,172 shares (2014: 225,151 shares), costing £2,241,000 (2014: £1,254,000), 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 2014	2,194	211,841	96,490	(14,516)	296,009
Profit for the year	—	—	191,840	—	191,840
Issue of shares in satisfaction of IPO options	2	(2)	—	—	—
Share-based payment transactions	—	—	3,226	—	3,226
Purchase of treasury shares	—	—	—	(7,760)	(7,760)
Utilisation of treasury shares in satisfaction of IPO options	—	—	(20,035)	20,035	—
Dividends paid	—	—	(32,944)	—	(32,944)
Balance at 31 December 2015	**2,196**	**211,839**	**238,577**	**(2,241)**	**450,371**

10. Reconciliation of movements in total shareholders' funds

	2015 £'000	2014 £'000
Profit/(loss) for the financial year	191,840	(8,176)
Purchase of treasury shares	(7,760)	(14,290)
Dividends paid	(32,944)	(43,889)
Share-based payment transactions	3,226	11,364
Net increase/(decrease) in shareholders' funds	154,362	(54,991)
Opening shareholders' funds	296,009	351,000
Closing shareholders' funds	**450,371**	296,009

For full details on dividends proposed since the year end refer to note 12 to the consolidated financial statements.

11. Auditor's 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 2016, resulting in an increase in the revolving credit facility from £250 million to £340 million and a £60 million accordion facility. For further details please refer to the Group financial review within the strategic report of the consolidated financial statements.

Appendix

Related undertakings of the Group as at 31 December 2015

Company name	Country of incorporation	% owned	Direct/ indirect (Group interest)
Countrywide Group plc	UK	100%	Direct
A3 Countrywide Limited	UK	100%	Indirect
Abbotts Estate Agents Limited	UK	100%	Indirect
Accord Properties Limited	UK	100%	Indirect
Acornsrl Limited	UK	100%	Indirect
Advanced Lettings (Ashford) Limited	UK	100%	Indirect
Aeromind Limited	UK	100%	Indirect
AgencyPro Limited	UK	100%	Indirect
Alan de Maid Limited	UK	100%	Indirect
Alan Harvey Property Services Limited	UK	100%	Indirect
Anderson Estate Agents Limited	UK	100%	Indirect
APW Holdings Limited	UK	100%	Indirect
APW Management (Cobham) Limited	UK	100%	Indirect
APW Management (Esher) Limited	UK	100%	Indirect
APW Management (Sunninghill) Limited	UK	100%	Indirect
APW Management (Weybridge) Limited	UK	100%	Indirect
APW Management Services Limited	UK	100%	Indirect
Ashton Burkinshaw (Franchising) Limited	UK	100%	Indirect
Ashton Burkinshaw Limited	UK	100%	Indirect
Associated Employers Limited	UK	100%	Indirect
Austin & Wyatt Limited	UK	100%	Indirect
Avon Property (Wilts) Limited	UK	100%	Indirect
Bairstow Eves Countrywide Limited	UK	100%	Indirect
Bairstow Eves Limited	UK	100%	Indirect
Baker Harris Saunders Group Limited	UK	100%	Indirect
Balanus Limited	UK	100%	Indirect
Barrys (Surrey) Limited	UK	100%	Indirect
Beresford Adams Limited	UK	100%	Indirect
Berry Bros & Legge Limited	UK	100%	Indirect
Blundells Property Services Limited	UK	100%	Indirect
Bridgfords Countrywide Limited	UK	100%	Indirect
Bridgfords Limited	UK	100%	Indirect
Buckell & Ballard Limited	UK	100%	Indirect
Bullock and Lees (Christchurch) Limited	UK	100%	Indirect
Bureau Properties Limited	UK	100%	Indirect
CAG Overseas Investments Limited	UK	100%	Indirect
Capital Fine Homes Limited	UK	100%	Indirect
Capital Private Finance Limited	UK	51%	Indirect
Capital Private Wealth Limited	UK	100%	Indirect
Cardinal Mortgage Service Limited (The)	UK	100%	Indirect
Carol Whyte Property Management Limited	UK	100%	Indirect
Carson & Company Estate Agents Limited	UK	100%	Indirect
Castle Moat at Taunton Limited	UK	100%	Indirect
Cathedral Lettings and Management Limited	UK	100%	Indirect
CEA Holdings Limited	UK	100%	Indirect
Chamberlains Lettings Limited	UK	100%	Indirect
Chamberlains SGS Holdings Limited	UK	100%	Indirect
Chappell & Matthews Limited	UK	100%	Indirect
Chattings Limited	UK	100%	Indirect
CHK (Cobham) Limited	UK	100%	Indirect

Company name	Country of incorporation	% owned	Direct/ indirect (Group interest)
CHK (Esher) Limited	UK	100%	Indirect
Cliftons International Limited	UK	100%	Indirect
Connell Wilson Limited	UK	100%	Indirect
Copleys of York Limited	UK	100%	Indirect
Cosec Management Services Limited	UK	100%	Indirect
Countrywide Conveyancing Limited	UK	100%	Indirect
Countrywide Corporate Property Services Limited	UK	100%	Indirect
Countrywide Dorset Limited	UK	100%	Indirect
Countrywide Estate Agents	UK	100%	Indirect
Countrywide Estate Agents (South) Limited	UK	100%	Indirect
Countrywide Estate Agents FS Limited	UK	100%	Indirect
Countrywide Estate Agents Nominees Limited	UK	100%	Indirect
Countrywide Financial Services (South) Limited	UK	100%	Indirect
Countrywide Home Movers Services Limited	UK	100%	Indirect
Countrywide Mortgage Services Limited	UK	100%	Indirect
Countrywide North Limited	UK	100%	Indirect
Countrywide Part Exchange Solutions Limited	UK	100%	Indirect
Countrywide Principal Services Limited	UK	100%	Indirect
Countrywide Property Auctions Limited	UK	100%	Indirect
Countrywide Property Care Solutions Limited	UK	100%	Indirect
Countrywide Property Lawyers Limited	UK	100%	Indirect
Countrywide Relocation Solutions Limited	UK	100%	Indirect
Countrywide Repossession Solutions Limited	UK	100%	Indirect
Countrywide Residential Lettings Limited	UK	100%	Indirect
Countrywide Surveyors Limited	UK	100%	Indirect
Countrywide UK Limited	UK	100%	Indirect
CRL Company Directors Limited	UK	100%	Indirect
CRL Company Secretaries Limited	UK	100%	Indirect
Curtis and Bains Limited	UK	100%	Indirect
Dickinson Harrison Limited	UK	100%	Indirect
Duck & Hedges Group Limited	UK	100%	Indirect
Duck & Hedges Limited	UK	100%	Indirect
Edinburgh Property Letting Limited	UK	100%	Indirect
Elite Property (Berks) Limited	UK	100%	Indirect
Entwistle Green Limited	UK	100%	Indirect
Executive Property Services Residential Limited	UK	100%	Indirect
Faron Sutaria & Company Limited	UK	100%	Indirect
Fitz-Gibbon Limited	UK	100%	Indirect
Ford Property Services Limited	UK	100%	Indirect
Frank Innes Countrywide Limited	UK	100%	Indirect
Freeman Forman Letting Limited	UK	100%	Indirect
Freeman Forman Limited	UK	100%	Indirect
Fulfords Estate Agents Limited	UK	100%	Indirect
Gascoigne Pees Estate Agents Limited	UK	100%	Indirect
Gatlink Limited	UK	100%	Indirect
Geering & Colyer (Kent) Limited	UK	100%	Indirect

Company name	Country of incorporation	% owned	Direct/ indirect (Group interest)
Gertingpet Limited	UK	100%	Indirect
Gilpro Management Limited	UK	100%	Indirect
GR2 Limited	UK	100%	Indirect
Greene & Co Maintenance Limited	UK	100%	Indirect
Griffiths & Charles Limited	UK	100%	Indirect
Grosvenor Private Clients Limited	UK	100%	Indirect
Hamptons Estates (Mauritius) Limited	Mauritius	100%	Indirect
Hamptons Estates Limited	UK	100%	Indirect
Hamptons Franchising Limited	UK	100%	Indirect
Hamptons Group Limited	UK	100%	Indirect
Hamptons International (Hong Kong) Limited	Hong Kong	100%	Indirect
Hamptons International (India) Private Limited	India	100%	Indirect
Hamptons International Mortgages Limited	UK	100%	Indirect
Hamptons Professional Limited	UK	100%	Indirect
Hamptons Property Consultancy Limited	Barbados	100%	Indirect
Harecastle Limited	UK	100%	Indirect
Harvey Donaldson & Gibson Limited	UK	100%	Indirect
HCW Estate Agents Limited	UK	100%	Indirect
HCW Group Limited	UK	100%	Indirect
HCW Insurance Services Limited	UK	100%	Indirect
Herring Baker Harris East Anglia Limited	UK	100%	Indirect
Herring Baker Harris Europe Limited	UK	100%	Indirect
Herring Baker Harris Nominees Limited	UK	100%	Indirect
Hetheringtons	UK	100%	Indirect
Hetheringtons Countrywide	UK	100%	Indirect
Hetheringtons Estate Agents Limited	UK	100%	Indirect
Holland Mitchell Limited	UK	100%	Indirect
Holmes Pearman Limited	UK	100%	Indirect
Home From Home Limited	UK	100%	Indirect
Housemans Management Company Limited	UK	100%	Indirect
Housemans Management Secretarial Limited	UK	100%	Indirect
Howunalis Limited	UK	100%	Indirect
Howuncea	UK	100%	Indirect
Howunsay	UK	100%	Indirect
Hurst Independent Financial Services Limited	UK	100%	Indirect
Ian Peat Property Management Limited	UK	100%	Indirect
Ikon Consultancy Limited	UK	100%	Indirect
Interlet Property Management Limited	UK	100%	Indirect
IPCS Group Services Limited	UK	100%	Indirect
Isite.UK.Com Limited	UK	100%	Indirect
J M Property Lettings Limited	UK	100%	Indirect
JK Lettings Limited	UK	100%	Indirect
John Curtis Lettings & Management Limited	UK	100%	Indirect
John Curtis Limited	UK	100%	Indirect
John D Wood & Co. (Residential & Agricultural) Limited	UK	100%	Indirect
John D Wood & Co. Plc	UK	100%	Indirect
John Frances Limited	UK	100%	Indirect
John Francis (Wales) Limited	UK	100%	Indirect
Joustroute Limited	UK	100%	Indirect

Company name	Country of incorporation	% owned	Direct/ indirect (Group interest)
JP & Brimelow (Lettings & Property Management) Limited	UK	100%	Indirect
Kean Kennedy Limited.	UK	100%	Indirect
Kilroy Estate Agents Limited	UK	100%	Indirect
King & Chasemore Limited	UK	100%	Indirect
Knights of Bath Limited	UK	100%	Indirect
Knightsbridge Estate Agents and Valuers Limited	UK	100%	Indirect
Labyrinth Management Limited	UK	100%	Indirect
Lambert Smith Hampton (City) Limited	UK	100%	Indirect
Lambert Smith Hampton (N Ireland) Limited	UK	100%	Indirect
Lambert Smith Hampton Group (Overseas) Limited	UK	100%	Indirect
Lambert Smith Hampton Group Limited	UK	100%	Indirect
Lambert Smith Hampton Limited	UK	100%	Indirect
Lambert Smith Hampton Limited (Ireland)	Ireland	100%	Indirect
Lampons Residential Limited	UK	100%	Indirect
Land and New Homes Countrywide Limited	UK	100%	Indirect
Leasehold Legal Services Limited	UK	100%	Indirect
Leasemanco Limited	UK	100%	Indirect
Let Lucas Rental Specialists Limited	UK	100%	Indirect
Let Verde Limited	UK	100%	Indirect
Letmore Group Limited	UK	100%	Indirect
Letmore Lettings Limited	UK	100%	Indirect
Letmore Management Limited	UK	100%	Indirect
Lets – Cover Limited	UK	100%	Indirect
Letters of Distinction Limited	UK	100%	Indirect
Life and Easy Limited	UK	100%	Indirect
Lifestyle Management (York) Co. Limited	UK	100%	Indirect
Lighthouse Property Services Limited	UK	100%	Indirect
London & Country Property Auctions Limited	UK	100%	Indirect
Loyalstone Limited	UK	100%	Indirect
LS1 Limited	UK	100%	Indirect
Maitland Lettings Limited	UK	100%	Indirect
Mann & Co (Kent) Limited	UK	100%	Indirect
Mann & Co. Limited	UK	100%	Indirect
Mann Countrywide Limited	UK	100%	Indirect
Merchant Executive Properties Limited	UK	100%	Indirect
Merchant Lettings (Ayrshire) Limited	UK	100%	Indirect
Merchant Lettings (Edinburgh) Limited	UK	100%	Indirect
Merchant Lettings (Paisley) Limited	UK	100%	Indirect
Merchant Lettings Limited	UK	100%	Indirect
Merchant Maintenance Limited	UK	100%	Indirect
Michael Rhodes Property Management Limited	UK	100%	Indirect
Mid Cornwall Letting Limited	UK	100%	Indirect
Miller Estate Agents Limited	UK	100%	Indirect
Milton Ashbury (Property Agents) Limited	UK	100%	Indirect
Modernmode Limited	UK	100%	Indirect
Morris Dibben Limited	UK	100%	Indirect
Mortgage Intelligence Holdings Limited	UK	100%	Indirect
Mortgage Intelligence Limited	UK	100%	Indirect
Mortgage Next Limited	UK	100%	Indirect

Appendix continued

Company name	Country of incorporation	% owned	Direct/ indirect (Group interest)
Mortgage Next Network Limited	UK	100%	Indirect
Mortgage Next Packaging Limited	UK	100%	Indirect
Mountford Limited	UK	100%	Indirect
Nest Lettings & Management Limited	UK	100%	Indirect
New Homes Mortgage Solutions Limited	UK	100%	Indirect
New Space (Derby) Limited	UK	100%	Indirect
New Space Margate Limited	UK	100%	Indirect
Ohmes Limited	UK	100%	Indirect
Palmer Snell Limited	UK	100%	Indirect
Pebble Property Management and Lettings Limited	UK	100%	Indirect
Personal Homefinders Limited	UK	100%	Indirect
Phillips Brown Limited	UK	100%	Indirect
PKL Group Limited	UK	100%	Indirect
PKL Limited	UK	100%	Indirect
PKL Management Limited	UK	100%	Indirect
Plaza Letting Agents Limited	UK	100%	Indirect
Poolman Harlow Limited	UK	100%	Indirect
Portfolio Letting Agents & Consultants Limited.	UK	100%	Indirect
Potteries Property Services Limited	UK	100%	Indirect
Preston Bennett Holdings Limited	UK	100%	Indirect
Preston Bennett Limited	UK	100%	Indirect
Project Second JG Limited	UK	100%	Indirect
Property Management (North East) Limited	UK	100%	Indirect
Propertywide Limited	UK	100%	Indirect
PSP Lettings Limited	UK	100%	Indirect
R.A. Bennett & Partners Limited.	UK	100%	Indirect
Realty Property Solutions Limited	UK	100%	Indirect
Regal Lettings and Property Management Kent Limited	UK	100%	Indirect
Relocation Solutions Countrywide Limited	UK	100%	Indirect
Rentons Estate Agents Limited	UK	100%	Indirect
Resi Capital Investments Limited	UK	100%	Indirect
Resi Capital Limited	UK	100%	Indirect
Resi Capital Member Limited	UK	100%	Indirect
Richard Dolton Limited	UK	100%	Indirect
Richard Trowbridge Estate & Lettings Limited	UK	100%	Indirect
RPT Management Services Plc	UK	100%	Indirect
Russells Lettings Limited	UK	100%	Indirect
Saville Home Management Limited	UK	100%	Indirect
Securemove Property Services 2005 Limited	UK	100%	Indirect
Securemove Property Services Limited	UK	100%	Indirect
ServPro Limited	UK	100%	Indirect
Slater Hogg & Howison Limited	UK	100%	Indirect
Slater Hogg Mortgages Limited	UK	100%	Indirect
Snape Lettings Limited	UK	100%	Indirect
Spencers Estate Agents Limited	UK	100%	Indirect
Spencers Surveyors Limited	UK	100%	Indirect
Statehold Limited	UK	100%	Indirect
Stoberry Lettings Limited	UK	100%	Indirect
Stratton Creber Limited	UK	100%	Indirect
Sundale Properties Limited	UK	100%	Indirect
SurveyingPro.co.uk Limited	UK	100%	Indirect
Sutton Kersh & Sales Limited	UK	100%	Indirect
Tablesign Limited	UK	100%	Indirect
Taylors Estate Agents Limited	UK	100%	Indirect
The Butler Club Limited	UK	100%	Indirect
The Flat Managers Limited	UK	100%	Indirect
The Greene Corporation Limited	UK	100%	Indirect
The Letting Store Limited	UK	100%	Indirect
The London Residential Agency Limited	UK	100%	Indirect
The Property Sales & Rentals Company Limited	UK	100%	Indirect
Thomas James Lettings Limited	UK	100%	Indirect
Thomson & Moulton Limited	UK	100%	Indirect
Tingleys Lettings Limited	UK	100%	Indirect
TitleAbsolute Limited	UK	100%	Indirect
TLS Wilts. Limited	UK	100%	Indirect
TM Group (UK) Limited	UK	33%	Indirect
Town & County Residential Limited	UK	100%	Indirect
Tucker Gardner Residential Limited	UK	100%	Indirect
Umberman Limited	UK	100%	Indirect
United Surveyors Limited	UK	100%	Indirect
Vanet Property Asset Management Limited	UK	100%	Indirect
Vista UK Residential Investment 1 (GP) LLP	UK	50%	Indirect
Vista UK Residential Investment 1 Limited Partnership	UK	50%	Indirect
Vista UK Residential Real Estate (GP) LLP	UK	50%	Indirect
Vista UK Residential Real Estate Limited Partnership	UK	50%	Indirect
Waferprime Limited	UK	100%	Indirect
Wallhead Gray & Coates	UK	100%	Indirect
Watson Bull & Porter Limited	UK	100%	Indirect
Watts Regeneration Limited	UK	100%	Indirect
Westcountry Property Auctions Limited	UK	100%	Indirect
Wildabout Properties Limited	UK	100%	Indirect
Wilson Peacock Estate Agents Limited	UK	100%	Indirect
Woods Block Management Limited	UK	100%	Indirect
WSB Property Management Limited	UK	100%	Indirect
Wyse Lettings Limited	UK	100%	Indirect
Young & Butt Limited	UK	100%	Indirect
Young Lettings Limited	UK	100%	Indirect

Company information

Contacts

Chief executive officer
Alison Platt

Chief financial officer
Jim Clarke

Company secretary
Gareth Williams

Website
www.countrywide.co.uk

Registered office

County House
Ground Floor
100 New London Road
Chelmsford
Essex CM2 0RG

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

Ex-dividend date for final dividend	24 March 2016
Record date for final dividend	29 March 2016
AGM	27 April 2016
Payment date for final dividend	5 May 2016
Interim results	28 July 2016
Ex-dividend date for interim dividend	8 September 2016
Record date for interim dividend	9 September 2016
Interim dividend paid	7 October 2016

*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. Their 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 2015

The ESTAS 2015

The Negotiator Awards 2015

Mortgage Strategy Awards 2015

- Mortgage Strategy Awards – Winner

The British Mortgage Awards 2015

- The British Mortgage Awards 2015 – Winner

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 is committed to planting trees for every corporate communications project, 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