Countrywide

Building resilience

Annual Report 2019

Contents

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.
2. Complementary services is the income earned for each £1 of estate agency income from other Group services such as conveyancing and financial services.
3. Earnings before interest, tax, depreciation, amortisation, exceptional items, contingent consideration, share-based payments and share of profits from joint venture before the adoption of IFRS 16, referred to hereafter as 'adjusted EBITDA (pre-IFRS 16)' (for comparability with prior period). Please see page 52 for detail of impact of IFRS 16 adoption on adjusted EBITDA, note 4 for reconciliation and note 2 for justification of adjusted EBITDA as an alternative performance measure.
4. Restated from last year following share consolidation.
5. Adjusted earnings per share is calculated on earnings before interest, tax, depreciation, amortisation, exceptional items, contingent consideration, share-based payments and share of profits from joint venture, before the adoption of IFRS 16 (for comparability with prior period) (see note 13).
6. Net debt to adjusted EBITDA ratio before the adoption of IFRS 16 (for comparability with prior period) (see note 32).

Operational results (continuing operations)

Properties exchanged

45,371

(2018: 46,828)

Properties under management[1]

85,093

(2018: 87,033)

Income from complementary services[2]

48p

(2018: 44p)

Mortgages completed

£20.9bn

(2018: £20.3bn)

Surveys and valuations

392,632

(2018: 381,893)

Financial results (continuing operations)[1]

Group income

£498.1m

(2018: £515.1m)

Adjusted EBITDA (pre-IFRS 16)[3]

£24.4m

(2018: £21.1m)

Loss for the year

£37.5m

(2018: £224.4m)

Basic loss per share[4]

114.4p

(2018: 1,585.7p)

Adjusted earnings per share[4,5]

62.0p

(2018: loss 31.9p)

Net debt to adjusted EBITDA (pre-IFRS 16) ratio[6]

3.4x

(2018: 2.2x)

Building resilience

Our continuing business returned to growth in profitability in 2019, before the effects of the COVID-19 pandemic.

During 2020, we have taken swift and decisive action to protect the safety of our people and customers, and to take steps to protect and preserve our business for the future.

Overview of our business

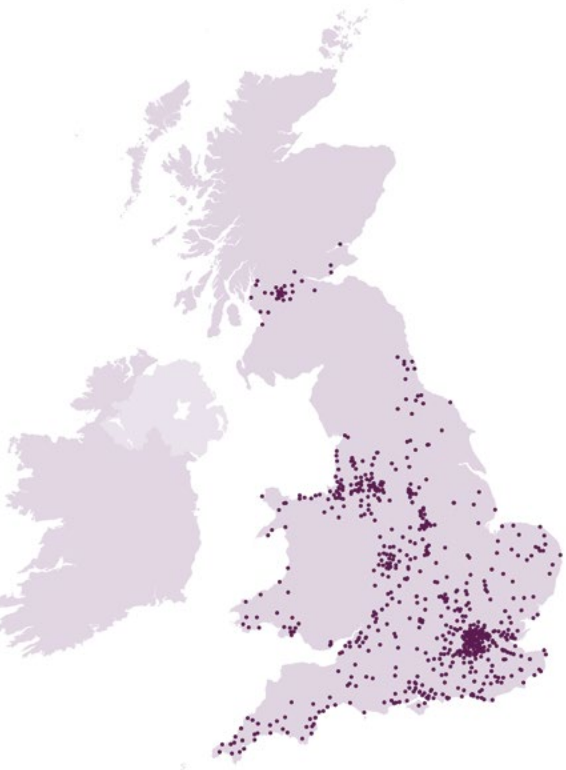
We are the UK's largest integrated property services group, including the largest estate agency and lettings network. Countrywide's network of expertise combined with national scale and local reach helps more people move than any other business in the UK.

Brands

60+

Branches

700+



Key performance indicators

Properties exchanged

19	45,371
18	46,828

Like-for-like[1]

19	44,308
18	43,217

Properties under management

19	85,093
18	87,033

Income from complementary services

19	48p
18	44p

Mortgages completed

19	£20.9bn
18	£20.3bn

Surveys and valuations

19	392,632
18	381,893

1. Properties exchanged (and comparatives) have been restated on a like-for-like basis to exclude branches closed during the year.

We focus on having the right brands in the right location to serve customers across all property-related services. We have a portfolio of over 60 brands, ranging from local or national presence to internationally recognised brands.

Building resilience

The actions we took to right-size the branch network resulted in like-for-like growth in exchanges by 3%. We have also focused on our complementary services and income has increased. The number of surveys and valuations, and mortgages completed has also increased. The Group entered 2020 leaner and more agile and was able to respond to the COVID-19 pandemic swiftly.

Breadth of our offering

B2C products

Estate agency
Residential lettings
Mortgages
Insurance
Conveyancing
Surveying

B2B relationships

Mortgage lending and distribution
Land and new homes developers
Asset management
Surveying

Our segments

Sales and Lettings

Our Sales and Lettings business consists of over 700 physical locations across 61 brands. We have unparalleled coverage of the UK property market and are uniquely placed to support our customers across all aspects of their property journey.

Total income (£m)[1]	Adjusted EBITDA (pre-IFRS 16) (£m)[1,2]	Adjusted EBITDA (£m)[4]
326.6	3.8	30.4
-5% (2018: 343.0)	257% (2018: -2.4 loss)	(2018: -2.4 loss)

Financial Services

We have a dedicated network of over 520 mortgage and protection consultants operating under the Countrywide brand, and in Mortgage Intelligence, we own one of the most successful networks of advisors in the UK. The Buy to Let Business and Mortgage Bureau provide specialist lending to those market segments.

Total income (£m)	Adjusted EBITDA (pre-IFRS 16) (£m)[2]	Adjusted EBITDA (£m)[4]
82.1	16.5	17.3
-2% (2018: 83.9)	0% (2018: 16.6)	(2018: 16.6)

B2B

As one of the largest property businesses serving corporate clients in the UK, we provide services to most major lenders and other financial institutions.

Total income (£m)[1,3]	Adjusted EBITDA (pre-IFRS 16) (£m)[1,2,3]	Adjusted EBITDA (£m)[4]
89.3	17.7	19.4
2% (2018: 87.4)	-11% (2018: 19.9)	(2018: 19.9)

1. Restated from prior year following the reallocation of Countrywide Residential Development Solutions (CRDS) and Auctions business units from B2B into Sales and Lettings (see note 4).
2. Earnings before interest, tax, depreciation, amortisation, exceptional items, contingent consideration, share-based payments and share of profits from joint venture before the adoption of IFRS 16, referred to hereafter as 'adjusted EBITDA (pre-IFRS 16)' (for comparability with prior period). Please see page 52 for detail of impact of IFRS 16 adoption on adjusted EBITDA.
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Selection of brands

bridgfords

Countrywide
Surveying Services

Countrywide
Conveyancing Services

HAMPTONS
INTERNATIONAL

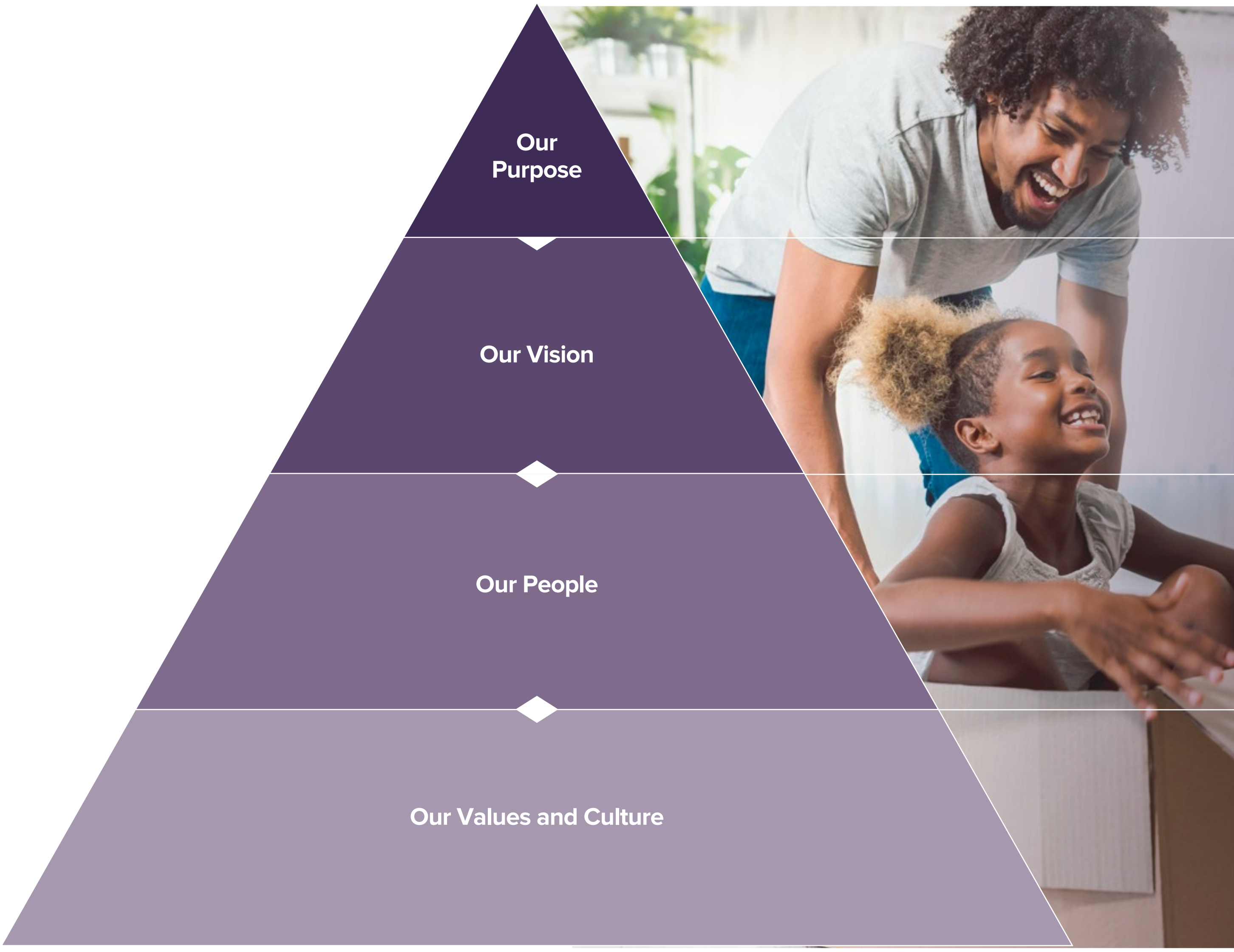
Mortgage Intelligence

JOHN D WOOD & CO.

Bairstow eves

Slater Hogg & Howison

Our strategic framework



Bringing people and property together

We believe that every customer should find their perfect home. We offer a complete range of residential property services to enable us to support our customers from the beginning to the end of their property journey.

To be the provider of choice for residential property services in the UK

We aim to become the UK's most trusted provider of residential property services for customers who are engaged in buying, selling or renting residential property.

We own more than 60 high street brands and employ over 7,000 people nationwide

We invest in our people to give them the right knowledge and skills to deliver the best outcome for our customers. We recognise that the only way we can realise our purpose is through our people.

Personal, responsible, straightforward, passionate

We live and breathe our values and constantly drive to enforce a culture where our people and customers feel appreciated and listened to.

Read more about our values and culture on pages 32-33

Building resilience

Our turnaround strategy 2019-2021

1. 'Back to basics' in Sales and Lettings

- Invest in building expertise in branch, growing the register of properties and market share and restoring the business to profitable growth.

See more on page 20

2. Income from complementary services

- Grow complementary services.

See more on page 21

3. Cost efficiency

- We aim to have a lean cost base with specific focus on IT transformation and customer contact centre optimisation.

See more on page 22

4. B2B and Financial Services

- Continued growth in B2B and Financial Services.

See more on page 23

5. Financial discipline and cash flow

- Reduce leverage to 1.0x in the medium term.

See more on page 24

Read more about our strategy on pages 20-24

How we create value

Our business model is at the heart of everything that we do. It supports our focus on building a sustainable and growing business, and defines the activities we engage in, the relationships we depend on and the outputs and outcomes we aim to achieve in order to create value for all of our stakeholders in the short, medium and long term.

Resources

Brands

We operate a multi-brand strategy. This enables us to segment the market and relate to our customers' needs.

People

We invest in recruiting, training and developing industry experts who understand their local markets to ensure we maintain our high levels of customer service.

Organisational structure

We aim to run a lean and efficient organisation structured in a sustainable and scalable way.

Cash

We target cash generation to reduce leverage to a more sustainable level to give a platform for growth. We remain committed to reducing leverage (net debt to adjusted EBITDA) to less than 1.0x in the medium term.

What we do

B2C products

Estate agency
Residential lettings
Mortgages
Insurance
Conveyancing
Surveying

How we do it

Our customers

Our customers are the foundation of our operating model. We strive to provide a multi-channel experience to enable our customers to engage with us through channels of their choice – voice, video, web or face to face – at times that suit them.

Branch network

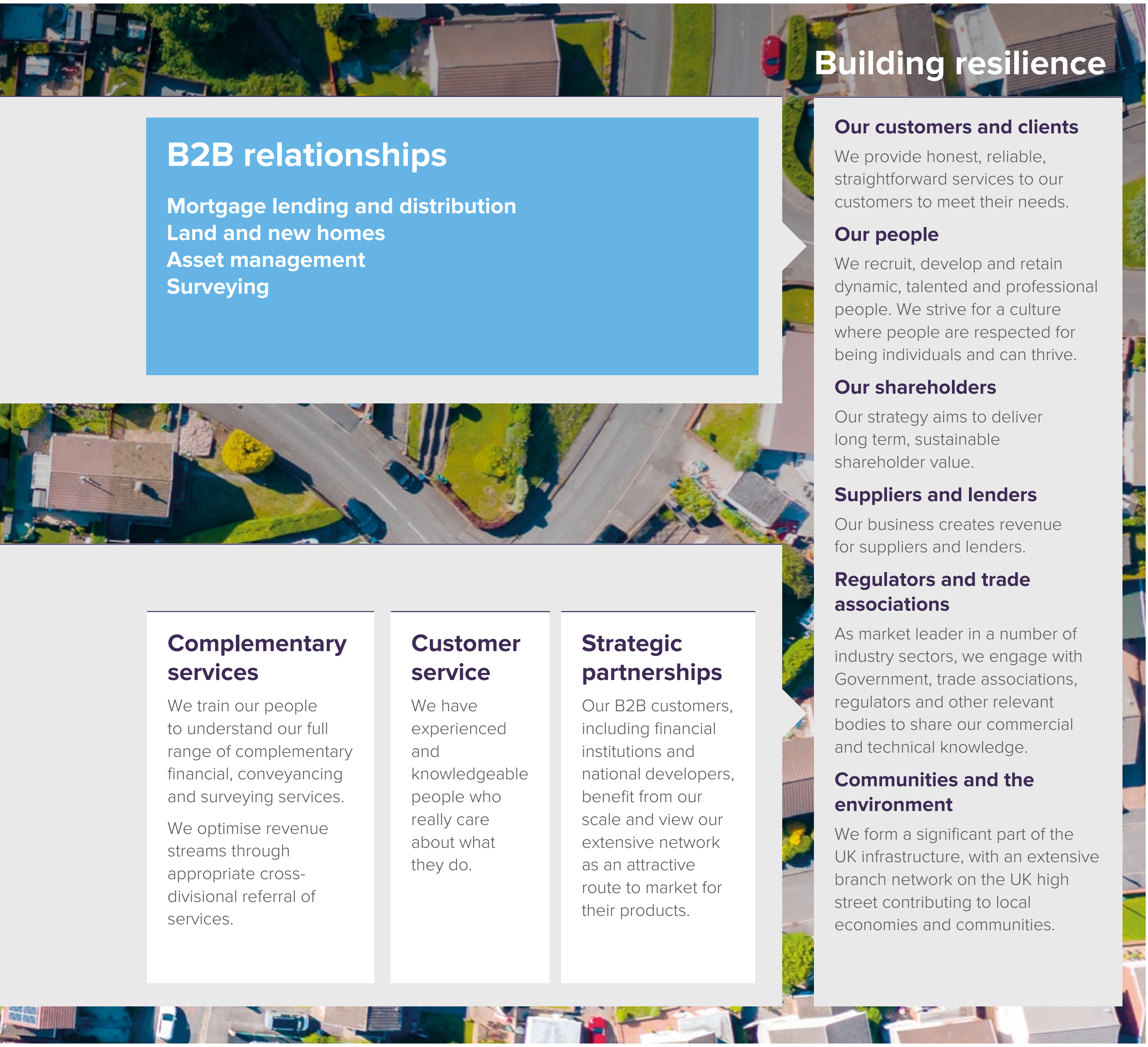
Our branch network is the foundation of our face to face channel.

Capital structure

We aim to re-build the business back to profitable growth and to deleverage the Group through organic growth and divestment of non-core businesses.

Why Countrywide?

- We offer a complete range of residential property services to enable us to support our customers from the beginning to the end of their property journey.
- Our extensive network of branches and people ensures that we have knowledge of property and markets nationwide.
- Due to our scale, we can offer services that are exceptional value for money.
- We have worked hard to build a solid foundation for future sustainability.
- Ethics and integrity are enforced from a Board level, and we invest in training our people to understand current laws, regulations and ethical guidelines.



B2B relationships

Mortgage lending and distribution
Land and new homes
Asset management
Surveying

Complementary services

We train our people to understand our full range of complementary financial, conveyancing and surveying services.

We optimise revenue streams through appropriate cross-divisional referral of services.

Customer service

We have experienced and knowledgeable people who really care about what they do.

Strategic partnerships

Our B2B customers, including financial institutions and national developers, benefit from our scale and view our extensive network as an attractive route to market for their products.

Building resilience

Our customers and clients

We provide honest, reliable, straightforward services to our customers to meet their needs.

Our people

We recruit, develop and retain dynamic, talented and professional people. We strive for a culture where people are respected for being individuals and can thrive.

Our shareholders

Our strategy aims to deliver long term, sustainable shareholder value.

Suppliers and lenders

Our business creates revenue for suppliers and lenders.

Regulators and trade associations

As market leader in a number of industry sectors, we engage with Government, trade associations, regulators and other relevant bodies to share our commercial and technical knowledge.

Communities and the environment

We form a significant part of the UK infrastructure, with an extensive branch network on the UK high street contributing to local economies and communities.

Strong fundamentals and future opportunities

Housing market

The housing market continued to slow in 2019, yet there were signs of improvement towards the end of the year. Longer term cyclical and structural factors have weighed on the market, only to be exacerbated by further political and economic uncertainty. The general election result in December finally created some much needed clarity about the future relationship between the UK and the European Union (EU), which helped consumer confidence.

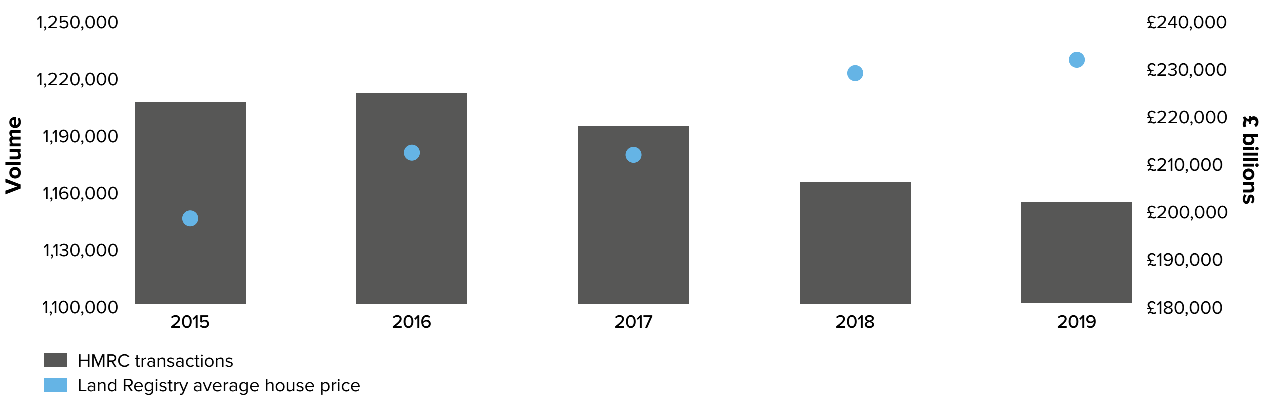
Following a positive start to 2020, the spread of COVID-19 and the Government's decision to put non-essential businesses into lockdown from 24 March resulted in a near shut down of the UK housing market. Social distancing measures severely impacted the number of viewings possible, both for sales and lettings; similarly surveyors were restricted to desk top valuations. Mortgage lenders have focused on low loan to value mortgages to mitigate the risk of loss should house prices fall.

Since 2016 we have seen a steady decline in the volume of transactions. Affordability pressures combined with political and economic uncertainty created since the EU Referendum have led to a slowing of the market. These impacts have been mostly felt in London and southern regions where average house prices are higher, whereas northern regions have been impacted less. However, despite the uncertainty and affordability barriers, average house prices have continued to grow since 2016, supported by a strong mortgage market with competitive products.

During 2019 there were 1.15 million transactions in Great Britain (HMRC seasonally adjusted), 0.9% fewer than in 2018 and 5% less than the ten year peak in 2016. Every region, other than Scotland, recorded a fall in transactions in 2019: northern regions fared better; whilst southern regions recorded the biggest falls in activity due to greater affordability pressures.

Levels of activity in 2020 will be significantly lower. Provisional data from HMRC indicates that transactions in Q1 2020 were 0.4% higher than Q1 2019 but transactions through Q2 and Q3 will be materially lower due to the COVID-19 global pandemic.

Housing volume and average price



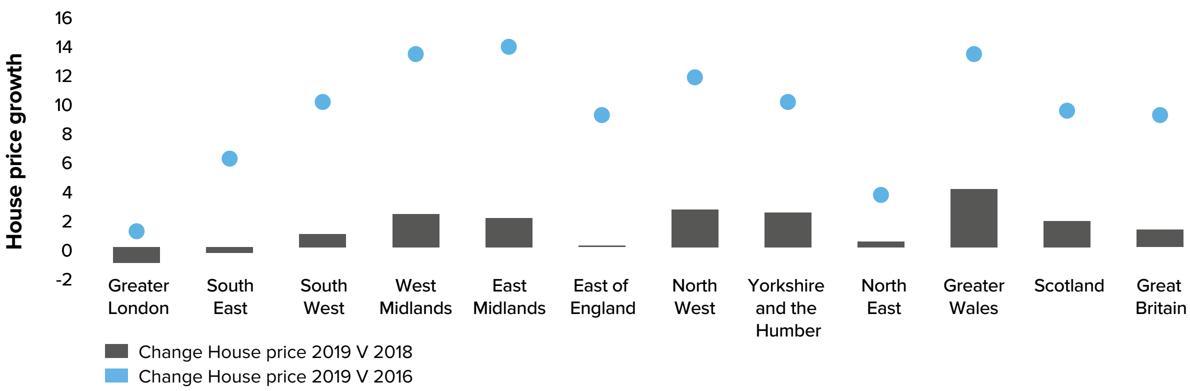
House price growth slowed at the beginning of 2019, but began to pick up towards the end of the year. According to the latest data from the Office of National Statistics (ONS), house price growth in the UK decelerated from 3.1% in 2018, to 1.2% in 2019. However in December alone, house price growth increased to 2.2%. The slowdown at the beginning of the year was mainly driven by price falls in London and parts of the South where affordability and changes to tax policy have hit hardest, however prices in London returned to growth in the latter half of the year. Overall, Wales recorded the strongest price growth in 2019, with the average house price rising 4.0% year-on-year, followed by the North West where prices rose 2.6%.

Countrywide performance

During 2019 Countrywide delivered a resilient performance in the housing market. For the first time since 2016, we have recorded an improvement in our market share of house exchanges, excluding the closed branches. Our average exchanged house price remained flat year-on-year, but, in light of intense competition, our average fees have been squeezed in line with the wider market.

We are one of the largest conveyancing firms in England and Wales and our share of completions increased to 1.7% (2018: 1.2%), a direct consequence of our drive to improve sales of complementary services through our branch network.

Regional growth in average house prices



Lettings

The private rental sector has absorbed a number of changes since 2016, with restrictions on landlord tax reliefs and stamp duty premiums introduced. 2019 was also a significant year in the private rented market; the tenant fee ban effective from 1 June 2019 made moving rental accommodation more affordable for tenants but landlords and agents have borne the consequences. The various tax changes have caused some landlords to sell up, particularly those in the South where debt levels tend to be higher and yields are lower. This has resulted in 150,000 fewer homes available to rent, but those landlords remaining have on average more properties in their portfolio.

Nevertheless, demand is strong for rental property and it remains an attractive investment. With strong demand and fewer homes available to rent, particularly in London and the South, rental growth picked up in 2019. The average cost of a newly let property in Great Britain increased 2.8% in 2019, based on Hamptons International Lettings Index, due to rental growth accelerating in the second half of the year. While affordability has remained a problem for tenants, particularly those in the South, stronger income growth created capacity for rent rises.

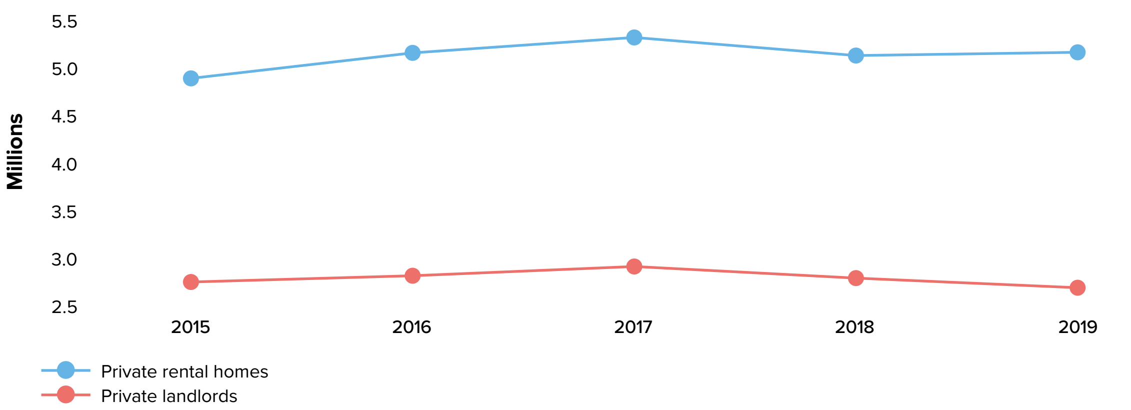
Unlike in 2018, rental growth has been driven by the South rather than the North. London recorded the strongest rental growth in 2019, with the average cost of a newly let property rising 4.9% year-on-year.

COVID-19 and social distancing measures have impacted the ability of tenants to move home. Consequently the number of lets has declined, with many tenants opting to stay put and renew. Rents on renewal have declined slightly as some landlords are sympathetic to squeezed affordability and prefer occupied to vacant premises. Landlords with short let properties are aiming to switching to longer term tenants, temporarily increasing the supply of rental properties. The lettings market is likely to bounce back more quickly as social distancing measures are eased and Q3 is typically the peak market in any year for new tenancies.

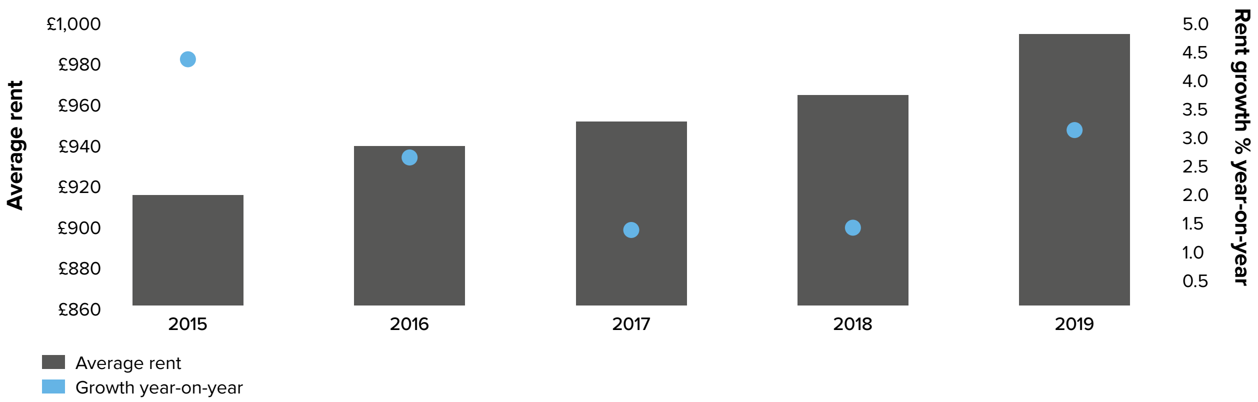
Countrywide performance

In common with the market, we experienced a 2% reduction in the number of properties under management in 2019. However, we have partially mitigated the loss of tenant fees from 1 June 2019, by improving other revenues: increased fees for services have been charged, and this impact has been magnified by the application of percentage-based fees to rising rents.

Private rental sector



Average rents



Mortgage market

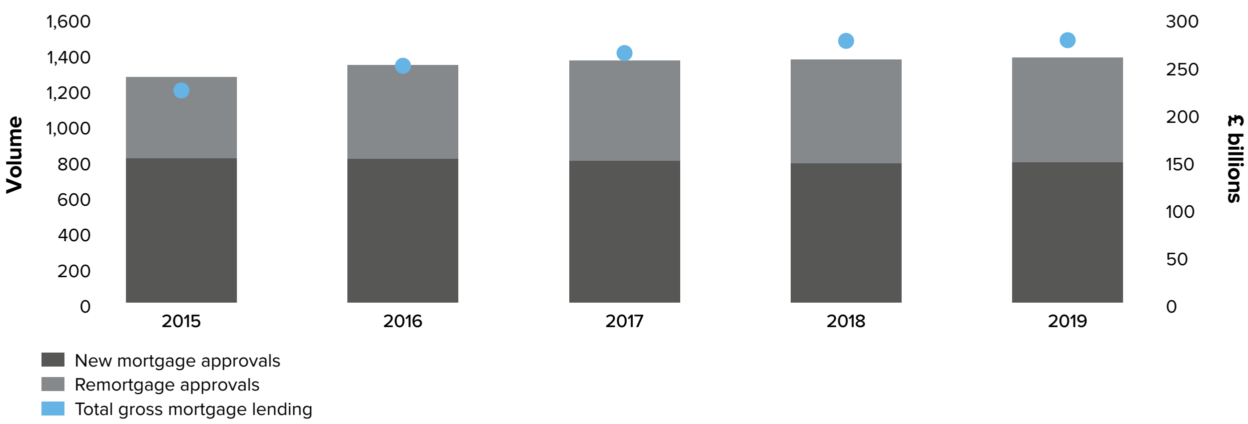
In 2019, gross mortgage lending has remained flat year-on-year at £268 billion (2018: £269 billion) and the mix has remained consistent with broadly 60% new mortgage business and 40% remortgages. While the number of housing transactions has declined steadily, the availability and choice of mortgage products has increased, with more 90% loan to value deals being offered and mortgage terms lengthening. There is also a growing trend for customers to take five year fixed initial terms, which in turn impacts the levels of remortgage business. This flexibility in the mortgage market has benefited first-time buyers who now comprise 51% of new mortgages in the 12 months to December 2019 (an increase of 0.4%) but only 44% of the gross new mortgage lending.

COVID-19 has impacted the level of new mortgage business that can be written. Banks are unwilling to underwrite high loan to value mortgages without a valuation report. Remortgages continue to be written and there is a good range of affordable mortgage products available with interest rates at historically low levels. Unlike the 2008/09 financial crisis, the mortgage market is functioning and in a strong position to capture increased transaction levels as social distancing measures are eased.

Countrywide performance

Our Financial Services business distribution of mortgages was broadly flat during 2019, as we reduced the number of branches. Our Surveying business continues to perform strongly and marginally improved its share of the valuations market.

Mortgage market lending



Outlook

The housing market showed a positive start to 2020, with the number of sales agreed increasing year-on-year. The COVID-19 crisis has had a material impact on the housing market with activity levels declining to historically low levels. Given the level of uncertainty, it is impossible to assess the outlook for the UK housing market.

Data sources:

UK transactions – HMRC (available up until December 2019)
Regional house prices – ONS (available up until December 2019)
House price growth – ONS (available up until December 2019)
Rental growth – Countrywide data used for Hamptons Lettings Index (available up until December 2019)
Mortgage market – UK Finance to December 2019

Our turnaround in 2019

Against a challenging market, before the effects of COVID-19, the Group's continuing business made significant financial and operational progress in 2019. This saw the Group return to growth in profitability with adjusted EBITDA (pre-IFRS 16) up 16% year-on-year and, most importantly, our Sales and Lettings business returned to profit.

In response to the COVID-19 pandemic, we have taken measures to reduce cost and manage liquidity to protect and preserve the business for the future for all our stakeholders.

Having reset the Group during 2018, 2019 was the first full year of implementation of our turnaround plan and we were encouraged by the progress made. We continued to operate in 2019 in a market that was dominated by the uncertainties surrounding Brexit, with 2020 dominated also by the effects of COVID-19.

Highlights for 2019

- Return to growth in profitability, with adjusted EBITDA (pre-IFRS 16) up by 16%
- The continuing business loss for the year of £37.5 million (2018: £224.4 million) reflects investment in our IT transformation and closure of branches during the year
- Two new Board members bringing sector and marketing experience

Our focus has been on what we can control and improve in terms of our strategic levers and our five pillars of future profitability (as detailed in 'Our strategy in action' on pages 20 to 24). The progress that we made during 2019 gave us confidence that we were building momentum and would benefit from any upturn in levels of activity.

Having built strength and depth in staffing and capability in the branch network through the turnaround, we entered 2020 in a strong position. Following the decisive general election result in 2019, the first two months of 2020 benefitted from increased consumer confidence and a 13% increase in the pipeline of agreed sales before the outbreak of COVID-19.

COVID-19 and our response

Following the outbreak of the global COVID-19 pandemic, the Group has acted swiftly and decisively to ensure it can withstand what we believe is a reasonable worst case scenario by taking mitigating actions (see note 2(b) of the consolidated financial statements for further details).

Countrywide plays a critical role in the UK housing market through the provision of residential lettings and sales, financial services, surveying and conveyancing. The UK Government's announcement of lockdown in March 2020 and social distancing measures resulted in an effective shut-down of the UK housing market. Our priority is the safety of our customers and colleagues. We operate through a network of 731 high street branches and following UK Government advice, we moved swiftly to close these branches and have continued to support our customers by working from home. We have been working actively to ensure that customers who were in the middle of renting or buying their home or arranging mortgages, general or life insurance policies were able to safely complete.

The Group also manages over 85,000 properties in the UK on behalf of private and investor landlords and has a responsibility to keep our tenant community safe and compliant with legal standards through regulatory processes including: gas safety; essential maintenance; urgent repairs; and emergency rehousing. These are managed from our property management centres which have remained operational only for this essential business, supporting 100,000+ tenants who are reliant on us to manage their housing emergencies.

We took a series of measures to reduce cost and manage liquidity: I, together with the other non-executive directors, volunteered to take a 33% reduction in salary, with effect from 1 March 2020, and the Group's executive team and leadership team agreed to take a 20% reduction in salary from 1 April 2020.

Our operational and financial response included placing 78% of our people on furlough under the Government's Coronavirus Job Retention Scheme and all non-furloughed staff earning above £45,000 also took a 20% reduction in salary. In addition, using the Time to Pay provisions that allow the deferral of VAT, PAYE and NI, the Group agreed the deferral of taxes due for March 2020 to June 2020 to the end of the tax year.

Our stress testing, which is set out in more detail in the chief financial officer's review on page 50, and the actions taken to preserve cash and manage liquidity show that the Group has sufficient liquidity and flexibility in our reasonable worst case scenario.

Further details of our operational and financial response to COVID-19 are set out in the Group managing director's statement and chief financial officer's review.

Financial results

2019 saw the return of the Group to growth in profitability and, importantly, so did our Sales and Lettings business. Its income of £326.6 million, while down 5%, included the impact of the tenant fee ban of £12.2 million and of closed branches. It delivered an adjusted EBITDA (pre-IFRS 16) for the period of £3.8 million against a loss of £2.4 million in the prior year.

Whilst sales revenue overall fell by 5% year-on-year, reflecting the lower transaction volumes impacted by the uncertain political and economic backdrop in 2019, we took appropriate actions to right size our branch network to reflect these lower levels of activity. We are pleased to report growth in like-for-like exchange volumes of 3%.

Our Financial Services business held its profitability in line with the prior year, with adjusted EBITDA (pre-IFRS 16) of £16.5 million, which was a resilient performance against the uncertainty caused by the branch closure programme. It was pleasing to see the Financial Services business grow its overall gross mortgage distribution by 3% to £20.9 billion. Our B2B income also posted a strong underlying performance. Revenue was up 2% and whilst adjusted EBITDA (pre-IFRS 16) of £17.7 million was down 11%, this was against a tough 2018 comparative which included non-recurring professional indemnity benefits (underlying adjusted EBITDA (pre-IFRS 16) was up 7% year-on-year).

During the year, we also agreed the sale of our non-core commercial business, Lambert Smith Hampton, to John Bengt Moeller. We exchanged legally binding contracts and obtained shareholder approval in December 2019. Following protracted efforts to effect completion, and after agreeing a revised timetable to complete on more than one occasion, Mr Moeller failed to complete the transaction. The Group has terminated the sale with Mr Moeller and is pursuing him for damages and costs. Meanwhile, the Company has entered into discussions with another interested purchaser that actively expressed an interest in LSH during the delayed completion period.

The continuing business reported a loss for the year of £37.5 million (2018: £224.4 million), reflecting the costs of the right-sizing of our branch network and our IT transformation programme.

Dividends

As we have previously stated, the Group does not expect to pay dividends in the medium term and, accordingly, there will be no dividend for the 2019 financial year.

I am extremely proud of our colleagues within the Group. Although we have been faced with taking difficult business decisions and are currently operating in an unprecedented environment, our colleagues have shown, and continue to show, a passion and commitment to our Company which is hugely important as we progress our turnaround plan.

Section 172 directors' duties

During 2019, the directors acted in the way that the Board considered would promote the success of the Company for the benefit of shareholders as a whole.

Both individually and collectively, the directors are aware of their responsibilities to promote the success of the Company in accordance with s172 of the Companies Act. The directors regard the interests of the Company's employees and other stakeholders when making decisions.

Ongoing activities:

Policies and procedures: continuing to evolve Company policies and processes aligned with relevant section 172 areas.

Broadening of reports and management information (MI): the metrics and reports the Board receives are subject to continuing review to ensure that they are broad enough to include recognition of section 172 duties, and that section 172 considerations are shown to be integral to management reporting and decision making.

Consistency in reporting: management information is consistent in approach and message, encompassing a focus on section 172 requirements.

Management briefings: Management across the operating businesses continue to be informed of the overriding section 172 obligations in relation to decision making and MI reporting.

Read more about our engagement with employees on pages 32 to 36

Read more about our Board engagement with stakeholders on pages 64 to 65

Read more about our stakeholder engagement on pages 30 to 31

Read more about our corporate governance on pages 60 to 63

Restructure of the Group's share capital

Following the August 2018 firm placing, and the placing and open offer, Countrywide had 1,641,303,439 ordinary shares in issue each with a nominal value of £0.01, a significant number of shares for a Company with our market capitalisation. The Board believed that as a result of the large number of ordinary shares in issue, the Group's low share price was affecting investor perception of Countrywide. Share trades could result in disproportionately large percentage movements in the market share price, causing considerable share price volatility, and the bid-offer spread on the price of the ordinary shares was disproportionate to the market share price.

To address this, we implemented a consolidation of ordinary shares on the basis of 1 ordinary share of £0.50 for every 50 existing ordinary shares of £0.01 which decreased the number of Countrywide ordinary shares in issue by a factor of 50 while increasing the trading price of each new ordinary share by a factor of 50. Shareholder approval for the restructuring of the Group's share capital was required and granted with 99.97% voting in favour of the consolidation at the General Meeting held on 27 December 2019. Trading in the new ordinary shares commenced on 30 December 2019.

Board changes

After many years of service, two dedicated non-executive directors stepped down from the Board in 2019. Cathy Turner on 30 April and Jane Lighting on 26 June. Following Cathy's departure, Natalie Ceeney was appointed chair of the Remuneration Committee on 1 May. On 26 June, Lisa Charles-Jones was appointed as an independent non-executive director and became a member of the Remuneration Committee. She has a wealth of experience in both HR and the property sector. On 16 October, Amanda Rendle joined the Board as an independent non-executive director and was appointed a member of the Audit and Risk Committee. Amanda has over 30 years of marketing and communications experience, with many of those years spent in the banking sector.

Colleagues

I am extremely proud of our colleagues within the Group. Although we have been faced with taking difficult business decisions and are currently operating in an unprecedented environment, our colleagues have shown, and continue to show, a passion and commitment to our Company which is hugely important as we progress our turnaround plan. On behalf of the Board, I would like to personally thank each and every one of them for the significant contribution they make to our Company.

Outlook

We continue to actively monitor the effect of the COVID-19 situation. The Board's priority remains to provide the essential services to our customers and to preserve and protect the future of the business for all our people; to conserve cash and to manage the Group through the coronavirus pandemic.

Whilst the housing market in England was re-opened on 13 May, it is too early to assess the impact on housing transactions, and the Group is therefore unable to provide guidance on future profitability.

Peter Long
Executive chairman

21 May 2020

+40,000

new tenant applicants registering each month

Having left my apartment in the capable hands of Hamptons simply meant that I had peace of mind and my property rented sooner than later. They are simply the epitome of efficiency and professionalism. Thank you.

Philio
Landlord

HAMPTONS INTERNATIONAL

A stronger business operationally

The Group ended 2019 in a stronger position operationally than we have been for some time. This, combined with a relentless focus on accelerating our self-help measures, supported and delivered by our teams of dedicated, talented colleagues across the business, means we have achieved a good performance from our core business and took significant steps forward in transforming our Company for sustainable, profitable growth in the years ahead.

2019 represented a year of significant external challenge to Countrywide. Despite the ongoing political uncertainty, subdued housing market and the introduction of the tenant fee ban in June, we have delivered on our commitment to return the Group to growth in profitability, with adjusted EBITDA (pre-IFRS 16) up 16% year-on-year, and the Sales and Lettings business also returning to profit. In 2020, we took swift and decisive action to reduce cost and manage liquidity in response to COVID-19.

Highlights for 2019

Back to basics

- Exchange transactions, on a like-for-like basis excluding closed branches, up 3%

Complementary services

- Up 9% to 48p per £ of estate agency income

Growth in B2B and FS

- B2B income up 2%
- £21 billion of mortgages placed, up 3%

The Group ended 2019 in a stronger position operationally than we have been for some time. This, combined with a relentless focus on accelerating our self-help measures, supported and delivered by our teams of dedicated, talented colleagues across the business, means we have achieved a good performance from our core business and took significant steps forward in transforming our Company for sustainable, profitable growth in the years ahead. Having successfully returned the business back to profitable growth in 2019, during the first half of 2020, we have faced the unprecedented COVID-19 pandemic. Our response has been swift and decisive. It is centred on protecting the health and safety of our customers and colleagues and preserving our business for the future for all our stakeholders.

As we respond to the effects of COVID-19, we are taking steps to reduce costs and manage liquidity in the near term, but also to take the opportunity to relaunch the business on a strong footing.

Continuing business

The market

2019 once again saw us enter the year in an uncertain market but with an expectation that, following a Brexit decision in March 2019, the market would stabilise and be broadly flat for the remainder of the year. The persistent Brexit delays throughout the year prolonged uncertainty, affecting public sentiment and caused the UK housing market to contract further. According to Rightmove statistics, new property listings for the year fell by 3.7% and the overall market for sales completed reduced by 0.9% based on HMRC data for the year.

The lettings market remained challenging with a lack of stock available. The Government policy of removing landlord allowances and introducing additional taxes has led to some landlords selling up, reducing stock availability. Despite this and the loss of tenant fees from June, the business has performed exceedingly well, demonstrated by growth in profitability of our combined Sales and Lettings business year-on-year.

Our Sales and Lettings businesses

The market was very challenging throughout 2019; despite this, we delivered a strong overall performance with adjusted EBITDA (pre-IFRS 16) up to £3.8 million, compared with a loss of £2.4 million in 2018. This is after absorbing the impact of £12.2 million revenue lost as a result of the tenant fee ban.

Against a backdrop of fewer new properties coming to the market in 2019 (Rightmove statistics show there were 54,000 fewer properties, down 3.7%), we finished the year with a pipeline of agreed sales of £39.9 million, an increase of 1% year-on-year, notwithstanding the strong exchange numbers achieved towards the end of 2019. Overall a very creditable performance.

Complementary services

Our focus on driving complementary services continued to yield growth throughout the year, reaching 48 pence in the pound, up 9% from 44 pence in 2018. This represents the value of complementary services sold as a percentage of estate agency income.

In a tough trading environment, we are well placed with the diversity of the Group's business to improve sales of complementary services. This includes conveyancing and the provision of mortgages, insurance and protection products to both our buyers and sellers.

Financial Services

Good progress has been made within our Financial Services businesses. Our priority has remained to ensure we have the right level of mortgage and protection consultants across our branch network. These numbers have stabilised across the year, having introduced a number of retention and development programmes, and we finished the year with a 70% coverage (79% excluding London) of mortgage and protection consultants across the branch network. To finish the year with an adjusted EBITDA (pre-IFRS 16) level in line with the prior year at £16.5 million was a resilient performance given the uncertainty that can invariably arise in the midst of a branch closure programme. Other specialist network and Financial Services businesses, Mortgage Intelligence, The Buy To Let Business and Mortgage Bureau, moved ahead year-on-year.

Overall, our Financial Services business placed nearly £21 billion of mortgage business, up 3% year-on-year, again a record level for the Group.

B2B

The B2B business delivered a sound performance overall in line with expectations.

Conveyancing experienced pipeline growth and increased instructions through complementary services resulting in adjusted EBITDA (pre-IFRS 16) up 14% on the previous year.

Our surveying business successfully retained significant volume allocations following market tenders by three of its largest lender customers and, at the same time, delivered record levels of performance against its contracted service levels. Overall adjusted EBITDA (pre-IFRS 16) was 7% up year-on-year after adjusting for one-off benefits in 2018, and the business is well placed to benefit from the upturn in levels of activity in the market in 2020 (pre-COVID-19). Even through the COVID-19 pandemic, our surveying business has performed significant levels of desktop valuations.

Financial discipline and cash flow

A number of actions were taken in 2019 to strengthen the Group's financial position. As market weakness continued in H1, we took a series of self-help actions to reset our cost structure in order to reflect activity levels, the benefits of which were realised in the second half of the year.

Our 2019 performance has demonstrated that it is important that we continue to execute our strategy and turnaround plan in order to transform our business with consistency, pace and flexibility, enabling us to adapt to the changing dynamics of the UK property market.

The self-help actions included our branch closures to focus our attention and capital into the profitable branches and those with opportunities in the marketplace. Likewise, we resized our marketing spend, as well as keeping a strict control over recruitment and general spend.

We also finished the year with operating cash flow conversion of 98% (2018: 69%) from the continuing business (see page 54) and enhanced focus on cash flow right across the business.

Discontinued business

Lambert Smith Hampton (LSH), our commercial real estate business continued to suffer disproportionately in comparison to the Group's residential business, with income down 9% and adjusted EBITDA (pre-IFRS 16) down by 64% year-on-year as a result of tough trading conditions in some sections of the commercial markets (see note 34 for details of LSH results). LSH remains an important contributor to the Group and we continue to work closely with our colleagues in that business as we explore a potential sale of the business.

COVID-19 and our response

With the unprecedented lockdown and social distancing measures introduced on 20 March 2020, our immediate priority was to protect the safety of our customers and colleagues and protect the future of the business for all our people; to conserve cash and to manage the Group through the coronavirus pandemic

Whilst it is not possible to predict the full extent of the impact on housing and mortgage related transactions in the UK, our stress testing assumed a 73% decline in income in the second quarter of 2020, followed by reduced levels of activity in the build back to normal operations. We have therefore taken swift and decisive measures to reduce operating costs and capital expenditure. The actions taken included reducing the costs of the Group's executive team, leadership team and the people not furloughed, earning £45,000 or more, taking a 20% reduction in pay.

Following Government guidance, we closed all 731 branches and furloughed 78% of people under the Government's Coronavirus Job Retention Scheme.

We also took actions to materially reduce our discretionary spend including our marketing spend. We have stopped all capital expenditure including suspension of transformation of our IT estate. In terms of liquidity, actions have been taken to move mostly to monthly rent payments, and carefully balancing our payment obligations between smaller and larger suppliers to manage the working capital cycle. I am grateful to all our partners, suppliers and landlords for their support during this period.

These actions, together with the measures on securing additional liquidity with the support of our lender group, and the support of HMRC to defer VAT, PAYE and NI due for March to June 2020 under the Time to Pay provisions, mean that the Group has sufficient liquidity and flexibility in our reasonable worst case scenario.

Summary

Notwithstanding lower housing market transactions and the external headwinds we faced throughout 2019, the Group returned to growth in profitability. We have built profitable market share within our Sales and Lettings business and through our complementary service offering, have broadened the opportunity for financial services and conveyancing, and maximised revenues.

To preserve and protect our business for the future

Our 2019 performance has demonstrated that it is important that we continue to execute our strategy and turnaround plan in order to transform our business with consistency, pace and flexibility, enabling us to adapt to the changing dynamics of the UK property market. Through our scale, reach and range of offerings across the property sector, Countrywide started the current financial year well positioned to capitalise on opportunities available through building greater momentum and restoring the business to sustainable, profitable growth.

The outbreak of COVID-19 has significantly disrupted not only our business but the global economy. Our Group was able to respond swiftly and decisively to the COVID-19 pandemic to preserve and protect our business for the future. It is a testament to the dedication and commitment of our people that we are able to continue to serve our customers remotely through the lockdown period and beyond and we look forward to the phased re-opening of our business.

I would like to thank all of my colleagues for the work that they do, day in day out, to deliver for our customers and our business. We have been through some tough years in rebuilding our business, and now in responding to the COVID-19 pandemic. I am continually grateful for their hard work, commitment and drive to support our turnaround.

Paul Creffield
Group managing director

21 May 2020

We've just purchased a property and used Countrywide Mortgage Services on the recommendation of our estate agent – we couldn't be happier with the service we received! Lorraine was phenomenal: friendly, knowledgeable and incredibly helpful. We'd recommend Lorraine and Countrywide Mortgage Services without hesitation.

Liam
Home buyer

1. 'Back to basics' in Sales and Lettings

Introduction

Having lost focus on what the Group had traditionally done well, resulting in a significant loss of market share in Sales and Lettings, in 2018 the Group announced going 'Back to basics' as one of our five strategic pillars. The Group has taken a range of actions to restore both market share and profitability.

Key priorities

- Rebuild and sustain the register and pipeline
- Right level of staffing, spans of control and capability
- Pricing and fee discipline
- Decentralise decision making and empower branch network
- Restore Lettings capability and expertise
- Turnaround loss making branches
- Rationalise the branch estate

Key metrics:

- Listings market share remains consistent at 8.0% sales and 7.0% lettings for 2019 (2018: 8.0% sales and 6.8% lettings) despite continued contraction of the volume of properties available on the market.
- Lettings
  - No.1 Lettings agent for listings in our operating areas and nationally at 7.0%
  - Landlord retention for the UK areas has recovered from 80.5% in 2017 to 85.1% in 2019
  - The cost actions in place during the year, driven by branch closures and employee reductions, mitigate in part the tenant fee ban
- Sales
  - No. 1 for sales listings at 8.0% in our operating areas
  - Average fee levels held >£3,000
  - Closing pipeline fee value up 7% on a like-for-like basis after adjusting for closed branches
  - Exchanges are up 3% on a like-for-like basis after adjusting for closed branches, against a market reduction of 0.9% (HMRC)

2. Income from complementary services

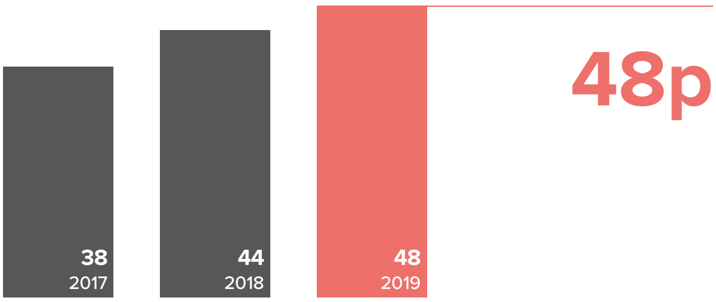
Introduction

Income from complementary services had reduced from 50p in the £ at the time of the IPO in 2013 to 38p in the £ by the financial year 2017. The actions taken by the Group during the strategic reset saw this increase to 44p by the end of 2018, to 48p in 2019. Further growth is targetted in the turnaround plan.

Key priorities

- Focus on complementary services in each property transaction
- Grow revenues in Financial Services and Conveyancing
- Investment in lawyer and mortgage and protection consultant (MPC) numbers to support growth

Complementary service income for every £1 of estate agency income (£)



Key metrics:

- Income from complementary services now 48p per £1 of estate agency income (2018: 44p)
- Completions in conveyancing up 14% year-on-year and gross revenue has increased by 12% from 2018
- Financial Services income was £82.1 million, (2018: £83.9 million), a decrease of 2% against a market backdrop of 0.4% decline.
- We are one of the leading property conveyancing firms in the UK
- Number of property lawyers has increased 26% and legal assistants 6%
- We finished the year with 70% (79% excluding London) coverage of mortgage and protection consultants across the branch network
- On average, we achieve legal exchange 12 days faster than other firms used by our sales clients
- In 2019 we won four Conveyancing awards:
  - What Mortgage Awards: Best Legal Services Provider – Highly Commended
  - Modern Law Conveyancing Awards: Conveyancing Firm of the Year – Wales
  - Modern Law Conveyancing Awards: Outstanding Commitment to Training – Highly Commended
  - ESTAS: National Conveyancing Firm – Gold Award

3. Cost efficiency

Introduction

Our strategic plan aims to achieve cost efficiency through a number of measures including: reduction in central costs to efficient operating levels; a programme for transformation of the Group's aged IT estate; and investment in customer contact centre processes to enable cost optimisation.

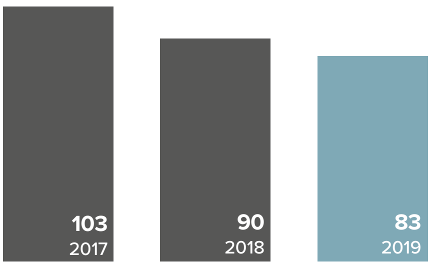
Key priorities

- Address legacy IT infrastructure and reduce IT costs
- Rationalise the end to end processes in customer contact centres
- Reduce overheads and drive cost efficiency in central support functions

Key metrics:

- Invested £12.8 million to address restructuring of our legacy IT infrastructure and line of business applications
- IT transformation programme benefits will materialise in 2021
- Improvement of customer contact centres: plans to deliver a minimum saving of £5 million in 2021 following the implementation of the target operating model
- Indirect costs reduced by £7 million from 2018 to 2019
- £20 million of savings in Group-wide overheads since 2017
- Self-help measures introduced:
  - Non-profitable branch closures
  - Staffing levels aligned to local market activity
  - Return on marketing assessment carefully assessed

Indirect costs (£m)



4. Continued growth in B2B and Financial Services

Introduction

The Group has strong positions in the B2B and Financial Services markets and has sought to expand and enhance these as part of the clear strategy to turn the business around and deliver profitable growth.

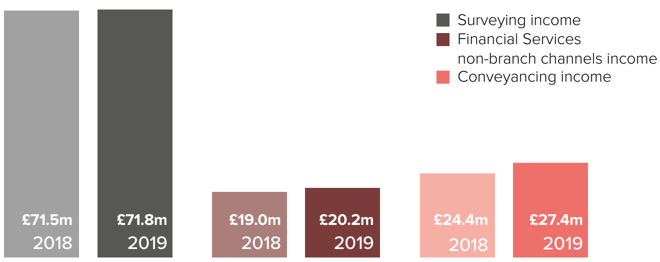
Key priorities

- Increase number of mortgage and protection consultants in branch network
- Improve mortgage conversion rates
- Continue to expand on digital offerings in Surveying and Valuation
- Combined offering to developers and property investors
- Improved productivity and customer service

Key metrics

- Branch coverage of MPCs now 70% (79% excluding London)
- Number of property lawyers has increased 26% and legal assistants 6%
- The conversion rate of existing customers remortgaging with us has increased by 8%
- 3% growth in gross mortgage distribution (market down 0.4% in year ended December 2019)
- Launched our HomeFact product with Santander for first time buyer customers, giving them more information about their new home. This is one of our initiatives to drive B2C business in surveying
- Survey income has increased by £0.3 million in 2019, a resilient performance given the decrease in volume of sales in the market as a whole
- Total Group instructions up 17% year-on-year in conveyancing and revenue up 12%

Growth in Surveying and Conveyancing income and Financial Services non-branch channels income (£m)



5. Financial discipline and cash flow

Introduction

In addition to reduced interest costs arising from the capital refinancing undertaken in 2018 to set the Group on a more stable capital structure and commence deleveraging, focus has been brought to bear on greater financial discipline through the budgeting and forecasting process, coupled with a more rigorous approach to working capital management. Through the COVID-19 pandemic, the Group took swift and decisive action to reduce cost and manage liquidity, as well as put additional facilities in place as set out in the chief financial officer's review on page 50.

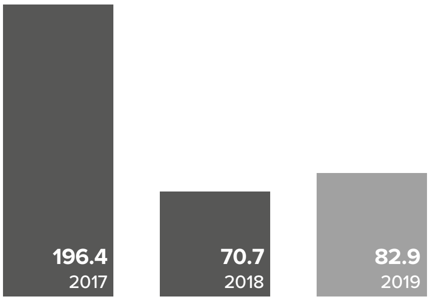
Key priorities

- Aim to reduce leverage below 1.0x in the medium term
- Improve working capital discipline and capital allocation
- Improve the timeliness of billings and collections

Key metrics:

- Net debt as at 31 December 2019 is £82.9 million (pre-IFRS 16) (2018: £70.7 million)
- Net debt: adjusted EBITDA (pre-IFRS 16) 3.4x (December 2018: 2.2x)
- Operating cash flow conversion rate increased from 69% in 2018 to 98% in 2019
- Continued focus on debt collection has reduced aged debtor days by 9% year-on-year
- Secured an additional £20 million of facilities for an 18 month period, with £10 million available from 1 May 2020 and £10 million from 1 April 2021, and a waiver of March 2020 debt covenants

Net debt (excl. IFRS 16) £m



45,371

properties exchanged in 2019

"I purchased through Fulfords and was really impressed with the communication from them throughout. They helped with any problems and Gareth especially was always at the end of the phone if I had any questions. When I sell this house, I will definitely be using Fulfords for my sale."

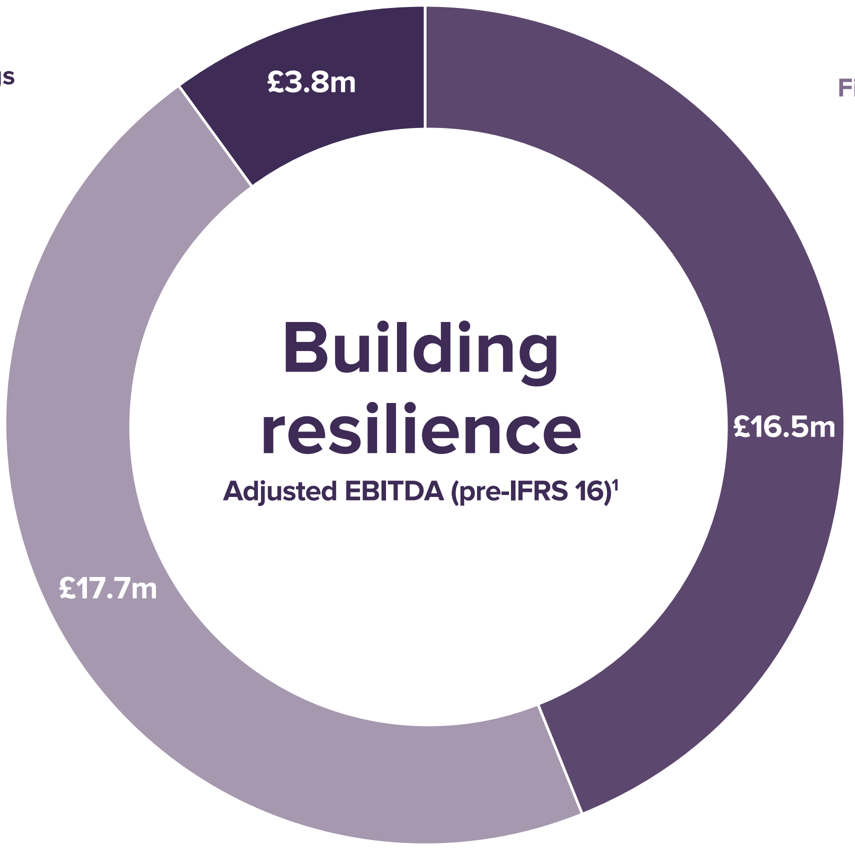
Joanna
Home owner

The segments of Countrywide

We are the UK's largest integrated property services group. We offer a complete range of residential property services to enable us to support our customers from the beginning to the end of their property journey. We deliver this through our three operating segments.

10%
Sales and Lettings
(2018: -7%)

44%
Financial Services
(2018: 49%)



46%
B2B
(2018: 58%)

Sales and Lettings

The Sales and Lettings segment covers both estate agency and lettings operations over more than 700 locations and over 60 brands. The Sales business generates commission on sales of residential properties and the Lettings business generates fees from the letting and management of residential properties.

Financial Services

The Financial Services segment generates commission revenue from the sale of mortgages, insurance policies and related products under contracts with financial services providers. Through its Mortgage Intelligence brand, the Group owns one of the foremost networks of advisors in the UK, whilst The Buy To Let Business and Mortgage Bureau brands arrange specialist lending.

B2B

The B2B offering comprises lines of business with corporate customers and conveyancing and surveying services to residential customers. B2B generates revenue from surveying and valuation fees, and asset management fees received from financial institutions and conveyancing and surveying fees from residential customers.

COVID-19

The segment commentaries on pages 27 to 29 reflect the 2019 operating performance. In the first half of 2020, following the Government's guidance on lockdown as a result of the COVID-19 pandemic, the Group's income and profitability were materially impacted and the Group took swift and decisive action to reduce cost and manage liquidity, as set out in the Group managing director's statement and the chief financial officer's review.

1. Earnings before interest, tax, depreciation, amortisation, exceptional items, contingent consideration, share-based payments and share of profits from joint venture before the adoption of IFRS 16, referred to hereafter as 'adjusted EBITDA (pre-IFRS 16)' (for comparability with prior period) and before the allocation of central services costs within 'All other segments' (see page 53).

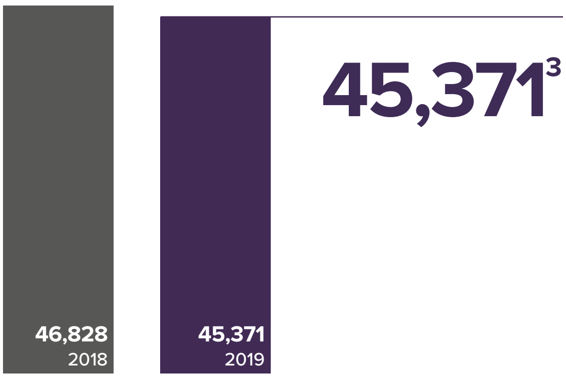
Sales and Lettings

2019 Summary

- Moved from loss to profit year-on-year despite loss of tenant fees, with adjusted EBITDA (pre-IFRS 16) of £3.8 million
- Total income down 5%
- Pipeline growth 1% provides a foundation for 2020, and has stayed resilient through COVID-19
- Complementary sales increased by 9%

Key performance indicators

House exchanges



Average fee per exchange

£3,319

(2018: £3,357)

Number of branches at year end

731

(2018: 857)

Average rental properties under management

85,093

(2018: 86,415)

Operating review

Our priority in 2019 was to build momentum and to deliver a clear turnaround through maximising income, having an efficient and productive branch network, and building growth within pipelines and complementary services. At the beginning of 2019, our new homes operation was re-integrated back into our core Sales business from B2B, strengthening the client and branch relationships. The market has remained challenging, and we had to absorb the loss of tenant fees, further highlighting the need to build on the 'Back to basics' principal that was previously set.

Sales

2019 reflected sustained pressure on estate agency as the market continued to decline amidst continued uncertainty. Nationally, new stock listed during the year fell 3.7%[1], indicative of the cautious approach from potential vendors, creating a shortage of stock. This is evident with sales income falling 5% year-on-year, principally due to the overall level of transactions declining 3% year-on-year. Pressure has been felt particularly within the London and South East regions with a 6.8% decline in transactions[2] in a competitive and challenging market. In light of the challenging market, we took several cost saving actions to mitigate losses.

Whilst our reported income declined, we are pleased to report that our network, excluding closed branches, outperformed the market overall and delivered 3% growth in exchanges year-on-year.

Our Central London brands, Hamptons International and John D Wood, delivered robust trading performances, with the strength of our network helping to deliver credible year-on-year growth in adjusted EBITDA (pre-IFRS 16) whilst managing cost in a contracting part of the UK housing market.

Lettings

2019 delivered a resilient performance in a very tough market, with the introduction of the tenant fee ban legislation from June, along with a continued trend of private landlords leaving the market as a result of a less favourable tax environment.

Overall, income fell by 5% year-on-year, reflecting a combination of: the loss of tenant fees contributing a £12.2 million reduction in revenue; and a 2% reduction to 85,093 properties under management reflecting a market-wide trend. The largest impact was felt within lettings outside London, reflecting the significant loss of tenant fees, mitigated by the introduction of additional services and modest fee increases. Our Central London brands continued to deliver impressive lettings results, with much of the impact of the tenant fee ban being mitigated by a growth in the portfolio (income only down 2% year-on-year).

1. Source: Rightmove data.
2. Source: Office of National Statistics.
3. Restated to include Countrywide Residential Development Solutions new homes exchanges following transfer from B2B to Sales and Lettings in 2019.

Read more about Sales and Lettings on page 20 and see their financial KPIs in note 4

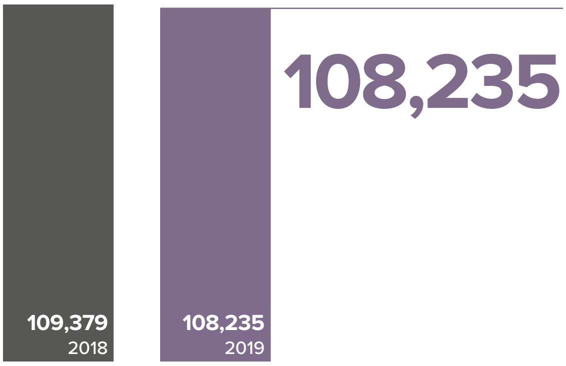
Financial Services

2019 Summary

- Income down 2% and adjusted EBITDA (pre-IFRS 16) of £16.5 million (2018: £16.6 million), flat year-on-year
- Over £20 billion mortgage completions, up 3% on 2018, against a market backdrop of 0.4% decline

Key performance indicators

Number of mortgages arranged



Total mortgages written (£billion)

20.9bn

(2018: 20.3bn)

Average number of mortgage and protection consultants

619

(2018: 652)

Number of mortgage and protection policies sold

49,416

(2018: 50,899)

Operating review

In 2019, the UK mortgage market declined by approximately 0.4% year-on-year, with overall gross lending finishing at £268 billion[1] (2018: £269 billion). In comparison, Countrywide mortgages completed grew 3% from £20.3 billion in 2018 to £20.9 billion in 2019.

Financial Services income was £82.1 million (2018: £83.9 million), with another year of income growth across the combined The Buy to Let Business, Mortgage Bureau and Mortgage Intelligence channels offset by lower transactional volumes from estate agency sales which were impacted by a slowing transactional market.

Our branch based mortgage and protection consultants (MPCs) delivered 75% of the revenue and 71% of the adjusted EBITDA (pre-IFRS 16) of Financial Services and we finished the year with 70% coverage of MPCs across the branch network. Revenue declined 4% in 2019, impacted by lower new mortgage transaction levels and lower MPC headcount following branch closures.

Mortgage Intelligence (MI) operates a network and club for third party Appointed Representatives and Directly Appointed mortgage brokers respectively. MI provides regulatory oversight for sales made by the network and assists both the network and the club through arranging mortgage and insurance deals with our panels of lenders and insurance providers. The network firms employ over 400 regulated individuals, all of whom are contracted to sell only the financial products arranged by MI. In 2019, MI generated £13.0 billion (2018: £12.5 billion) of gross mortgage distribution from the club and the network.

The Buy to Let Business (TBTLB) conducts our specialist business in the buy to let sector, and also handles customers who wish to transact by phone. The business has experienced growth from both its strong existing customer relationships and reputation in the buy to let market. As a result of the continued expansion, the business has increased its gross distribution to £2.1 billion (2018: £1.9 billion), an increase of 15% year-on-year.

Mortgage Bureau is our specialist new build mortgage brokerage. In 2019 Mortgage Bureau has maintained its strong relationships with new build developers. The business delivered a solid performance, ending the year with its gross distribution at £0.9 billion (2018: £0.9 billion).

Read more about Financial Services financial KPIs in note 4

1. Source: UK Finance (December 2019).

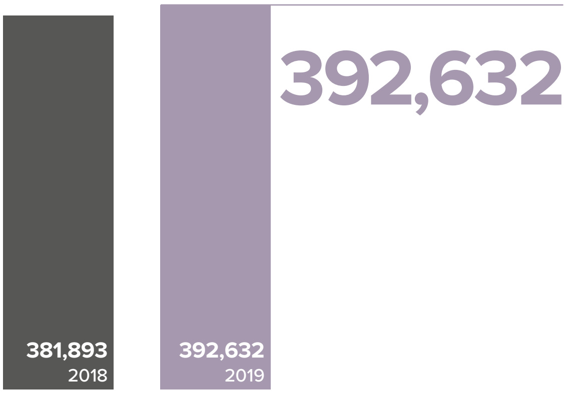
B2B

2019 Summary

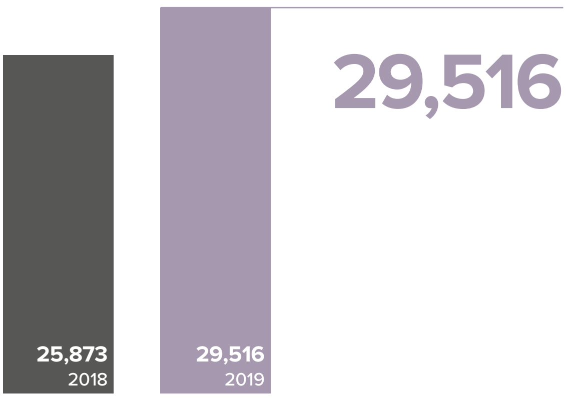
- Income up 2% and adjusted EBITDA (pre-IFRS 16) down 11% to £17.7 million (excluding non-recurring professional indemnity insurance benefit in 2018, adjusted EBITDA (pre-IFRS 16) was up 7%)
- Successful launch of new HomeFact property condition report resulting in operational benefits in surveying
- Results from the conveyancing business reflecting the investment made to grow complementary services under 'Back to basics' strategy, delivering revenue growth of 12% year-on-year
- Continuous operational improvements and investment in workflow technology leading to greater efficiency and productivity

Key performance indicators

Number of surveys/valuations completed



Conveyancing completions



Read more about B2B financial KPIs in note 4

Operating review

Income across our continuing B2B business was up 2%.

Surveying

The surveying business retained our strong market position and further improving service delivery to our lender clients. The business remains well placed for 2020, having successfully retained and secured material allocations from several of our largest lender clients.

We continue to actively lead change in the industry through the embedding of new technologies and valuation approaches. In August 2019, we launched our new HomeFact property condition report, and secured a contract to provide the product to Santander first-time buyers. HomeFact combines the expertise of our surveyors with other online information about a property and its surrounding area into an interactive report that enables new purchasers to be better informed about the condition of the home they are buying.

Conveyancing

The conveyancing business saw marked improvements with double digit growth in both income and adjusted EBITDA (pre-IFRS 16) in the year from offering the full complement of Group services to our customers. The growth was supported by the successful completion of four large training academies during 2019. Our strategy of investing in our people was recognised with the prestigious Princess Royal Training Award for our commitment to training, and we are delighted to be able to build on this in 2020 with further focus on colleague wellbeing and continuous development.

The business enjoyed another successful year based on our customer service feedback, reflected by our Net Promoter Score (NPS) which increased for the third consecutive year to +61 (up from +54 in 2018, and +38 in 2017). In this regard, the business celebrated success by winning four more awards, including the Gold Award at the ESTAs National Conveyancing Firm and Conveyancing Firm of the Year: Wales at the Modern Law Conveyancing Awards.

Engaging with our stakeholders

Our stakeholders are at the core of every business decision that we make. Making decisions based on adding value to our stakeholders requires understanding who they are and what they need.

For further information in relation to our stakeholder engagement

Read more about our engagement with our people on pages 32-36

Read more about our engagement with local communities on page 37

Read more about our engagement with shareholders on page 65

Read more about our Board's engagement with stakeholders on pages 64-65

Stakeholder	Why we engage	How we engage
Our customers and clients The people that use our services	Clients are the essential focus of our business. The Group's resilience and ongoing success are built upon an ability to understand a client's needs and respond to them. This allows us to evolve and construct services that meet those needs.	• We pride ourselves on local contact with customers through our branches and our strong sales and marketing team. This is complemented by our customer contact centres • We deploy local and national sales and marketing initiatives • Routine customer feedback surveys • Engagement across all media channels, relevant to our customers

Our people
Employees of the Group
	Our people are our most valuable asset and the face of our business. As experts in their field, we recognise the importance of engaging, nurturing and developing our talent in order to drive business growth and deliver customer excellence.	• Colleague engagement is based on trust and integrity with two way commitment and communication. Tools and initiatives include:
		  • Designated non-executive director for workforce engagement
		  • Our Place intranet featuring Group news, updates, events, policies and people news
		  • Six-monthly colleague engagement survey and feedback at all levels
		  • Award-winning colleague recognition and annual awards programme
		  • Wellbeing and colleague safety initiatives

Our shareholders The investors in our Company	We communicate regularly with our shareholders to ensure that our strategy and key action plans are understood. We are committed to driving long term sustainability and value for our shareholders.	• Regular shareholder and analyst meetings with management • Our corporate website • Our annual report and accounts • Our Annual General Meeting • Our results announcements and presentations
Corporate clients Mortgage lenders, insurers and financial institutions	Our corporate clients underpin our B2B and Financial Services businesses through long term relationships. By sharing market insight with our clients, we also create added value.	• We have a well defined relationship plan and client reporting regime, supported by suitable corporate events, professional updates, KPI reviews and senior executive peer to peer engagement • Our client service teams build lasting relationships with current and potential clients to develop a clear view of client objectives and how these evolve
Suppliers and contractors Our network of suppliers and contractors that provide a wide range of services/ products	We partner with our major suppliers in areas where their expertise and service offering provides efficiencies. We only work with suppliers and contractors who share the same values as us.	• Our procurement team is skilled in sourcing the best suppliers and leveraging economies of scale through our purchasing power • We use local suppliers where possible • We vet suppliers for capabilities, common values and compliance with laws and good practice • Deploying good vendor management (to ensure value) and fair treatment (to ensure reputation and longevity of relationships) underpins our approach
Regulators and trade associations We actively engage with regulators and trade associations on industry wide issues	As market leader in a number of industry sectors, the Group engages at a senior and technical level with Government, trade associations, regulators and other relevant bodies in a manner that is proportionate, constructive and responsive to regulators' requirements.	• We hold various memberships with different organisations • We routinely engage with regulators and policymakers to ensure that our business understands and contributes to evolving regulatory requirements and to foster good working relationships
Communities and the environment We operate in the heart of our communities	Our ability to maintain strong relationships within the local community is important to the success of our business. The environment that we live in impacts on our health and wellbeing and ultimately directly impacts on the markets where we operate too.	• Our businesses and branches are active and contribute to the local communities in which they operate. Colleagues are proactive in supporting local and national charities and local groups. (See page 37 for further detail) • Our commitment to minimising our carbon footprint and the reduction of energy consumption, principally in our fleet and branch footprint, will aid the environment and reduce costs

Engaging with our employees

Introducing Lisa Charles-Jones, our non-executive director appointed during the year as employee engagement lead.

Engagement is something everyone in the company owns and therefore it is important to me that this role ensures each and every decision keeps people at the heart.

Q. What attracted you to the role of employee engagement lead?

A. A passion for people and the property industry. Having worked in the industry previously, I am so thrilled to have joined Countrywide and to be leading the charge on engagement.

Q. What is the scope of your role?

A. To contribute to designing the approach to the employee engagement programme, in conjunction with relevant management and advisors, and taking into account existing communications channels. Engaging and involving the Board and its committees as necessary, taking a lead role in ensuring the effective implementation of the programme and providing an "Employee Voice" to the Board by raising any matters or issues highlighted by employees. Representing the Board at selected forums/events and communicating to employees on Board decisions that materially impact employees or certain employee groups as a whole whilst ensuring the views from a broad section of the workforce are heard. In conjunction with management, reviewing and ensuring the implementation of employee engagement initiatives, and I am also passionate about ensuring mentoring is in place between the non-executive directors and selected high potential employees.

Q. What activities have you carried out to date?

A. There already exists a whole host of mechanisms used by management to ensure that colleagues are heard. Regular branch and office visits take place, we have a network of colleagues used regularly to test ideas and gather feedback, twice yearly colleague surveys and regular reviews of people data. I have personally been out to branches, travelled with surveyors and spent a lot of time really getting to know the business. We also ensure that each independent non-executive director visits the network and shares with the Board their feedback and findings. Having joined in June, I was pleased by how much was already in place and am delighted to be able to add to this using my expertise.

Q. How do you ensure that your work is considered as part of ongoing strategic decision making?

A. Engagement is something everyone in the Company owns and therefore it is important to me that this role ensures each and every decision keeps people at the heart. I actively engage with the Board and management so that, along with the Group HR director, all key decisions and strategies consider our people as a fundamental stakeholder and that their commitment, passion and engagement are key in delivering the organisation's strategy. More formally, I have regular agenda items at the Board and at the Remuneration Committee to keep engagement front and centre.

Q. What are your plans for 2020?

A. As we continue to develop tools and techniques, we will start to get even better feedback from our people. Developing this role and the duties of the role as well as looking to understand how we can improve from industry standards and good practice will also enhance engagement. Working closely again with the Group HR director we will see further development of Wellbeing through the BeWell Programme and we also have some exciting plans as we further develop diversity and inclusion through our BeYourself programme.

Q. How did you respond to the impact of COVID-19?

A. Our priority is, and will continue to be, to keep our colleagues safe, to support our customers and to protect and preserve the business for the future.

COVID-19 communication began in February as the severity and impact of the situation unfolded. Through our BeSafe programme we released regular updates to our branches and centres with clear guidance reflective of UK Government and Chief Medical Officer advice. Safety and hygiene measures were introduced across the business and preventative measures such as travel and face to face meetings restrictions were put in place to keep our colleagues and customers safe.

Leadership and colleague communications were issued following the daily Downing Street briefings to advise teams on our position in relation to key Government announcements and medical advice given and the business initiated an orderly closure programme.

As we furloughed the majority of our colleagues and adjusted our ways of working it was essential that we continued to engage with and provide help and support to our colleagues.

We adopted the following key communication principles:

- To engage, inform and influence all stakeholder groups on key decisions as needed
- Articulate our rationale and promote the sentiment behind business decisions being made
- Minimise colleague anxiety and provide clear guidance on next steps and direct impact
- Deliver a network of support for our furloughed colleagues
- Promote business continuity and support retained colleagues who are performing essential services

To enable this we developed a range of tools, resources and materials available through the intranet, Our Place. This secure cloud based platform is available 24/7 through desktop or via the mobile app which provides more flexibility for home workers and furloughed colleagues.

The new content includes useful information and resources on physical, mental and financial wellbeing alongside furlough guides, policy changes and FAQs. Hints and tips on home working, how to manage remote teams and video and conference call guides support our home workers.

Colleagues can stay connected through the Group managing director's message and weekly business blogs and everyone is encouraged to take 'time to talk' through the various forums and posts. Launched with a fun online virtual Easter Egg hunt and Share the Rainbow competition for families, we have seen a significant increase in Our Place usage and have received positive feedback from our leaders and colleagues across the business.

These tools, created to support our colleagues, will continue to build and evolve as teams share content, stories and useful information to help one another through this difficult period.

Our approach to corporate responsibility

To achieve sustained commercial success, it's essential for us to have a strong commitment to corporate responsibility. Our corporate responsibility capability has a direct impact on our ability to maintain strong employee engagement, deliver sustainable value to our stakeholders and manage our risks.

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 that what we do really matters.

Please refer to page 38 for our non-financial information statement

People

Our people are our most valuable asset and the face of our businesses. As experts in their various fields, we recognise the importance of nurturing talent and providing opportunity in a business where they are valued, can be themselves, and can realise their full potential and in turn deliver for our customers.

We entered 2019 with a continued focus on our 'Back to basics' programme, our priority being to ensure we have the right number of people, with the right level of expertise in the right location leading our businesses and delivering for our customers. We also introduced a number of people-centric initiatives to further support the development, engagement and wellbeing of our colleagues, including:

Colleague safety and wellbeing

We launched our new wellbeing programme BeWell in February 2019, designed to reinforce the importance of our colleagues' health across four key wellbeing principles: healthier mind, healthier body, healthier finances and healthier environment. The programme raises awareness of the importance of wellbeing and provides tools and support services to help colleagues positively manage or overcome wellbeing challenges. Our HR helpdesk also includes mental health first aiders who have been trained to further support vulnerable colleagues.

BeSafe was launched later in the year to encourage colleagues to think about and improve personal safety by sharing best practice, guidance, emergency procedures and contacts. Further development of the BeWell and BeSafe programmes is planned in 2020 alongside the introduction of a new diversity and inclusion programme, BeYourself.

BeYourself | Celebrating Diversity

The health and wellbeing of our colleagues are of paramount importance to us. With this in mind, we created BeWell, the Countrywide wellbeing programme designed to raise awareness, offer support and encourage the longer term wellbeing of our colleagues based around four key areas: healthier mind, body, finances and environment.

Paul Creffield, Group managing director

Engagement

Take 10 Countrywide

85%

Of colleagues told us that we are always ethical in how we conduct business and treat our customers

Over 6,000 colleagues took part in Tell us in Ten, a short engagement survey created to establish the overall morale of our people, indicate loyalty and check their understanding of key business objectives. Participation rates increased by 7% compared to 2018, and we experienced an improvement in all key areas, with 70% of our people saying they would remain with the business if offered the same role/benefits elsewhere; 85% of colleagues told us that we are always ethical in how we conduct business and treat our customers; and 80% have been set clear goals and understand the key business objectives. The leadership team continue to use this feedback and make changes in order to deliver performance improvement moving forward. This will remain a priority in 2020 as we continue to listen to our people and make the changes that bring us closer to building a reputation as a great place to work.

Benefits, recognition and development

To retain and attract the right people, develop and inspire our existing talent, and engage them in our business and our culture, we have developed a range of benefits and programmes, including:

Award-winning reward

Under One Roof, winner of Employee Benefit Awards, continues to offer colleagues and their families a range of discounts on Countrywide products and services. From free mortgage advice and discounted life and critical illness cover to savings on estate agent fees and removal costs. This year, 1,724 colleagues and their families used 5,166 discounted products/services and saved over £2 million by using the Under One Roof benefits programme.

Really massive bonus for Countrywide employees' family. My dad took advantage of the homebuyers report for £150 which would normally cost him £500. Good service from the Under One Roof team and the surveyor was brilliant himself. 10/10.

Ryan Fowler, UK Sales and Lettings

Recognition of our colleagues

In April 2017, we launched our first Group-wide recognition programme High Fives. An online programme delivered through Our Place, the Group intranet, designed to promote and celebrate excellence in all areas of the business. Colleagues are encouraged to give a High Five (say thank you) for value led behaviours, performance delivery and customer excellence. High Fives continue to go from strength to strength. A record 27,000 High Fives were issued this year by colleagues across the Group and the programme was awarded Best Employee Recognition Programme at the 2019 Ragan Employee Communication Awards.

High Fives recognition

19	27,230
18	25,030

Thank you again for this; it is always an honour to receive recognition from my colleagues.

Simon Toman-Wilkes, Operations

Our long service programme continues to celebrate the commitment of our colleagues at key milestones in their Countrywide journey. In 2019, 2,675 colleagues celebrated more than 12,250 years of service through this programme, demonstrating the extent of expertise that exists within the business. Each colleague receives a personal message from the Group managing director with a recognition feature published on Our Place, the Group intranet.

Length of service (years)

19	5.6
18	5.2

Staff turnover (%)

19	27.5
18	28.0

"Thanks so much Paul! I can hardly believe it – time has flown! From CCS, to EA and now to Operations, it's been a great journey that I am looking forward to continuing for many more years".
Renee Breeze, Customer Services

To further strengthen the recognition of our people, this year we introduced the Countrywide Group Awards. Some 200 colleagues from across all business areas were invited to attend a prestigious event as a reward for their outstanding contribution to Countrywide. Qualification criteria included business performance metrics, customer service delivery and behavioural indicators reflecting our values which High Fives served to support.

Learning and development

Our specialist team of learning and development professionals continue to empower our people through learning. Our portfolio of blended learning programmes reflects and supports the needs of our trading businesses in the markets they operate for now and the future.

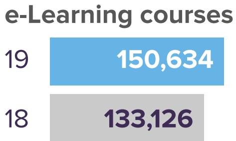
This year saw the introduction of the tenant fee ban, resulting in a change in legislation and the launch of a new training programme. This included 17 different types of workshops covering revised product training, the regulation and licensing changes, and details on how to protect our clients from risk in what is becoming an increasingly regulated market. Delivered over 12 months, through 444 workshops to 3,731 lettings colleagues.

A hugely beneficial workshop with some very clear effects that can improve our customer experience. Brilliant.

Daniel Cooke, Regional Director,
South East Property Management Centre

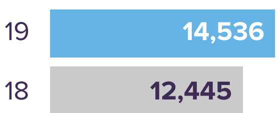
Our e-Learning team developed 81 new courses with over 150,000 courses taken. We delivered in excess of 1,700 classroom training sessions to support the trading businesses and launched a new Group-wide foundation management programme to nurture and build the next generation of Countrywide leaders. We have 246 colleagues enrolled and learning with us on the initial programme, with a further colleague recruitment planned for 2020's foundation.

e-Learning courses delivered



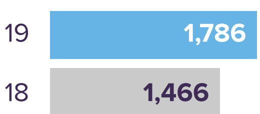
17,508
additional pieces of e-Learning

Classroom attendance



2,091
additional delegates

Classroom sessions

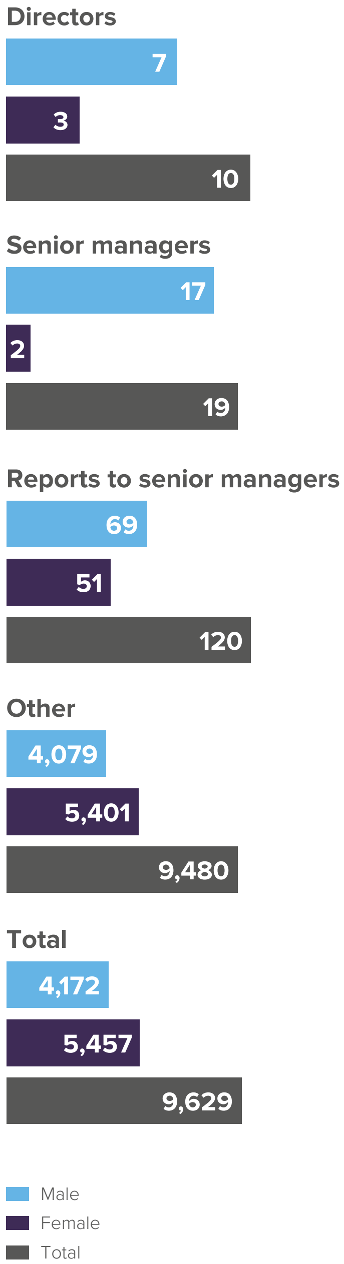


320
additional sessions

Diversity and inclusion

Our business, and in turn our people, work with a diverse customer base across the UK. Our workforce should reflect the customers and communities we serve, embrace diversity and provide an environment where people are encouraged to be themselves in the workplace. We promote workplace inclusion and encourage a collaborative, supportive and respectful environment that increases the participation and contribution of all employees.

Gender diversity



Social and community matters

We recognise our duty to stakeholders to operate the business in an ethical and responsible manner. We are committed to developing our corporate social responsibility ('CSR') agenda and recognise the important part it plays in leading and influencing our people and our business. We work to ensure we provide the right resources, energy and focus to meet the needs and expectations of our stakeholder groups.

CHELSEA PENSIONERS

John D Wood & Co. sponsor the Royal Hospital Chelsea.

Community and charitable giving

As the largest integrated property services group in the UK, with branches and offices in more than 700 locations, our businesses and in turn our people work with a diverse customer base on high streets within multi-cultural communities.

We believe that our brands and businesses should be aligned to reflect the interests of the local communities we serve and, to that end, give back to the community where we can by contributing to charitable causes and local groups. Countrywide also supports a workplace charitable giving scheme so that employees can donate to their charities of choice, tax efficiently, through payroll deduction.

Colleagues across Countrywide are proactive and enthusiastic supporters of local and national charities. Business units, brands and branches take part in a variety of local and regional activity. For example: national fundraising days such as MacMillan Coffee Mornings and BBC Children in Need events; regional team fundraisers; and annual charity support such as John D Wood & Co's corporate sponsorship of the Royal Hospital Chelsea, the home of British Army veterans the Chelsea Pensioners, providing them with accommodation, comradeship and care in recognition of their loyal service to the nation.

Human rights and modern slavery

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 of vital importance.

Our human rights policy and anti-slavery policy applies to all employees and commits Countrywide to upholding the provision of basic human rights and eliminating any discriminatory practices.

Human rights

Countrywide acknowledges our responsibility and is committed to respecting all aspects of human rights in our business. Our business principles lay down the standards we set ourselves to ensure we operate lawfully, with integrity and with respect for others.

All new colleagues are subject to pre-employment checks to confirm their identity and eligibility to work in the UK prior to their starting work within the Group. Information is provided to all employees on their statutory rights, including sick pay, holiday pay and any other benefits they may be entitled to by virtue of their employment. These procedures collectively help to address our ongoing commitment to protect our employees' human rights and the elimination of all forms of forced and compulsory labour.

Modern slavery

Countrywide is committed to ensuring that modern day slavery and human trafficking do not happen in our business or supply chain. We acknowledge our responsibility under the Modern Slavery Act 2015 and ensure transparency within our business and in our dealings with our suppliers.

Our anti-slavery policy reflects our commitment to acting ethically and with integrity in all our business relationships, and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking are not taking place anywhere in our business and in our supply chains.

A copy of our modern slavery statement can be found on our website:

https://www.countrywide.co.uk/notices/modern-slavery-act-statement-countrywide-plc.pdf/

Anti-bribery and corruption

The Group has in place arrangements to ensure compliance with the Bribery Act 2010 and our corporate ethics policy, included in the handbook, contains policies regarding ethical standards within Countrywide, including anti-bribery and corruption, money laundering, employee share dealing and more. This is further strengthened with a portfolio of compulsory e-Learning training courses to reinforce understanding of our policies. Whistleblowing policies and training modules, with associated employee reporting channels, also exist to support these ethical standards.

Environmental factors

We recognise our responsibilities to achieve good environmental practice and continue to strive for improvement in areas of environmental impact. Our primary objective, to minimise our carbon footprint and commitment to the reduction of energy consumption, principally in our fleet and branch footprint, has a positive impact both on the environment and reducing costs to the Group. Our approach is to work through education, communication and direct action wherever possible. Our greenhouse gas emissions are included on page 99 in the directors' report.

Non-financial reporting

People

We develop, retain and recruit dynamic, talented, professional people and create a culture where people are valued, can be themselves and realise their potential.

Social and community matters

Working in partnership with communities over a sustained period is fundamental to our continued success. We employ over 7,000 people working in local communities across the country.

Non-financial information statement

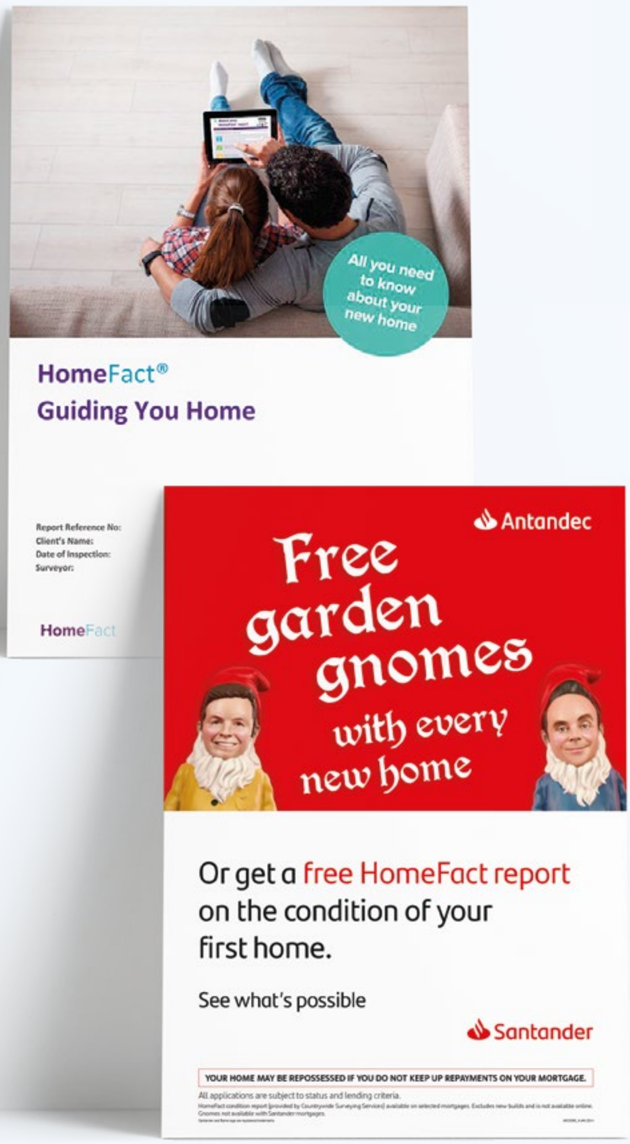
Please see the table below, produced to comply with sections 414CA and 414CB of the Companies Act 2006, that sets out our position on key non-financial matters and where the relevant information is located in this report.

Reporting requirements	Where to read more in this report
Environmental factors Page **38, 65, 99**	Details can be found in our corporate responsibility section, corporate governance statement, and greenhouse gas emissions within the directors' report.
Employees Page **34-36, 47, 65**	Read more about our communication and engagement with our people.
Human rights, social matters and anti-bribery & corruption Page **37-38**	Details of our policies and commitments to ethical standards can be found in our corporate responsibility section, with modern slavery statements also available on our website.
Business model Page **6-7**	Our strategy is to be the provider of choice for residential property services. Our aim is to deliver sustainable shareholder value through the investment in our people and in delivering market-leading products and services.
Non-financial KPIs Page **27-29**	Details of our performance on non-financial KPIs can be found in our operating segment reviews, providing insight into the underlying business drivers.

HomeFact

SANTANDER MORTGAGES OFFERS FREE HOME CONDITION REPORT FOR FIRST TIME BUYERS

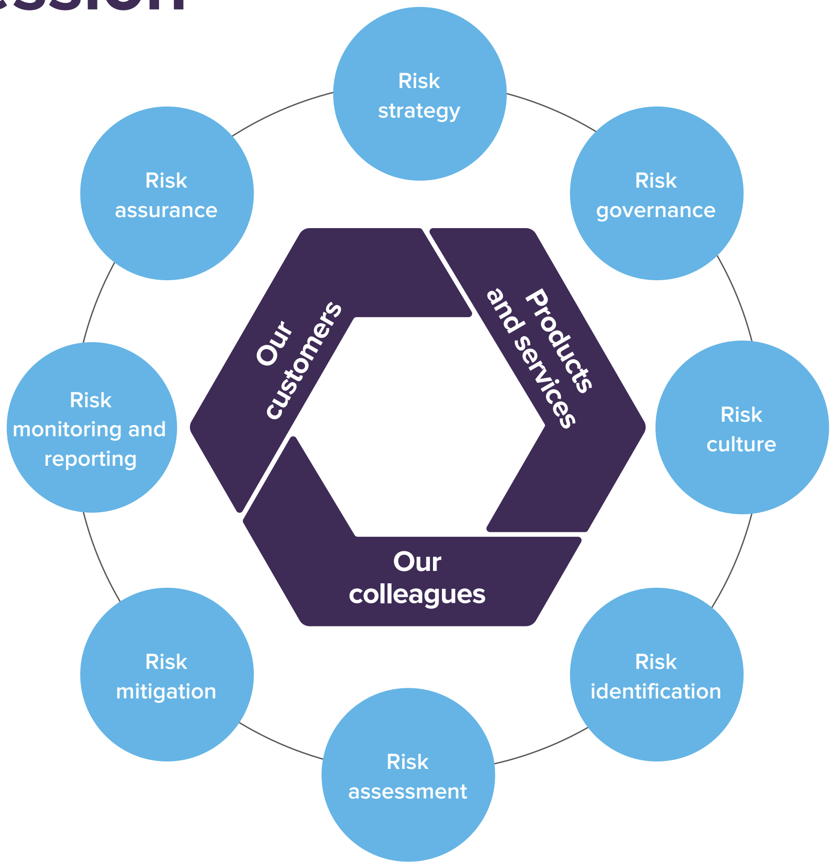
The service that Santander and our First Time Buyers have received from Countrywide Surveying Services surrounding the delivery of HomeFact has been excellent. For our customers, going into the buying process fully informed, with a clear understanding of what areas of the property need attention will make a real difference – especially when it's your first time. Countrywide's HomeFact condition report helps ensure that there are no nasty surprises, leaving new property owners to go and make the most of their new home.



David House
Head of Residential Valuations
at Santander UK

Countrywide
Surveying Services

Risk management: a year of progression



Identifying and managing the risks to our business

The Group recognises that the successful management of risk as part of its everyday activities is essential to support the achievement of its strategic objectives. The Board is responsible for the overall stewardship of the systems of risk management and internal control. The Board in conjunction with the Audit and Risk Committee and Executive Committee regularly undertakes robust assessments of the principal and emerging risks facing the Company. A summary of the principal risks and uncertainties facing the Group, along with emerging risks, is provided on pages 42 to 47.

The Group's risk management framework

The Group operates a risk management framework ('RMF') which seeks to establish an interactive set of arrangements and processes to support the effective and consistent management of risk. The outputs of the RMF aim to 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.

The Group has continued to embed the components of the RMF to ensure that it is aligned with evolving regulatory requirements within the businesses. The eight components of the RMF are shown in the diagram above.

Risk strategy

During 2019, progressive changes have been made to the Group's governance, risk and compliance framework following the 'Back to basics' reset in 2018; in doing so, the following core principles have continued to direct the approach:

- **Protect value** and provide assurance regarding controls over the principal risks whilst also ensuring that, wherever possible, the right actions are taken to avoid negative events;
- **Be straightforward** and pragmatic whilst also providing assurance regarding the operation of clearly defined minimum controls; and
- **Embed the right culture** with support and training to ensure accountability and ownership across the whole Group but particularly in the front-line of the businesses and Group functions.

In addition, the associated Group risk appetite framework has also been reviewed and a series of macro-level risk appetite statements proportionate to the nature, scale and complexity of risks faced by the business are in place. Horizon scanning is also undertaken to cover developing trends for existing risks and the potential consequences of emerging risks.

Risk governance

The Group operates a three lines of defence model. Responsibility for approving, establishing and maintaining the RMF rests with the Board. There is a clear organisational structure in place with documented, delegated authorities, and responsibilities from the Board to the Executive Committee.

Individual business units are responsible for executing their activities in accordance with these delegated authorities and a clear focus on risk and compliance continues to be maintained in executive and senior leadership team meetings.

The Group's three lines of defence framework

1. First line of defence

Senior management is responsible for establishing an appropriate culture and tone from the top and ensuring that risks associated with business activities are identified, assessed, controlled, monitored and reported. Core responsibilities are to:

- Deliver day-to-day risk management
- Follow the Group RMF
- Apply internal controls and risk responses

2. Second line of defence

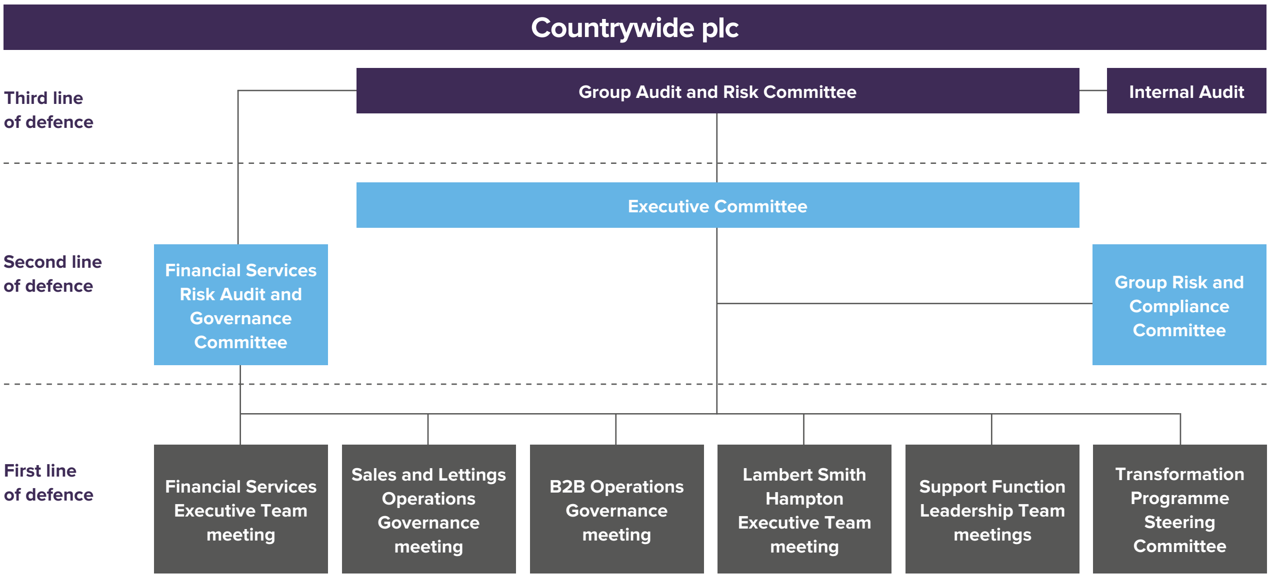
'Control' functions (finance, risk and compliance, the Financial Services Risk Audit and Governance Committee and the Group Risk and Compliance Committee) and the Executive Committee set policy and frameworks for managing key risks. Core responsibilities are to:

- Develop and oversee the RMF
- Oversee and challenge risk management
- Provide guidance and direction
- Set policy

3. Third line of defence

Internal audit is an independent function that reports to the Chair of the Group Audit and Risk Committee, providing the Committee with an independent assurance on the system of risk and internal control. Core responsibilities are to:

- Review the effectiveness of the first and second lines of defence
- Provide an independent perspective and challenge processes
- Obtain objective assurance over the control environment



Risk culture

Operating principles and expectations for risk management are driven by a clear 'tone at the top' and are driven particularly by the oversight functions performed by the Group's first and second line governance framework. During the year, there was further ongoing reinforcement of expectations about keeping the business and its customers safe and legal along with the need for a continuous improvement mind-set. The Group's Code of Conduct provides the basis for establishing expectations of all colleagues, and this is reinforced further via an annual programme of compliance and ethics training along with senior manager attestations of policy compliance.

Risk identification

Effective risk management requires that the Group has a complete understanding of the risks it faces and these are defined in the risk universe.

Risk assessment

A standardised assessment framework is used to evaluate risk exposures at business unit, support function and overall Group levels which enables consistent measurement. Risk assessment follows a bottom-up approach through individual business unit/functional teams and top-down quarterly reviews by the Executive Committee (ExCo) and the Group Audit and Risk Committee (GARC).

Risk mitigation

Controls operate across the business at entity level through Group policy minimum control standards and locally through individual business unit standard operating procedures.

Risk monitoring and reporting

Monitoring and reporting of risk exposures is undertaken through Executive and Senior Leadership Team meetings and is overseen by the Group's risk and compliance function.

The Group Audit and Risk Committee receives a consolidated risk report at each of its meetings, detailing the risks facing the Group and the expected six-month position against a series of planned mitigating actions. The Committee is also provided with regular reports on the activities of the Group's risk and compliance function.

Risk assurance

Assurance regarding 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), the second line (e.g. risk reviews conducted in relation to specific themed areas) and the third line via internal audit reports along with progress in implementing agreed management actions. The results of this assurance activity are reported at all relevant levels within the Group including ExCo and GARC.

Principal risks and uncertainties facing the Group

The Board has undertaken a robust assessment of the Group's principal and emerging risks. Crystallisation of these risks could cause the Group's future results of operations, financial condition and prospects to differ materially from current expectations. This includes the ability to maintain appropriate levels of capital or achieve stated targets and commitments along with other expected benefits. In addition, risks relating to the Group that are not currently known, or that are currently deemed immaterial, may individually or cumulatively also potentially have a material adverse effect on the future results of operations, financial condition and prospects.

The table below sets out the principal risks faced by the Group together with mitigating factors and associated commentary on any changes in the risk profiles. These have been updated, where appropriate, to reflect the implications of the COVID-19 pandemic. The risks have also been mapped to the Group's five strategic pillars using the number references in the key below.

Risk and impact	Mitigation	Commentary
COVID-19 pandemic		
The COVID-19 pandemic and resulting Government guidance on social distancing effectively shut down the UK housing market for the purchase and sale of second hand homes. The Group moved swiftly to close all of its branches on 23 March 2020 and moved to support its customers whilst working from home. For the Lettings business, the Group has a responsibility to keep its tenant community safe and compliant with legal standards through regulatory processes including: gas safety; essential maintenance; urgent repairs; and emergency rehousing. These are managed from the Group's property management centres which remain operational, for this essential business only. The effects of COVID-19 on the UK economy and consumer confidence, and the knock on effects on transaction levels in the UK housing market in the short to medium term, are impossible to predict. There is, therefore, an inherently high degree of uncertainty in the future outlook, but in the short term it is expected to have a material reduction in income and cash flow during, and emerging from, the lockdown period. In addition, the way in which buyers, sellers, landlords, tenants and mortgage lenders will respond to social distancing measures may change the way in which they transact, with, for example, more reliance being placed on digital interactions.	To preserve and safeguard our business for the future, swift and decisive measures were taken, not least to reduce costs and manage liquidity including: a reduction of the pay of the executive chairman, the non-executive and executive directors and most of the leadership team; the furloughing of staff under the Government's Coronavirus Job Retention Scheme; actions to reduce discretionary marketing spend; and curtailing all capital expenditure, including suspension of the strategic transformation of our IT estate. In terms of liquidity, with the agreement of the Government, the Group deferred its VAT, PAYE and NI for March 2020 to June 2020 to the end of the 2020/21 tax year and benefitted from other Government reliefs such as the 100% relief on business rates. In addition, the Group secured additional financing facilities of up to £20 million, for an 18 month period, on top of its existing revolving credit facility of £125 million which matures in September 2022. The Group's lenders also agreed to waive the Group's debt covenants for the March 2020 covenant tests and to amend the covenants going forward to be based on maintaining liquidity headroom, with a review period to agree revised debt covenants in June 2020 or later if there remains ongoing, significant uncertainty arising from the impact of COVID-19. The Group has developed a reasonable worse case scenario (RWC) that overlays the forecast impact of COVID-19 on the Group's three year strategic plan. This has been subject to additional stress tests as set out in note 2(b), going concern. The results of our RWC analysis show that the Group has a sustainable level of liquidity to support the business, although, as noted below, a number of material uncertainties exist in the trading forecasts and liquidity position at this time. In order to provide additional liquidity, the Group has begun to explore the availability of funding available to large businesses under the Government's Coronavirus Large Business Interruption Loan Scheme. The business is also seeking to operationally respond to COVID-19 through extensive measures on health and safety to keep colleagues and customers safe as social distancing measures are eased, as well as developing new ways of working, including flexible working and developing broader ways in which customers can engage with the Group at their time and method of choosing.	**Change** New risk N **Associated with strategic pillars** 1 2 3 4 5

Risk and impact	Mitigation	Commentary

Financing and capital structure

Risk and impact

Effective management of the Group's capital structure, banking facilities and covenants is central to the achievement of its strategic objectives and profitability.

Mitigation

The Group undertakes open and regular communication with its lending institutions. The consideration of debt covenants and available headroom is built into the Group's planning, budgeting and forecasting processes, with regular monitoring undertaken against covenant compliance.

Revised banking covenants have been agreed, not least as a result of the trading uncertainties created by the COVID-19 pandemic, and the Group has also acted swiftly to protect its liquidity by:

- Making use of Government financial support schemes, including premises rates relief and tax payment deferrals along with the Coronavirus Job Retention Scheme, thereby reducing operational cost temporarily to match decreased business levels;
- Renegotiating payment terms with key suppliers and landlords;
- Implementing temporary reductions in remuneration for the executive chairman, non-executive and executive directors, senior leaders, and all those earning more than £45,000 p.a.;
- Temporary closure of customer facing premises to protect customers and colleagues but with the associated benefit of reduced operational running costs; and
- Minimising all other discretionary spend, in particular marketing spend, stopping capital expenditure and suspending the Group's IT transformation programme.

The Group meets its working capital and funding requirements through a revolving credit facility of £125 million which matures in September 2022. The Group benefits from a supportive lender group of six lenders ("Lenders") most of whom have provided borrowing facilities since March 2013. In April 2020, the Lenders agreed to provide an additional £20 million facility for an 18 month period, with £10 million available from 1 May 2020 and £10 million available from April 2021. In view of the uncertainty arising as a result of COVID-19, the Lenders also agreed to waive the Group's debt covenants for the March 2020 covenant tests and to amend the covenants going forward in the short term to be based on liquidity.

As at 29 April 2020, the Group had available cash resources of approximately £30 million and from 1 May 2020, the available liquidity was £40 million.

In the event of a prolonged lockdown beyond three months, or a slower recovery, the reasonable worst case scenario also assumes the ability to further defer tax liabilities due for the period July to September 2020 into the calendar year 2021.

After meeting existing creditor payments of approximately £10 million, our cash forecasts, including actions to be agreed with HMRC as set out in note 2(b) to the financial statements (Going concern), show that the Group is expected to retain liquidity of around £20-£30 million to support the business through our reasonable worst case scenario.

Commentary

Change
Increase

In addition to existing financial controls along with the tactical actions taken in response to the COVID-19 pandemic, the Group continues to explore possible options for the sale of its commercial operation, Lambert Smith Hampton, to provide further improvements to its capital structure and leverage ratio.

Some of the tactical and beneficial changes to the Group's operating model that have been made to accommodate the COVID-19 pandemic are also under review for potential longer term adoption (e.g. increased remote working where appropriate).

Associated with strategic pillars

3 5

1 'Back to basics' in Sales & Lettings
2 Income from complementary services
3 Cost efficiency
4 Growth in B2B and Financial Services
5 Financial discipline and cash flow

Risk and impact	Mitigation	Commentary
Exposure to UK housing market trends		
Whilst over the longer term, the UK housing market continues to follow a cyclical trend, consumer confidence and behaviours are nonetheless being adversely impacted by the effects of the COVID-19 pandemic, and to a lesser extent ongoing uncertainty regarding Brexit. The way in which customers respond to social distancing measures may change the way in which they transact, with more reliance being placed on digital interactions. If evolving trends are not assessed and responded to adequately they could adversely affect the Group's operating model and profitability.	The Group continuously monitors the UK housing market transaction levels, pricing, mortgage approvals and other forward-looking indicators such as interest rate predictions. Financial scenario planning is undertaken as a standard part of the Group's annual budgeting and three-year planning processes, but is also ongoing specifically to assess the potential impact of the COVID-19 pandemic, which remains inherently uncertain given the inability to accurately predict the extent and duration of social distancing measures and their impact on activity in the housing market. In addition, the Group also continues to: • Explore ways to increase revenue through complementary services that benefit both the Group and its customers; • Align its cost base e.g. through the closure of loss making branches; and • Develop new ways of working to align with shifts in Government, customer and corporate client requirements resulting from the pandemic (e.g. the accommodation of social distancing requirements), including flexible working and developing broader ways in which customers can engage with the Group at their time and method of choosing.	**Change** Increase The Group's income from complementary services has increased by 9% year-on-year from 44p in 2018 to 48p in 2019. This represents the income earned for each £1 of estate agency revenue from other Group offerings such as conveyancing and financial services. **Associated with strategic pillars** 1 2 3 4 5
Professional indemnity exposure		
The previous downturn in the UK housing and commercial property markets caused by the global financial crisis, along with the impact of sub-prime lending, exposed the Group to a higher level of professional indemnity insurance claims within its surveying division. Failure to control professional property valuation related risks adequately could result in a resurgence of costly claims.	The Group's valuation and surveying business continues to serve predominantly the UK's largest prime mortgage lenders and does not operate in the subprime market. It continues to avoid property valuations relating to higher risk lending and client types and this has remained the case during the COVID-19 pandemic. Monitoring arrangements including operational controls implemented for the review and audit of valuation reports along with the targeted use of automated valuation models are in place to aid checks in perceived higher risk cases. Close monitoring of legacy claim trends and related financial provisions remains ongoing.	**Change** No change The situation has remained stable in 2019 and into 2020; once again the volume of claims over this period has been considerably reduced when compared to prior years. Risk management in the Group's surveying operations remains a top priority and continues to deliver recognisable benefits for the Group's clients and business. **Associated with strategic pillar** 4

Risk and impact	Mitigation	Commentary

Potential loss of a major business partner or contract

The Group has a number of material commercial relationships with banks, building societies, insurers and other key partners.

The loss of one of these contracts, or a significant reduction in volumes or fees, could have a material impact on revenues in more than one area of the business and consequently on the Group's profitability.

The Group has an agreed approach to corporate client management with key relationship responsibilities defined at senior management level and supported by members of the Group's Executive Committee. Regular reviews are undertaken with key clients to ensure continued focus on investment, maintenance of service levels and compliance with contractual requirements.

A highly experienced relationship management team is also in place with responsibility for key client liaison and developing new contract opportunities.

In particular, the advancement of automated valuation technology within the mortgage lending industry and the associated risk of reduction in traditional lending valuation volumes along with the resultant increase in industry competition and downward pressure on fee levels which has also been further precipitated by the COVID-19 pandemic (as a result of physical property inspections not being possible during the initial lockdown due to social distancing requirements) have prompted the Group's surveying business to develop new products. As an immediate response, an enhanced desktop valuation service was implemented to support ongoing mortgage lending for key clients whilst for the longer term, an interactive B2C property condition product (HomeFact) has also been developed. Prior to the COVID-19 restrictions, HomeFact was being sold, in particular, alongside Santander first time buyer mortgages.

Change
Increase

Key partner alliances remain vital as part of the Group's B2B strategy.

The Group continues to benefit from strong relationships with its corporate partners. It has retained a number of key existing clients through competitive tender exercises during 2019 and has also attracted additional instruction volumes through consistent service delivery and innovation (not least during the COVID-19 pandemic).

Associated with strategic pillar

4

Resilience of IT infrastructure and arrangements for the protection of data

The business relies upon a series of interdependent systems for operational performance and financial information; a failure of one of these, a security breach or a cyber-attack could impact the Group's operations, reputation and future profitability.

A series of progressive IT system improvements to support operational performance were made during 2019 and further developments were due but have been suspended as we curtail all capital expenditure during COVID-19.

Business continuity plans have been implemented during the COVID-19 pandemic and systems have been maintained through remote working arrangements.

The Group's in-house information security, cyber security and data protection teams continue to monitor risks and any potential breaches closely.

Ongoing Group-wide training and communications are maintained to ensure that colleagues are aware of good information security, cyber security and data protection requirements at all times.

Change
Increase

Associated with strategic pillars

1 3 4

1 'Back to basics' in Sales & Lettings
2 Income from complementary services
3 Cost efficiency
4 Growth in B2B and Financial Services
5 Financial discipline and cash flow

Risk and impact	Mitigation	Commentary
Changing regulatory environment		
The Group's businesses operate across multiple regulated sectors. Failure to meet legal or regulatory requirements could lead to the withdrawal of authorisations required to undertake business along with financial penalties and potential reputational damage.	The Group monitors the compliance of its business operations closely through its three lines of defence control framework. It also continues to maintain an appropriate 'tone at the top' which is cascaded via its Code of Conduct, policies and management communications. Expertise within the main business areas is supported by centralised legal and compliance teams who monitor business practices closely. A programme of core compliance and ethics training is in place across the Group which is supported by learning management technology. Results are monitored closely by business unit leadership teams, the Executive Committee and the Group's Audit and Risk Committee. Robust complaints management systems are in place across all operating divisions with trends monitored and reported to the Board. Specific projects are mobilised to address material regulatory changes (e.g. the Financial Conduct Authority's Senior Managers' and Certification Regime, the EU's Fifth Money Laundering Directive and the potential impact of the proposed Register of Property Agents ROPA).	**Change** No change The Group maintains close links and open dialogue with its regulators and continues to monitor regulatory developments along with the consequent implications for its businesses. Details of regulatory investigations and sanctions by Her Majesty's Revenue & Customs (HMRC) regarding anti money laundering checking in the Group's estate agency business and the Royal Institution of Chartered Surveyors (RICS) regarding client accounting processes in the Group's lettings business were published during the year. These related to historical practices and improvements to controls have been made to prevent recurrences. The overall cost of regulation continues to grow. **Associated with strategic pillars** 1 2 4
Increasing competition in evolving markets		
Countrywide operates across a range of highly competitive markets, a number of which have been experiencing changes due to technological advancements and further impetus is also now being created as a result of the COVID-19 pandemic. Increasing competition, from existing competitors or new entrants, could lead to a reduction in market share and/or a decline in revenues.	The Group's strategy is to concentrate on its strengths of being an integrated property services provider that brings people and property together through its sales, lettings and financial services businesses. Market share levels are monitored closely across the Group's businesses and service offerings are monitored continually to ensure that customer expectations are met. The impact of the COVID-19 pandemic on the housing and mortgage markets remains under close scrutiny to ensure that the Group adapts to evolving customer requirements as already noted above (e.g. the accommodation of social distancing requirements) as well as developing new ways of working, including flexible working and developing broader ways in which the customers can engage with the Group at their time and method of choosing.	**Change** Increase **Associated with strategic pillars** 1 2 4

Risk and impact	Mitigation	Commentary
Securing and retaining excellent people		
The Group's ability to deliver its strategy is dependent on attracting, developing, motivating and retaining people of the highest quality. An inability to recruit or retain talent could impact the ability to deliver financial performance and growth targets.	The Group continues to invest in its people. During 2019, it continued to fund graduate and trainee schemes (e.g. in Surveying and Conveyancing) and maintain talent development to support succession planning along with professional development for colleagues in support functions. The Group also continues to develop and embed its wellbeing programme (BeWell) to support colleagues' mental, physical and financial health as well as the environment. This focus has been particularly relevant during the COVID-19 pandemic. A range of employee benefits is also in place that seeks to incentivise and motivate performance across all levels of management. These are overseen by the Remuneration Committee and the value of them to colleagues has been actively promoted.	**Change** Increase People are at the heart of the Group's business and are essential to deliver its strategy. The Group continues to monitor overall levels of colleague engagement to drive activity that focuses on: improving morale; reducing attrition; and identifying potential pressure points to improve operational efficiency. **Associated with strategic pillars** 1 4

Brexit

The perceived negative implications of Brexit and the potential of leaving the EU without a deal, or with a poor deal, have impacted the UK economy. The format of the final Brexit deal continues to present an unavoidable risk to the Group which will impact a number of the principal risks above, chiefly 'Exposure to UK housing market trends'.

Emerging risks

In addition to the principal risks, the Board in conjunction with the Audit and Risk Committee and Executive Committee also review emerging risks facing the Company with the result that the following have been identified and are also being monitored:

- Potential for further decline of the residential Private Rented Sector (PRS) – the lettings market continues to be characterised by a continuing shift to professional landlords which is also taking place against a backdrop of increasing regulation, thus potentially reducing stock availability for the Group's traditional Lettings business.
- Changing residential mortgage lending practices – the emergence of changing lending patterns towards longer fixed term mortgages that extend the elapsed times between renewals along with the development by lenders of their own online distribution models could impact volumes for the Group's Financial Services business.

The Group continues to work closely with its trade bodies and regulators to monitor all developing trends that could impact residential property and mortgage transactions. It also continues to monitor and update these risks along with associated mitigation plans as appropriate.

Viability statement

The directors have assessed the viability of the Group over a three-year period which aligns with the Group's business planning and budgeting cycle and the performance measurement period for the long term incentive plan.

The Group prepares, annually, a three-year financial model which is tested against the Group's agreed banking covenants. The strategic plan is prepared on a bottom-up basis by each of the Group's trading businesses and is reviewed by the Group's executive before being approved by the Board. The strategic plan (the base case) reflected the directors' best estimate of the prospects of the business before COVID-19. The plan has then been updated for the actual performance to 31 March 2020 and overlaid for the expected financial impact of COVID-19 to arrive at a revised base case that is referred to as the reasonable worst case (RWC) scenario. The RWC has then been stress tested, as described below.

The most significant risk factors that affect the Group's viability are the impact of the COVID-19 pandemic on the UK housing market and the ability to successfully refinance the Group's debt facilities with its lenders.

For the purposes of the viability testing, the Group's RWC scenario as set out in note 2(b), going concern, was extended through to December 2022. The critical assumption that influences the Group's trading performance and cash flows is that the UK housing market returns to 2019 transaction levels through 2021 and 2022. In the light of the COVID-19 pandemic, the outlook for the future of the UK housing market is very uncertain. However, unlike 2008/09, there is a strong mortgage market with low interest rates and a good range of products available to underpin the demand for house purchases. Our three-year plan assumes that Lambert Smith Hampton remains held for sale throughout the period.

In preparing the RWC scenario for the three-year plan, the directors considered its existing banking facilities and covenants, noting that the Group's current facilities expire before the end of the three-year period over which the Group's viability is assessed. The Group meets its working capital and funding requirements through a £20 million super senior facility expiring in October 2021 and a revolving credit facility of £125 million which matures in September 2022. The combined facilities are subject to a liquidity covenant measured over a rolling 13 week period.

In common with the RWC scenario, prepared as the basis for the directors' assessment of the going concern basis of preparation as set out in note 2(b), going concern, the directors reviewed three stress tests reflecting uncertainty in the recovery period:

- The estate agency pipeline deteriorates by 40% during the lockdown period;
- The lockdown period extends by one month to the end of July;
- The lockdown period ends in June, but there is a 10% deterioration of the pipeline and a slower recovery in the market.

In addition to the income and cost assumptions above, the Group has also included its best estimate of potential cash outflows in respect of pensions, capital expenditure and contingent consideration for historic acquisitions.

Material uncertainties

The RWC and all three stress test scenarios indicate a material decline in income and working capital and in order to meet the Group's agreed liquidity covenants, the Group is dependent on:

- agreement with HMRC to defer tax liabilities in respect of PAYE, NI and VAT for the period July to September 2020, in line with those measures that have already been agreed to date for the period March to June 2020;
- agreement with HMRC that the aggregate tax liabilities deferred in respect of PAYE, NI and VAT for the period March to September 2020 can be repaid over 12 months commencing January 2021, beyond the current tax year;
- the lockdown period ends in June 2020, there is no significant adverse attrition in the opening pipeline for estate agency transactions and there is a phased return to market activity comparable with 2019, excluding closed branches, from July 2020; and
- successful refinancing of the £20 million super-senior facility upon expiration in October 2021.

Failure to achieve one or more of the above would result in lower liquidity headroom. If the Group's cash forecast is not achieved, there is a risk that the Group will not meet the liquidity covenants and should such a situation materialise, the lenders reserve the right to withdraw the existing facilities. In addition, the refinancing of the £125 million revolving credit facility by September 2022, together with the availability of finance to support the payment of contractual deferred consideration liabilities to third parties in respect of historic acquisitions, are key assumptions in determining the viability of the Group.

The Board recognises the importance of maintaining a supportive lender group in maintaining access to its debt facilities as part of its capital structure for the long term success of the business and will be exploring refinancing options in 2021.

Without the support of the lender group, the Group and the Company would be unable to meet their liabilities as they fall due. Given the timing and risks associated with achieving forecast liquidity, and therefore remaining within the liquidity covenant as stipulated by the banking facility agreements, the directors have drawn attention to these matters as material uncertainties that may cast significant doubt about the Group's and Company's ability to continue as a going concern.

Viability statement

Despite the material uncertainties noted above, the directors are of the view that the Group will be able to access further liquidity through the CLBILS facility and that Government, HMRC and the lender group will continue to provide the Group with support to counteract the trading impact of COVID-19 such that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that they can adopt the going concern basis in preparing the Group financial statements. Therefore, the financial statements do not include any adjustments that would result if the going concern basis of preparation was inappropriate.

Accordingly, the directors have confirmed that, after due consideration, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements.

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 2022.

Return to profitable growth in 2019

In 2019, the Group returned to profitable growth in its continuing operations, with adjusted EBITDA (pre-IFRS 16) up 16% through the successful implementation of profit protection plans Group-wide.

2020 began strongly but was then overtaken by the COVID-19 pandemic, which required the Group to take positive steps to reduce cost and manage liquidity through measures under our control, and supported by Government measures and our lender group.

A core tenet of the Group's turnaround strategy is maintaining financial discipline and driving cash flow. Our improved disciplines were particularly important as we faced into the COVID-19 pandemic. Net debt at 31 December was £82.9 million (2018: £70.7 million) with net debt/adjusted EBITDA (pre-IFRS 16) of 3.4x (2018: 2.2x).

Our response to COVID-19 was swift and decisive. In order to protect the future of the business for the benefit of our customers, our colleagues, and for debtholders and shareholders, we took immediate actions to reduce cost, conserve cash and manage liquidity.

Highlights for 2019

Adjusted EBITDA (pre-IFRS 16)

Adjusted EBITDA (pre-IFRS 16) increased 16% year-on-year

£24.4m

(2018: £21.1m)

Loss for the year

The loss for the year reduced from the prior year loss of £224.4 million to £37.5 million

£37.5m

(2018: £224.4m)

Net debt[3]

Net debt to adjusted EBITDA (pre-IFRS 16) of 3.4x

£82.9m

(2018: £70.7 million)

1. Earnings before interest, tax, depreciation, amortisation, exceptional items, contingent consideration, share-based payments and share of profits from joint venture before the adoption of IFRS 16, referred to hereafter as 'adjusted EBITDA (pre-IFRS 16)' (for comparability with prior period). See page 52 for reconciliation).
2. Figures stated are for continuing operations only and stated pre-IFRS 16.
3. Net debt calculated before the effect of IFRS 16 and leverage calculated on the basis of net debt to adjusted EBITDA (pre-IFRS 16) on a rolling 12-month basis.

Continuing operations back to profitable growth in 2019; early 2020 responding to COVID-19

In 2019, the Group's continuing operations returned back to profitable growth and the business was well positioned to benefit from the upturn in consumer confidence following the decisive outcome of the UK general election in 2019. In the first 12 weeks of 2020, the Group's pipeline of agreed sales was up 9% year-on-year.

COVID-19 resulted in the Group having to close its branch operations and centres, retaining only those colleagues who deliver essential services to landlords and tenants, and colleagues supporting customers to complete their house purchase, sale, mortgage or surveyors for desktop based valuations.

My financial review therefore sets out our detailed response to COVID-19, and the Group's liquidity position, before addressing the 2019 results of the Group.

Financing structure and liquidity and our response to COVID-19

Following the closure of all our 731 branches, we furloughed 78% of our employees and welcomed the support of Government to manage the payroll cost. The executive chairman and non-executive directors volunteered a 33% reduction in salary, whilst executive directors and all those earning more than £45,000 per annum took a 20% reduction in salary. We took action to reduce cost and to defer payments on all major contracts including marketing and IT contracts, and sought rental holidays and payment deferrals with landlords. We also welcomed the support of HMRC in agreeing to defer our VAT, PAYE and NI for payments due in March to June 2020 to the end of the tax year.

The Group meets its working capital and funding requirements through a revolving credit facility of £125 million which matures in September 2022. The Group benefits from a supportive lender group of six lenders ("Lenders") most of whom have provided borrowing facilities since March 2013. In April 2020, the Lenders agreed to provide an additional £20 million facility for an 18 month period, with £10 million available from 1 May 2020 and £10 million available from April 2021. In view of the uncertainty arising as a result of COVID-19, the Lenders also agreed to waive the Group's debt covenants for the March 2020 covenant tests and to amend the covenants going forward in the short term to be based on liquidity.

As at 29 April 2020, the Group had available cash resources of approximately £30 million and from 1 May 2020, the available liquidity was £40 million.

The Group has run a series of stress tests and, whilst it is impossible to assess the impact of COVID-19 on the UK housing market, the method we have used to stress test the liquidity of the Group is to factor in known revenue and cash streams that continue to flow during COVID-19, aligned with the mitigating actions on cost and cash flow referred to above.

On the income side, we modelled a 73% reduction in income in Q2, before overlaying: the benefit of the existing pipeline in March 2020 of agreed estate agency sales; written mortgages; the active conveyancing pipeline; conservative assumptions on the collections of March receivables in Lambert Smith Hampton; the benefits of recurring income and cash flow from the lettings business of managed properties; and the continuing benefits we are seeing from the delivery of desktop based valuations in our surveying business.

On the cost side, we have factored in a reduced run rate of costs and cash flow actions for the duration of the lockdown period. For the remainder of the financial year to 31 December 2020, we have looked at a number of scenarios to assess how quickly the market might return and how quickly the closing March pipeline completes and converts to cash flow, as well as scenarios for the phasing of our return and therefore the associated costs to match customer demand.

In the event of a prolonged lockdown beyond three months, or a slower recovery, the reasonable worst case scenario also assumes the ability to further defer tax liabilities due for the period July to September 2020 into the calendar year 2021.

After meeting existing creditor payments of approximately £10 million, our cash forecasts, including actions to be agreed with HMRC as set out in note 2(b) to the financial statements (Going concern), show that the Group is expected to retain liquidity of around £20-£30 million to support the business through our reasonable worst case scenario.

In order to provide further financial flexibility, the Group is also continuing to explore the availability of the funding available to large business under the Government's Coronavirus Large Business Interruption Loan Scheme.

Continuing operations

2019 saw an important milestone being delivered in the Group's turnaround plan – a return to profitable growth. Our revenue was impacted by the uncertainty surrounding Brexit which resulted in an overall decline in the market exacerbated by the introduction of the new regulation for tenant fees on 1 June 2019. Our resulting income from continuing operations fell by 3% (£16.9 million). Adjusted EBITDA (pre-IFRS 16) increased 16% (£3.3 million) year-on-year through the successful build back of the sales and lettings business, and right sizing the branch network and the resourcing levels in branches.

The loss for the year was £37.5 million (2018: £224.4 million) after funding the costs of restructuring the branch network and the costs of funding the Group's IT transformation programme.

Discontinued operations

During the year, we also announced the sale of our non-core commercial business, Lambert Smith Hampton, to John Bengt Moeller for a cash consideration of £38 million. We exchanged legally binding contracts and obtained shareholder approval on 27 December 2019. Following protracted efforts, after the year end, to effect completion, and after agreeing a revised timetable to complete on more than one occasion, Mr Moeller failed to complete the transaction and the company is pursuing Mr Moeller for damages and costs from continuing delay in completion. Meanwhile, the Company has entered into discussions with another interested purchaser that actively expressed an interest in LSH during the delayed completion period.

Lambert Smith Hampton, our commercial real estate business, continued to suffer disproportionately in comparison to the Group's residential business, with income down 9% and adjusted EBITDA down by 64% year-on-year as a result of tough trading conditions in some commercial markets. LSH continues to be an important contributor to the Group and whilst we continue to explore a potential sale of that business it has been held for sale on the balance sheet and disclosed as a discontinued operation as at 31 December 2019 and presented separately from continuing operations in the financial statements.

IFRS 16

Countrywide has adopted IFRS 16 retrospectively from 1 January 2019 but has adopted the modified retrospective transition method and not restated the 2018 comparatives. IFRS 16 has no impact on the overall cash position of the Group. It does, however, have a significant impact on the way that assets and liabilities and the income statement are presented for the Group and the classification of cash flows. For more information on the impact of IFRS 16 see note 2(c).

Group results

Continuing operations	2019 As reported Total £'000	2019 IFRS 16 impact £'000	2019 Pre-IFRS 16 £'000	2018[3] (Restated) Total £'000	Variance (pre-IFRS 16) £'000	Variance %
Total income	**498,127**	**–**	**498,127**	515,053	(16,926)	(3)
Adjusted EBITDA	**54,480**[1]	**(30,123)**	**24,357**[2]	21,093[2]	3,264	16
Contingent consideration	**(1,285)**	**–**	**(1,285)**	(7,312)	6,027	82
Share-based payments	**(2,115)**	**–**	**(2,115)**	(1,485)	(630)	(42)
Depreciation and amortisation	**(21,133)**	**10,225**	**(10,908)**	(18,264)	7,356	40
Share of profit/(loss) from joint venture	**304**	**–**	**304**	(1,518)	1,822	120
Exceptional costs	**(57,662)**	**1,505**	**(56,157)**	(237,238)	181,081	76
Operating loss	**(27,411)**	**(18,393)**	**(45,804)**	(244,724)	198,920	81
Net finance costs	**(10,460)**	**5,046**	**(5,414)**	(14,741)	9,327	63
Loss before taxation	**(37,871)**	**(13,347)**	**(51,218)**	(259,465)	208,247	80
Taxation credit	**419**	**–**	**419**	35,043	(34,624)	(99)
Loss after tax for continuing operations	**(37,452)**	**(13,347)**	**(50,799)**	(224,422)	173,623	77
(Loss)/profit on discontinued operations	**(4,222)**	**1,465**	**(2,757)**	6,267	(11,638)	(186)
Loss for the year	**(41,674)**	**(11,882)**	**(53,556)**	(218,155)	161,985	74

1. Earnings before interest, tax, depreciation, amortisation, exceptional items, employment-linked contingent consideration, share-based payments and share of profits from joint venture, referred to hereafter as 'adjusted EBITDA' (see note 4 for reconciliation).
2. Earnings before interest, tax, depreciation, amortisation, exceptional items, employment-linked contingent consideration, share-based payments and share of profits from joint venture before the adoption of IFRS 16, referred to hereafter as 'adjusted EBITDA (pre-IFRS 16)' (for comparability with prior period). See opposite for reconciliation.
3. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.

The Group entered 2019 anticipating that the UK property market would be broadly in line with budget plans following a decision in respect of Brexit in March 2019. However, delays in Brexit continued to weaken the UK housing market, which in turn impacted on our results for 2019.

Total income

The Group's revenue is split into three operating segments, Sales and Lettings, Financial Services and B2B. All other segments relate to head office functions.

Revenues in Sales and Lettings decreased by 5% year-on-year due to the introduction of the tenant fee ban in June 2019 coupled with market uncertainty, meaning lower stock levels nationally and lower overall prices in the market.

Financial Services demonstrated a robust performance with a 2% decrease in income arising from a 0.4% fall in the market and the impact of branch closures. The number of mortgages completed by Countrywide grew by 3% from £20.3 billion to £20.9 billion during the year.

B2B revenues increased by 2% year-on-year as a result of our relentless focus on maximising income from complementary services.

For further information, refer to our segmental reviews on pages 27 to 29.

Adjusted EBITDA (pre-IFRS 16)

Adjusted EBITDA (pre-IFRS 16) increased by £3.3 million, or 16% year-on-year, to £24.4 million through the successful implementation of profit protection plans Group-wide.

Contingent consideration

Contingent consideration of £1.3 million (2018: £7.3 million) relates to previous acquisitions where the consideration arrangements require the vendors to remain in employment and as such have been treated as a post-combination employment expense; they are being accrued over the relevant periods specific to each of the agreements.

Elements of the contingent consideration are subject to performance conditions being satisfied, with target adjusted EBITDA (pre-IFRS 16) levels that must be achieved in order to realise the full payment. Accruals for contingent consideration are 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 are reported in the same place in the income statement. See note 32 for further details.

Share-based payments

The share-based payment charge to the income statement of £2.1 million (2018: £1.5 million) comprises annual nil-cost option grants under the three-year long term incentive plan (LTIP) to senior managers amounting to £1.0 million (2018: £0.2 million), share incentive plan (SIP) charges of £0.5 million (2018: £0.8 million) arising from employee participation; SAYE charges of £0.6 million (2018: £0.5 million) (the scheme was implemented in May 2018 following the cessation of the SIP scheme and new awards were granted in May 2019) and deferred bonus share plan charges of £nil (2018: £0.3 million).

There has been a significant decline in the Group's profitability since 2014, and as a result, the impact of truing up for non-market conditions, and matching reward to performance has reduced the share-based payment charge which is now a less material feature of the income statement. However, as the Group is now in a turnaround situation, it is anticipated that future performance incentives will include LTIP awards which, provided Group performance meets these targets, will see the share-based payment charge continue to increase and could reintroduce material volatility into the income statement.

Segmental results in respect of continuing operations (pre-IFRS 16)

	Total income			Adjusted EBITDA				
	2019 £'000	2018 (Restated[3]) £'000	Variance %	**As reported[1] 2019 £'000**	IFRS 16 impact 2019 £'000	**Pre-IFRS 16[2] 2019 £'000**	2018 (Restated[1,2]) £'000	Variance %
Sales and Lettings	**326,576**	342,964	(5)	**30,394**	(26,625)	**3,769**	(2,402)	257
Financial Services	**82,093**	83,911	(2)	**17,346**	(801)	**16,545**	16,613	–
B2B	**89,261**	87,516	2	**19,449**	(1,734)	**17,715**	19,934	(11)
All other segments	**197**	662	(70)	**(12,709)**	(963)	**(13,672)**	(13,052)	(5)
Continuing operations	**498,127**	515,053	(3)	**54,480**	(30,123)	**24,357**	21,093	15
Discontinued operations	**101,896**	112,018	(9)	**8,703**	(4,520)	**4,183**	11,590	(64)
Total Group	**600,023**	**627,071**	**(4)**	**63,183**	**(34,643)**	**28,540**	**32,683**	**(13)**

1. Earnings before interest, tax, depreciation, amortisation, exceptional items, employment-linked contingent consideration, share-based payments and share of profits from joint venture, referred to hereafter as 'adjusted EBITDA' (see note 4 for reconciliation).
2. Earnings before interest, tax, depreciation, amortisation, exceptional items, employment-linked contingent consideration, share-based payments and share of profits from joint venture before the adoption of IFRS 16, referred to hereafter as 'adjusted EBITDA (pre-IFRS 16)' (for comparability with prior period). Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.

Depreciation and amortisation

We continue to separate our depreciation and amortisation to clearly show the depreciation and amortisation that relates to assets purchased for use in the business; and the amortisation arising on intangible assets that have been recognised as a result of business combinations.

The underlying depreciation charge (pre-IFRS 16) decreased to £8.1 million (2018: £16.0 million) due to impairments made in December 2018 and June 2019. More details on the impact of IFRS 16 are in note 2(c) and note 16 of these financial statements.

Amortisation of acquired intangibles has decreased marginally to £2.1 million (2018: £2.3 million) as a result of a full year of amortisation on brand names, after we adopted finite lives of 15 years in respect of all of our brand names from 1 July 2018, offset by impairments made during the year.

Exceptional costs

The Group incurred exceptional costs of £57.7 million during the year consisting of:

- **Impairment charges**

  Significant progress has been made with the turnaround plan during the year. However, further impairment charges have been incurred of £47.8 million in 2019. Cash flows underpinning the current impairment review align to the latest three-year strategy and turnaround plan that was scrutinised and endorsed by the Board at the year end. The impact of COVID-19 has not been incorporated in impairment reviews as this is a non-adjusting post-balance sheet event. For more information on impairment charges see note 10.

- **Strategic and restructuring costs**

  Investments were made in the IT transformation programme amounting to £5.1 million. Costs mainly comprise third party consultancy costs, which are being capitalised where appropriate (see notes 14 and 15). Although these investments increase our cash outflows in the short term, the expected exit rate savings were expected to be seen in 2022 (before suspension of the programme during COVID-19 which will defer benefits). People related restructuring costs of £1.7 million were incurred as a result of our continued review and rationalisation of branch and Group functions. Following branch footprint rationalisation, £3.2 million of property closure costs were incurred.

Professional indemnity provisions

In line with expectations, the Group received low numbers of professional indemnity valuation claims during 2019. Estimating the liability for PI claims is highly judgemental and we have updated our financial models to reflect the latest inputs and trends as well as taking advice from our panel of lawyers in respect of open claims, holding our provision broadly flat.

Net finance costs

Our drawdown on bank borrowing facilities increased from £85 million at 31 December 2018 to £100 million at 31 December 2019, principally as a result of the investment in the IT transformation programme.

Finance costs decreased by £4.4 million year-on-year because: the bank borrowing facilities were at £210 million for a significant part of 2018 until the £125 million net proceeds from the equity raise were used to reduce Group borrowings (£3.0 million saving) and the costs of IFRS 16 interest introduced in 2019 were £1.2 lower than the exceptional finance costs incurred during 2018.

Taxation

A tax charge of £5.0 million (2018: £0.1 million charge) was recognised on underlying profits (before exceptional items) of £25.3 million (2018: loss £4.7 million) which represents an effective tax rate of 20% (2018: (3)%). The Group also recognised an exceptional tax credit of £5.4 million (2018: £34.9 million) on losses before tax of £63.2 million (2018: £254.8 million) which results in an overall tax credit for the year of £0.4 million (2018: £35.0 million). This represents an effective tax rate of 1% (2018: 14%). The principal reason for the tax credit is the £47.8 million impairment of intangible and tangible assets which resulted in unwind of the related deferred tax liability.

Countrywide's business activities operate predominantly in the UK. All businesses are UK tax registered apart from a small operation in Ireland, which forms part of discontinued operations. We act to ensure that we have a collaborative and professional relationship with HMRC. 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.

Our businesses generate considerable tax revenue for the Government in the UK. For the year ended 31 December 2019, we will pay corporation tax of £nil (2018: £nil) on profits for the year; we collected employment taxes of £122.2 million (2018: £129.4 million) and VAT of £76.3 million (2018: £80.5 million), of which the Group has incurred £37.3 million and £2.4 million (2018: £38.9 million and £2.8 million) respectively. Additionally we have paid £11.4 million (2018: £11.4 million) in business rates and collected £42.6 million (2018: £33.7 million) of stamp duty land tax though our conveyancing business.

The total tax contribution of the Group was £252.5 million (2018: £255.0 million), which includes both taxes borne of £51.2 million (2018: £53.1 million) and taxes collected totalling £201.3 million (2018: £201.9 million).

Post tax loss on discontinued operations

The Board decision was made that commercial real estate is no longer considered to be a strategic priority. The proposed disposal will enable management to focus on the core Sales and Lettings business and continue to add value through the complementary service divisions, Financial Services and B2B.

Fair value remeasurements of £3.9 million write downs were recognised on 31 December 2019 to align the carrying value of the assets of Lambert Smith Hampton to the fair value less costs to sell. For more information, see note 34.

Profit for the year from continuing operations – underlying and statutory

The Group reported underlying profit attributable to equity holders ('underlying earnings' comprising profit before tax before exceptional items, amortisation of acquired intangibles, contingent consideration and share-based payments) of £25.3 million (2018: loss £4.7 million) for the year ended 31 December 2019. The Group's statutory loss after tax of £37.5 million (2018: loss of £224.4 million) is after exceptional costs of £57.7 million (2018: £237.2 million net),

Non-GAAP cash flow

For the year ended 31 December

	2019 Post IFRS 16 £m	2019 Pre-IFRS 16 £m	2018[1] Pre-IFRS 16 £m
Adjusted EBITDA	**63.2**	28.6	32.7
Changes in working capital:			
Decrease in trade & other receivables	**4.4**	4.6	14.9
Decrease in trade & other payables	**(5.3)**	(5.3)	(23.1)
Decrease in provisions	**(0.1)**	(3.7)	(2.0)
Changes in working capital	**(1.0)**	(4.4)	(10.2)
Operating Cash Flow (OCF)	**62.2**	24.2	22.5
OCF conversion rate	**98%**	85%	69%
Use of funds			
Capital expenditure (steady state)	**(8.3)**	(8.3)	(9.3)
Repayment of finance leases	**(33.4)**	(1.6)	(2.1)
Interest	**(10.3)**	(4.1)	(7.5)
Tax	**0.9**	0.9	2.0
Pension	**(2.0)**	(2.0)	(2.0)
Cash from operations	**9.1**	9.1	3.6
Deferred & contingent consideration	**(5.3)**	(5.3)	(7.9)
IT transformation	**(12.8)**	(12.8)	(3.2)
Restructuring	**(3.6)**	(3.6)	(10.8)
Purchase of investments/acquisitions	**–**	–	(1.5)
Proceeds from disposals	**0.1**	0.1	16.0
Purchase of own shares	**–**	–	(0.5)
Financing fees paid	**(0.8)**	(0.8)	(0.9)
Investment in non-current deposits	**(0.9)**	(0.9)	–
Total cash outflow	**(14.2)**	(14.2)	(5.2)
Net capital raise	**–**	–	125.1
RCF drawn	**15**	15	(125)
Net increase/(decrease) in cash and cash equivalents	**0.8**	0.8	(5.1)
Opening cash	**17.4**	17.4	22.5
Closing cash (including £0.5 million classified as held for sale)	**18.2**	18.2	17.4

contingent consideration charges of £1.3 million (2018: £7.3 million), share-based payment charges, after National Insurance credit, of £2.1 million (2018: £1.5 million) and non-cash charges of £2.1 million for amortisation of acquisition-related intangible assets (2018: £2.3 million) related to historical acquisitions, together with the corresponding tax effect.

Cash flow

In the statutory cash flow, cash generated from operations increased by £52.2 million to an inflow of £49.4 million for the year (2018: outflow of £2.8 million), principally driven by an increase in adjusted EBITDA of £30.5 million arising from the adoption of IFRS 16 Leases and the adding back of rent payments under the Group's property, motor vehicles and computer software leases totalling £34.6 million. Additionally, the 2018 outflow included the impact of cyclical cash management practices previously undertaken, which involved the delay in supplier payments at 31 December 2017 until the beginning of 2018, totalling £17.9 million.

The non-GAAP cash flow on page 54 shows operating cash flow conversion of 98% (2018: 69%) of adjusted EBITDA, driven by continued focus on working capital management, delivering reductions in the debtors days across the business.

Capital expenditure has been focused primarily on computer software.

The increase in lease principal and interest payments follows on from the adoption of IFRS 16; offsetting the add back of rent payments to adjusted EBITDA.

Exceptional cash outflows of £16.4 million mainly comprise: £12.8 million of investment in replacing the core IT platforms and £3.6 million of restructuring costs in relation to a specific branch rationalisation programme completed in 2019.

The Group drew down £15.0 million on the revolving credit facility, primarily to finance the above investment in replacing the core IT platforms.

Share consolidation and earnings per share (after consolidation)

On 29 November 2019, the Company announced that it proposed to simplify its share capital through a share consolidation. Prior to the consolidation, Countrywide had 1,641,303,439 ordinary shares in issue, each of which had a nominal value of £0.01. The consolidation was completed on 30 December 2019 and one consolidated ordinary share of £0.50 was issued in exchange for 50 qualifying ordinary shares of £0.01. Immediately after issue, each consolidated ordinary share of £0.50 was subdivided and re-designated into one new ordinary share of £0.01 and 49 deferred shares of £0.01. The Group had 32,826,068 new ordinary shares in issue immediately following the share consolidation. The Board believes that the share consolidation will reduce share price volatility and improve the market perception of the Group.

Adjusted earnings per share increased to 62.0 pence (after consolidation) (2018: loss 31.9 pence (adjusted for consolidation)). Statutory basic earnings per share improved, albeit still a loss, to 114.4 pence (after consolidation) (2018: 1,585.7 pence (adjusted for consolidation)). These are based on the weighted average number of shares in issue of 32.7 million (2018: 14.2 million (adjusted for consolidation)). A reconciliation of the basic and adjusted earnings per share is provided in note 13.

Net debt

The Group's debt reflects the adoption of IFRS 16, which recognised additional lease liabilities resulting in net debt at 31 December 2019 of £160.2 million, or £82.9 million excluding lease liabilities (31 December 2018: £70.7 million) with a net debt to adjusted EBITDA (pre-IFRS 16) ratio of 3.4x (31 December 2018: 2.2x).

The Board has previously acknowledged a desire to bring the leverage ratio down to the Group's medium term target of 1.0x.

The net debt reconciliation is provided in note 21.

Going concern

The Board's assessment in relation to going concern is included in note 2(b) of the financial information. Given the timing and risks associated with achieving forecast liquidity, and therefore remaining within the liquidity covenant as stipulated by the banking facility agreements, the directors have drawn attention to material uncertainties which may cast significant doubt about the Group's and Company's ability to continue as a going concern.

However, the directors have confirmed that, after due consideration, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Dividend

Given the current trading conditions and capital investments needed in the business, as well as the continued commitment to reduce the Group's leverage, the Board has decided that there will be a nil dividend recommendation for 2019 (2018: nil).

In assessing future dividends, the Board will consider: the future investment in the business and maintaining appropriate levels of gearing.

Other information

Pensions

As at 31 December 2019, the net defined benefit scheme liabilities were £3.6 million (2018: £4.6 million). The scheme assets increased by £4.5 million, to £50.0 million, during the year.

Pension contributions of £2.0 million (2018: £2.0 million) were made in the year. During the year, the Group and the trustees concluded the triennial valuation, and agreed that the schedule of contributions remains in place until 2023, with a further £2.0 million payable in January each year until 2022 (i.e. three years) and £1.3 million payable in 2023.

Tax strategy

The Group's Board approved strategy in relation to tax is published on our investor relations website in line with HMRC guidelines.

Himanshu Raja
Chief financial officer
21 May 2020

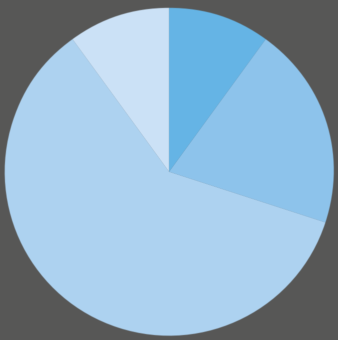
The strategic report was approved by the Board of directors on 21 May 2020 and signed on its behalf by:

Peter Long
Executive Chairman

Focused leadership

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

Board composition



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

Peter Long Ⓝ
Executive chairman

Appointment: February 2016, Non-executive chairman since April 2016 and executive chairman since January 2018

"With a long and successful career that has also included a number of senior executive and non-executive positions, I bring a wealth of experience to the Board.

In my executive role in the travel industry, I led the transformation of a small UK tour operator, First Choice, into Europe's largest leisure travel group, TUI Group. In February 2016, after a planned succession transition period, I stepped down as chief executive of TUI AG, joining its Supervisory Board and where in February 2018 I was appointed vice chairman.

I was chairman of Royal Mail plc (2015-2018); senior independent non-executive director of RAC plc (2001-2005) and Rentokil Initial plc (2006-2014); and non-executive director of Debenhams plc (2006-2009)."

Paul Creffield
Group managing director

Appointment: January 2018 and Group managing director from August 2018

"I joined the Group in October 2006, was appointed Group operations director in January 2018 and subsequently Group managing director in August 2018. With over 40 years' experience in the industry, I have a deep understanding of the market and operations.

Since joining the Group, I led the London and premier brands in estate agency and lettings and the Group's B2B division (Lambert Smith Hampton, Land and New Homes, Hamptons Residential Development Investment, Professional Services, Corporate Property Services and Corporate Business).

Prior to this, I was operational managing director at Rightmove, responsible for driving growth and change. Former senior roles have been with Nationwide Building Society and with Countrywide immediately prior to joining Rightmove, where I was a director of Countrywide Surveyors."

Key

Committee membership:

- Ⓐ Audit and Risk Committee
- Ⓝ Nomination Committee
- Ⓡ Remuneration Committee
- ○ Chair of Committee

Himanshu Raja
Chief financial officer

Appointment: June 2017 and chief financial officer from August 2017

"I bring strong turnaround skills and have a proven track record of value creation with over 25 years' experience in large multinational organisations in the business and IT services, software and telecommunications sectors.

Previously, I was chief financial officer of G4S plc for three years where I was responsible for finance, treasury, tax, investor relations, M&A, IT and procurement, and led a significant improvement in contract risk management and governance across the Group and delivered significant cost transformation and cash flow improvement.

Prior to G4S plc, I was chief financial officer of Misys plc; and Logica plc, where I led the sale of the group to CGI in a £2.1 billion transaction. I graduated in law from the University of Wales, and qualified as a chartered accountant in 1989."

David Watson A N R
Deputy chairman and senior independent non-executive director

Appointment: September 2013

"After training as a chartered accountant, my executive career was largely as a finance director.

Most recently, I was finance director of the general insurance division of Aviva before which I held various other senior financial roles at Aviva, Prudential and M&G Group.

I am a chartered accountant and a graduate of City University Business School.

I am a non-executive director of Hermes Fund Managers Limited and Chairman of Kames Capital plc, where I also chair the audit committees.

I am senior independent non-executive director at TR Property Investment Trust plc."

Natalie Ceeney CBE R N
Independent non-executive director

Appointment: April 2017 and Chair of the Remuneration Committee since May 2019

"I am an experienced change leader, with a track record of leading customer-focused digital transformation in rapidly changing sectors.

I hold a range of board positions, as chairman and non-executive director: Innovate Finance (Chair), Anglian Water Services LTD, FCE Bank, and Sport England (Vice Chair).

My executive career included three CEO roles – the Financial Ombudsman Service, HM Courts and Tribunals Service and The National Archives, and a period as a member of HSBC's UK Executive team, with an early career as a McKinsey consultant."

Mark Shuttleworth A
Independent non-executive director

Appointment: October 2018 and Chair of the Audit and Risk Committee since January 2019

"I am an experienced CFO with extensive Plc, venture capital and US experience.

I finished my executive career as CFO of Pace Plc, a FTSE 250 company.

Prior to that, I gathered considerable experience in the Middle East, where I was the CFO of Emirates Integrated Telecommunications ("du"), based in the UAE.

Prior to that, I was the Group CFO of Qtel (now known as Ooredo), the publicly quoted Qatar headquartered telecoms company.

My executive career has covered a significant amount of restructuring, both from within the profession and subsequently in industry, before moving into telecoms 15 years ago, focusing on electronic manufacturing and distribution with international scale.

I am a chartered accountant and certified INSEAD Director."

Lisa Charles-Jones R
Independent non-executive director and employee engagement lead

Appointment: June 2019

"I have extensive experience within the property sector, having worked for LSL Property Services plc for 13 years, until 2016, including for the last 10 years as Group HR director.

Prior to that, I held various management positions in the retail sector.

I am a non-executive director and chair of the Remuneration Committee at Tracsis plc and a director at The Percy Hedley Foundation, a registered charity.

Previously, I was a director of Keyfund Federation Limited, Reeds Rains Limited, Your-Move.co.uk Limited and the Housing Association Bernicia Housing.

I am a member of the Chartered Institute of Personnel and Development and hold an MBA from the University of Durham."

Key

Committee membership:

- A Audit and Risk Committee
- N Nomination Committee
- R Remuneration Committee
- Chair of Committee

Amanda Rendle A
Independent non-executive director

Appointment: October 2019

"I bring over 30 years of marketing and communications experience in both agencies and clients across numerous sectors, including financial services, professional services and FMCG.

I began my career at Barclays Bank before moving to Limbo (Bartle Bogle Hegarty).

Subsequently, I set up a consultancy practice, recognising the opportunity to focus on customer experience. I then spent 16 years at HSBC leading marketing, customer experience, insights and proposition development for the Commercial Bank across more than 50 countries.

I am a non-executive director of Tesco Bank; the British Business Bank; the Government Communications Service Ministerial Board; and am deputy chair of Keep Britain Tidy.

I am a Fellow of the Marketing Society and a member of WACL (Women in Advertising & Communications London)."

Rupert Gavin N R
Independent non-executive director

Appointment: June 2014

"I hold a range of board positions at both chairman and director level in a variety of businesses, with a strong consumer bias.

I am chairman of the board of trustees of Historic Royal Palaces and DNeg plc and I also chair the Honours Committee for Arts and Media.

I was previously CEO of Odeon and UCI Cinemas Group (2005-2014).

I was also chairman and chief executive of BBC Worldwide, and managing director of the BT consumer division, before which I was at the Dixons Stores Group, more latterly as deputy managing director."

Caleb Kramer
Non-independent non-executive director

Appointment: February 2013

"I joined the Group in May 2009, and was subsequently appointed as a director.

I am a managing director and portfolio manager (Europe) at Oaktree Capital Management (UK) LLP.

Before joining Oaktree in 2000, I co-founded Seneca Capital Partners LLC, a private equity investment firm.

I was employed by Archon Capital Partners, an investment firm, between 1994 and 1996.

Prior to that, I was an associate in mergers and acquisitions at Dillon Read and Co. Inc. and an analyst at Merrill Lynch and Co. Inc.

I graduated with a BA degree in economics from the University of Virginia."

Executive chairman's introduction to corporate governance

The momentum and strength in depth that we have built during 2019 is supported by the Board's commitment to maintaining high standards of corporate governance.

Dear Shareholder

On behalf of the Board, I am pleased to present Countrywide's corporate governance statement.

The momentum and strength in depth that we have built during 2019 is supported by the Board's commitment to maintaining high standards of corporate governance and its recognition of the value and importance of meeting the principles of good corporate governance as set out in the Code.

There have been considerable changes in corporate governance with the introduction of the new UK Corporate Governance Code that is applicable to the current reporting period, including reporting on stakeholder engagement activities pursuant to s172 of the Companies Act 2006 as detailed on page 14.

Good governance is a continuing process in which the Board plays a pivotal role in embedding culture and standards throughout the business within a framework of controls and accountabilities that is reinforced through internal audit capabilities and employee and stakeholder engagement.

This is reflected in our Boardroom culture formed on a collegiate basis that is encouraging of contribution and healthy challenge from our non-executive directors who carry out an active role within our businesses, with an eye for detail and performance. We are fortunate in the range of specialisms and the experience at senior business level that my Board colleagues provide.

This has been borne out by our 2019 Board and Committee evaluation, which continues to be informative and sets the dial for future planning. There have been a number of changes to the Board during 2019, with Cathy Turner and Jane Lighting retiring from the Board and the appointment of Lisa Charles-Jones and Amanda Rendle as independent non-executive directors, with Lisa taking on the role of employee engagement lead. Further details of changes to the Board are contained in my Nomination Committee report on pages 66 to 67.

The Nomination Committee reviews the composition and skills matrix of the Board to ensure the requisite experience, diversity and independence to ensure continuation of sustainable momentum as we enter the new trading year.

As chairman I am responsible for leading the Board and ensuring that we play a meaningful part in the development and delivery of the Group's strategy and commercial objectives. Following the recent completion of the Board and Committee evaluation, no significant issues were raised. The review process is described in more detail on page 67.

Key priorities in the past year have been reflected in the Board activities that are referred to on page 61.

Peter Long
Executive chairman
21 May 2020

Board activities

Growth

Sustainable profitable growth remains a key strategic focus as the Company seeks to regain market share, leveraging from its network and diversified business lines. Continued investment in and development of strategy is therefore central to Board review and discussion:

- Ensuring delivery of turnaround plan;
- Monitoring performance across all business units with continuing focus in Sales and Lettings empowering local management within a framework of compliance oversight, best practice and support; and
- Focus on complementary services.

Productivity

The Board pays close attention to the Group's cost reduction and operational efficiency programmes aimed at delivering a more centralised platform for supporting local operations, including updating its IT infrastructure:

- Implementing financial discipline and improved cash flow;
- Ensuring a strong and flexible capital structure; and
- Monitoring implementation of IT transformation and customer contact centre optimisation.

Sustainability

The Board recognises the importance of sustainable business performance and corporate responsibility:

- All staff, including all executive leaders and Board members, are required to complete online training modules that cover key areas of compliance;
- Accountability for sustainable business practices is more firmly vested at the "first line" of defence at operational level, with guidance and oversight provided at the "second line" of defence utilising compliance specialists. The Group's Executive Committee receives reports and analysis on performance, which is in turn referred to the Board and its constituent committees for scrutiny and debate;
- The Group's risk register is updated and referred to at Board and at Board Committee level with input received on risk appetite, priorities and mitigation;
- The Group obtains appropriate professional risk insurance cover with significant claims and trends referred to Board and Board Committee review; and
- The views of employees and customers are regarded as a critical indication of performance, with routine confidential staff surveys, customer surveys and reporting on customer complaints and outcomes at Board and Board Committee level.

Organisation

The Board considers that providing top down leadership and placing the Company's core values at the heart of operations will underpin the turnaround. The Board's composition and guiding hand are central to this process:

- Succession planning in terms of reviewing the capabilities and any skill gaps of the Board members and top team;
- Overseeing Board changes with two non-executive directors stepping down from the Board and two non-executive directors joining the Board during the year;
- Reviewing performance of senior management;
- Ensuring alignment of performance and reward with good business practices;
- Monitoring delivery of core values across the organisation through regular management reporting and site visits;
- Overseeing the consolidation of ordinary shares on the basis of 1 ordinary share of £0.50 for every 50 existing ordinary shares of £0.01.

Priorities for 2020

- **COVID-19:** navigating the Group's response to COVID-19 in terms of the health and safety of our people, our customers and to protect and preserve the business for the future. This has involved detailed monitoring of liquidity and cash flow and detailed oversight of the operations through lockdown and phased re-opening of our branches and centres. The Group is also conducting a strategic review to adapt its operating model to enable customers to engage digitally and to review its cost structures.
- **Growth:** to remain an area of key focus, with the Board engaged in close contact with management accountable for performance in their respective business units through routine reporting, with the executive directors leading on weekly trading calls and regular business review meetings and updating the Board.
- **Productivity:** ensuring a capital structure that will support the investment in IT transformation and operational efficiencies.
- **Sustainability:** continuing to evolve the risk management framework, reflecting the needs and priorities of the business and stakeholders in line with market developments and increasing regulation.
- **Organisation:** ensuring that the composition and skill sets of the Board evolve with the changing priorities, with renewed rigour and structure in the underlying processes.

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 July 2018. The Code can be viewed at www.frc.org.uk.

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.

The Board has a close working relationship with the Group managing director and his executive and senior leadership teams through a continuous programme of Board presentations and informal meetings. Members of the Board have visited selected Group locations and branches. The experience and quality of the Company's employees and leadership, in conjunction with appropriate policies to incentivise and reward performance, underpin the relationship between the Board and management, with alignment and focus on the turnaround strategy.

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's retention of decision making and control of these key areas ensures effective stewardship and risk management by providing integrated reporting, for example, in respect of strategic priorities and associated risk and mitigating governance controls.

The roles of chairman and chief executive are designed to be separated, clearly defined and approved by the Board. A copy of the intended 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 Group managing director was appointed to the Board in 2018, although the chairman remains in the role of executive chairman, assuming some of the responsibilities of the role of chief executive officer.

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 corporate 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 2019, the Board comprised three 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 66 to 67.

The Board held eight meetings in accordance with its scheduled calendar during the year. 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 chairs or Committee members (i.e. excluding attendance where this was by invitation only).

The Company maintains directors' and officers' liability insurance cover for its directors and officers. The Company has made available 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.

Corporate governance: at a glance

Skills matrix

Current Board skills

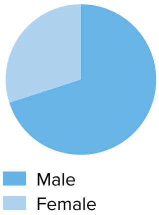
Finance | Turnarounds | HR | PR | Property | Sales
Digital | Regulation | Technology | Transformation | Risk management

Professional backgrounds

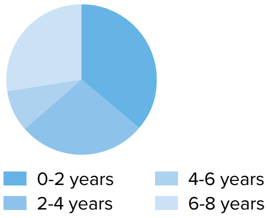
HR | Accountancy | Marketing | General manager | Sales | Banking | Retail

Board composition and diversity

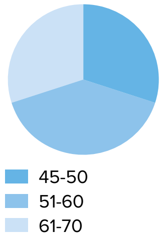
Gender of the Board



Board tenure



Ages of the Board



Board attendance

Director	Date of appointment	Board meetings	Audit and Risk Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
Peter Long	11 February 2016	8/8	–	5/5	–
Paul Creffield	2 August 2018	8/8	–	–	–
Himanshu Raja	12 June 2017	8/8	–	–	–
David Watson	1 September 2013	8/8	4/4	5/5	5/5
Mark Shuttleworth	1 October 2018	8/8	4/4	–	–
Natalie Ceeney[1]	28 April 2017	8/8	4/4	0/0	5/5
Rupert Gavin	23 June 2014	8/8	–	5/5	5/5
Lisa Charles-Jones[2]	26 June 2019	4/4	–	–	3/3
Amanda Rendle[3]	16 October 2019	1/1	0/0	–	–
Caleb Kramer[6]	19 February 2013	8/8	–	–	–
Cathy Turner[4]	31 July 2013	3/3	1/1	2/2	1/1
Jane Lighting[5]	9 June 2014	5/5	2/2	2/2	2/2

1. Natalie Ceeney was appointed to the Nomination Committee on 25 September 2019 and stepped down from the Audit and Risk Committee on 16 October 2019.
2. Lisa Charles-Jones was appointed to the Board on 26 June 2019.
3. Amanda Rendle was appointed to the Board on 16 October 2019.
4. Cathy Turner retired from the Board on 30 April 2019.
5. Jane Lighting retired from the Board on 26 June 2019.
6. At the AGM in 2019, 20% of the votes cast on resolution 6 ("re-election of Caleb Kramer as a director") were against that resolution. The Company routinely consults with its shareholders and recognises the importance of director attendance. Caleb Kramer attended 10 out of 14 Board meetings during 2018. He endeavours to attend all scheduled and unscheduled Board meetings. However, during the refinancing period in 2018 a number of unscheduled meetings were called at short notice, three of which Mr Kramer was unable to attend due to prior commitments. Mr Kramer`s attendance in 2019 was 100% of Board meetings.

Compliance with the 2018 Code

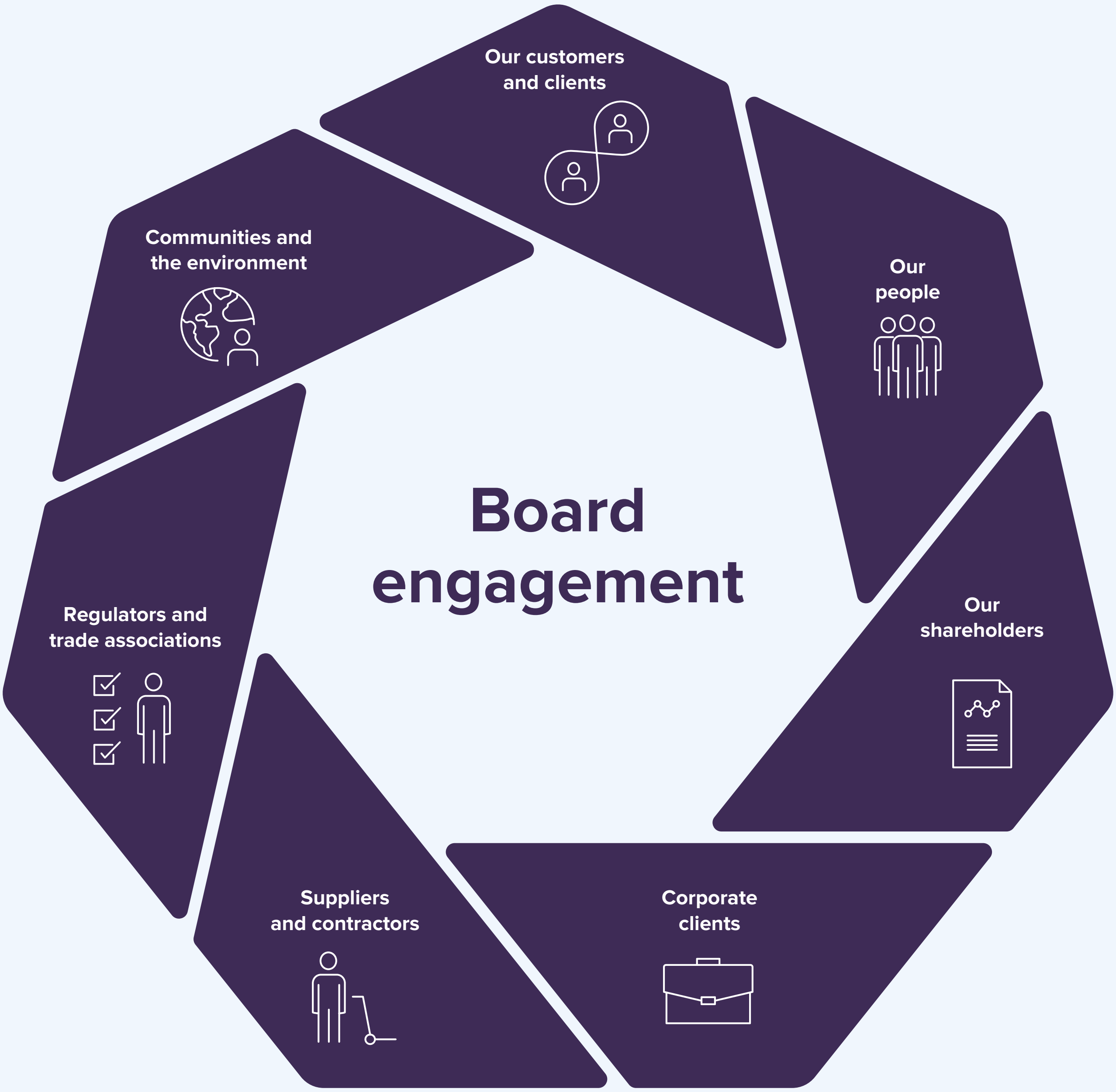
The directors have considered the contents and requirements of the Code and note the following instance of non-compliance: as a result of Alison Platt's departure on 24 January 2018, Peter Long was appointed to the role of executive chairman on a temporary basis due to the exceptional need to fill the vacancy left by Alison and steer the Company through its turnaround. As a result, the Company is not fully in compliance with the Code to that extent. The Board is wholly satisfied that the executive chairman brings particular skills, was able to devote sufficient time to Countrywide throughout the year and that shareholders' interests have been and continue to be best served by his serving in an executive capacity.

The executive chairman, in conjunction with the executive team, is committed to steering the Company through its turnaround, which requires sufficient calls on his time to deal with performance and strategy at a detailed level.

The corporate governance report comprises pages 62 to 65. Additional information in respect of the operation, and terms of reference, of the Remuneration Committee is included within the separate directors' remuneration report.

Board engagement with stakeholders

Our Board understands and takes into account the interests of our key stakeholders when making decisions. Regular reviews of our stakeholders are carried out and the Board ensures appropriate engagement is taking place and this is kept under regular review.



For further information in relation to our Board stakeholder engagement

Read more about our employee engagement on pages 32 to 36

Read more about our stakeholder engagement on pages 30 to 31

How the Board considers stakeholders in decision making

Our customers and clients	Customer insight report in management and Board packs, which includes customer satisfaction scores. Customer KPIs are reported in management and Board packs. Management and directors visit branches regularly.
Our people	Non-executive director engagement including social interaction with relevant management; branch and main site visits; co-ordination through the non-executive director employee engagement lead; and regular employee engagement surveys and whistleblowing reports which are referred to the Executive Committee and Board for review.
Our shareholders	We have a well-developed process of engagement with shareholders and monitoring, with reporting into the Board, including regular meetings with our shareholders, the executive chairman, executive directors, senior independent director, chair of the Remuneration Committee and other directors.
Corporate clients	The Board receives routine presentations and trading updates from executive management, incorporating reporting on corporate client relationships at a trading and strategic level.
Suppliers and contractors	Routine Board presentations on supplier relationships, ethical trading/modern slavery. Bi-annual payment practices report.
Regulators and trade associations	The Audit and Risk Committee receives regular reports that cover the Group's regulatory processes and procedures and its relationships with regulators and trade associations.
Communities and the environment	The Board is mindful: of the potential impact of the Group's activities upon the communities and environment in which we serve; and in its decision making of our responsibilities as a good corporate citizen.

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 internal 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. • Membership of the Board and Committee structure. • Review of governance arrangements.

Employee engagement statement

Following an assessment by the Board of the three formal options suggested for workforce engagement, it was decided that the most effective method for engagement would be the appointment of a non-executive director with designated responsibility for workforce engagement.

Lisa Charles-Jones was appointed as non-executive director employee engagement lead in June 2019, with responsibility for:

- Designing the model for the employee engagement programme
- Engaging the Board and management on outputs
- Taking a lead role in implementing the programme
- Inputting on the Company's reporting in its annual report and accounts
- Developing the role and its duties as the programme becomes embedded, taking into account industry standards and good practice.

Read more about employee engagement on page 32.

Wider stakeholder engagement statement

The Board recognises the importance of the wider stakeholder community and is committed to fostering strong and constructive relationships with its partners. The Board has identified stakeholder groups who are listed within this report, together with a summary that encapsulates how the Board engages with those stakeholders; what they care about; and how the Company has responded to stakeholder needs. The Board values the diverse perspectives that our broad range of stakeholders can bring to its decision making. The views of stakeholders are captured through information provided to the Board by management and by direct consultation with the stakeholders themselves.

Read more about wider stakeholder engagement on pages 30–31 and pages 64–65.

Report of the Nomination Committee

The Committee held five formal meetings during 2019, during which it considered the following key areas: successor for the role of chair of the Remuneration Committee; appointment of two independent non-executive directors, with one being the employee engagement lead.

Dear shareholder

On behalf of the Board, I am pleased to present Countrywide's report of the Nomination Committee.

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

Membership of the Committee during 2019, together with appointment date, is set out below.

The composition of the Committee changed during the period as detailed below; however, we remained in full compliance with the Code recommendation that a majority of members should be independent non-executive directors throughout the period.

Attendance by members at the meetings is shown on page 63.

Member	Nomination Committee member since
Peter Long	April 2016
David Watson	September 2013
Rupert Gavin	June 2014
Natalie Ceeney	September 2019

The Committee's work

The Committee held five formal meetings during 2019, during which it considered the following key areas: successor for the role of chair of the Remuneration Committee; appointment of two independent non-executive directors, with one being the employee engagement lead; Board composition review evaluating director skills, knowledge and experience in key areas; succession planning and director development; and updated terms of reference for the Committee.

The Committee approved the following:

- Natalie Ceeney appointment as chair of the Remuneration Committee with effect from 1 May 2019;
- Lisa Charles-Jones appointment as independent non-executive director and employee engagement lead with effect from 26 June 2019;
- Natalie Ceeney appointed to the Nomination Committee with effect from 25 September 2019;
- Amanda Rendle appointment as independent non-executive director with effect from 16 October 2019; and
- following Amanda Rendle's appointment, Natalie Ceeney stepped down from the Audit Committee, enabling her to allocate time to her role as chair of the Remuneration Committee.

The Committee approved the appointment of Bruce Marsh as chief operating officer and executive director, and this was announced on 8 October 2019. On 17 March 2020, we announced that Bruce Marsh had informed the Group he would no longer be joining the business.

Board and Committee composition

We continue to focus on maintaining a well-balanced Board with a diverse mix of individuals who can apply wider business knowledge and experience to their leadership of the Group.

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 delivery of 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 currently three of the ten 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 gender diversity are set out on page 36.

Induction and training

Following both Lisa and Amanda's appointments to the Board, they each received a tailored induction programme to provide them with an opportunity to gain a good understanding of the Group business and organisation, operations and governance environment, in order to maximise their contribution to the Board as quickly as possible. Key stages of the induction programme were: 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 and current trading and key commercial issues; meetings with other directors and senior executives to discuss commercial issues and projects; and site visits, as required, to key locations to gain an understanding of the business and operations.

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

Board effectiveness

Countrywide Board review 2019

Countrywide engages the services of Lintstock to assist with the annual assessment of Board performance, which in relation to 2019 comprised completing online questionnaires designed in conjunction with the chair. Lintstock has no other connection with the Company or individual directors.

The review covered the performance of the Board, its Committees, the chair and individual directors.

In addition to assessing core Board and Committee performance topics, the exercise was weighted to ensure that issues identified in previous Board reviews were followed up, as well as having a particular focus on themes that emerged during 2019, resulting in focus on the following areas:

- The Nomination Committee to continue to review succession planning for non-executive directors over the next 18 months;
- Continuation with s172 engagement process enhanced via the role of the non-executive director employee engagement lead;
- Review data points and trends through employee surveys, customer surveys, compliance reporting and audit;
- Encourage a stronger performance management regime within the organisation;
- Fine tune the programme of site visits and liaison with management and provide opportunities for continuing non-executive director education on relevant areas of the business;
- Ensure clarity of the division of responsibilities between the executive directors and non-executive directors;
- Allow more agenda time for broader discussion at Board meetings;
- Board packs to be succinct and focused on essential areas for Board discussion;
- Reporting to ensure industry and local context is included; and
- The top priorities for the Board were identified as: developing the strategy; succession; the balance sheet; corporate transactions; and technology.

Following the externally facilitated evaluation, 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 is 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.

Peter Long
Chair of the Nomination Committee

21 May 2020

Report of the Audit and Risk Committee

Structure, ownership and accountability are more embedded now than ever as we address risk across the Group.

Dear shareholder

On behalf of the Board, I am pleased to present the report of the Audit and Risk Committee.

Following my appointment as Chair on 1 January 2019, I noted a need to: adopt a continuous improvement mindset; adjust the standing agendas and qualitative reporting into the Committee to include regular monitoring of the Group's compliance with the information undertakings and covenants in its revolving credit facility and to monitor the transformation of its IT infrastructure, applications and associated risks; and finally to strengthen the Group's processes around closing out risks identified by the internal and external auditors.

I am pleased to report good progress in all of these areas identified for improvement, specifically an improvement in the visibility of cash and liquidity management. The improvement in disciplines proved to be extremely important in the Group's response to preserving cash and managing liquidity in response to COVID-19.

The operation and role of the Committee, including its composition and skill sets, continue to evolve to provide the support to the Board that is required. As a result, the Committee fulfils its role in the review of the integrity of the Group's financial reporting, monitoring effectiveness of risk management and internal controls and oversight of the internal and external audit services.

The current members of the Audit and Risk Committee are shown in the Committee composition table on the following page. Each member of the Committee is an independent director and two out of the three members are deemed to have recent and relevant financial experience, with David Watson and myself being Chartered Accountants. The biography of each Committee member is set out on pages 56 to 59.

During the year, Cathy Turner resigned on 30 April 2019 and Jane Lighting resigned on 26 June 2019. Natalie Ceeney stepped down from the Committee on 16 October 2019, on the same date that Amanda Rendle was appointed, to allow her to further develop her recently appointed role as Chair of the Remuneration Committee. I would like to thank Cathy, Jane and Natalie for their contributions to the Committee.

There have been no changes in membership of the Committee since the year end.

Role, responsibilities and main activities

The responsibility of the Committee is to provide support to the Board and ensure that the role of reviewing the integrity of the Group's financial reporting, monitoring against the Group's undertakings under the revolving credit facility and cash management, the effectiveness of the Group's risk management and internal controls framework, and the effective oversight of the Group's internal audit function and its external auditor, is fulfilled.

During the year, the Committee continued its key financial oversight role for the Board, outlined in its terms of reference (which can be found in the investor relations section of our website www.countrywide.co.uk), to reassure shareholders that their interests are properly protected in respect of the Group's financial management and reporting.

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. As chair of the Committee, I have also held meetings with the Company's internal (Deloitte) and external (PwC) auditors, the chief financial officer, the enterprise risk director, senior members of the Group finance department, and other senior executives to ensure an understanding of the key issues relevant to the Committee are being addressed.

During 2019, the Committee has held four core meetings (with follow-up meetings at the year end and half year) and the Committee also met three times following the year end. The key activities, aligned with our strategy, drawn from the main roles and responsibilities of the Committee during the year are as follows:

Activity	Strategy
Cash outlook and monitoring RCF obligations	5
Profit protection plan assurance	3 & 5
Review of internal and external audit strategies, budget and value added activities	3
Review of IT transformation programme and related cyber risk assurance	3
Review of risk appetite	1, 2 & 4
Brexit reviews	1, 2 & 4
Amendment of existing lender agreements in July 2019 and November 2019, specifically incorporating covenant revisions	5
Proposed disposal of Lambert Smith Hampton	1 & 5

I will be available at the Annual General Meeting to answer any questions about the work of the Committee during the year and its focus going forward.

Mark Shuttleworth
Chair of the Audit and Risk Committee

21 May 2020

Committee composition

Member	Audit and Risk Committee member since
Mark Shuttleworth (chair)	1 October 2018
David Watson	2 September 2013
Amanda Rendle	16 October 2019

The composition of the Committee changed during the period with Cathy Turner and Jane Lighting resigning on 30 April 2019 and 26 June 2019 respectively. Natalie Ceeney also stepped down on 16 October 2019 to further develop her recently appointed role as Chair of the Remuneration Committee. 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 period.

The Committee members were selected for their range of financial and commercial expertise, necessary to fulfil the Committee's duties.

Attendance by members at the Committee meetings is shown on page 63. Meetings are attended, by invitation, and include the chief financial officer, the enterprise risk director, the Group financial controller, the company secretary and the Group's external auditors, PwC. In addition, the Group's outsourced internal audit provider, Deloitte, is invited to attend appropriate sections of the meetings. At the end of each meeting, a private session is held by the Committee with representatives of both the external and internal auditors which is not attended by management.

The Committee's work

The Committee works to a structured programme of activities, developed from its terms of reference, with fixed elements of the agendas for the four scheduled meetings of the Committee during 2019 organised to coincide with key events in the annual reporting cycle.

The Chair of the Committee reports, at each subsequent Board meeting, on the business of the Committee 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

In relation to the financial statements, the committee reviewed and recommended for approval this annual report, including the viability and going concern statements, the judgements and estimates in relation to the adoption of IFRS 16 and related disclosures and considered impairment reviews and the half year financial statements.

The Committee monitored the external audit, 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 has considered the 2019 annual report, and whether it is fair, balanced and understandable and considered whether it provided the necessary information for the shareholders to assess the Group's performance, business model and strategy. The Committee received regular updates during the year in respect of performance, principal risks and uncertainties and internal controls by senior management and the internal and external auditors. 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. Details regarding the significant financial reporting matters and how they were addressed by the Committee are set out later in this report.

After careful review and consideration of all relevant information from the updates during the year, the Committee was satisfied that, taken as a whole, the annual report is fair, balanced and understandable and affirmed that view to the Board.

Significant issues considered in relation to the financial statements

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 and description

Action the Committee has taken and conclusion

Going concern

The Group has net debt, including lease liabilities, of £160.2 million (2018: £70.7 million).

The Group meets its working capital and funding requirements through a revolving credit facility of £125 million which matures in September 2022. The Group benefits from a supportive lender group of six lenders ("Lenders") most of whom have provided borrowing facilities since March 2013. In April 2020, the Lenders agreed to provide an additional £20 million facility for an 18 month period, with £10 million available from 1 May 2020 and £10 million available from April 2021. In view of the uncertainty arising as a result of COVID-19, the Lenders also agreed to waive the Group's debt covenants for the March 2020 covenant tests and to amend the covenants going forward in the short term to be based on liquidity.

As at 29 April 2020, the Group had available cash resources of approximately £30 million and from 1 May 2020, the available liquidity was £40 million.

The Group has run a series of stress tests and, whilst it is impossible to assess the impact of COVID-19 on the UK housing market, the method we have used to stress test the liquidity of the Group is to factor in known revenue and cash streams that continue to flow during COVID-19, aligned with the mitigating actions on cost and cash flow referred to above.

On the income side, we modelled a 73% reduction in income in Q2, before overlaying: the benefit of the existing pipeline in March 2020 of agreed estate agency sales; written mortgages; the active conveyancing pipeline; conservative assumptions on the collections of March receivables in Lambert Smith Hampton; the benefits of recurring income and cash flow from the Lettings business of managed properties; and the continuing benefits we are seeing from the delivery of desktop based valuations in our surveying business.

On the cost side, we have factored in a reduced run rate of costs and cash flow actions for the duration of the lockdown period. For the remainder of the financial year to 31 December 2020, we have looked at a number of scenarios to assess how quickly the market might return and how quickly the closing March pipeline completes and converts to cash flow, as well as scenarios for the phasing of our return and therefore the associated costs to match customer demand.

In the event of a prolonged lockdown beyond three months, or a slower recovery, the reasonable worst case scenario also assumes the ability to further defer tax liabilities due for the period July to September 2020 in installments through 2021, beyond the current tax year.

After meeting existing creditor payments of approximately £10 million, our cash forecasts, including actions to be agreed with HMRC as set out in note 2(b) to the financial statements (Going concern), show that the Group is expected to retain liquidity of around £20-£30 million to support the business through our reasonable worst case scenario.

Consideration of the going concern risk is a fundamental responsibility of the Board, and the Committee has given this matter its full attention. The going concern assertion has a significant impact on the financial statements in terms of both the valuation of assets and liabilities held and the presentation of assets and liabilities as non-current.

In assessing the Company's ability to continue as a going concern, the Board regularly reviews forecasts of the Group's cash flow and profit forecasts to assess the potential of a breach of the banking covenants. In assessing the forecasts, the Board also considers the impact of potential risks and opportunities. Considerable attention was given to the Group's response to COVID-19 and management's approach to developing a reasonable worst case scenario including monitoring the effect of the cost and cash flow mitigation actions during the lockdown period.

The Committee also noted the waiver of the March 2020 debt covenants and the change to a revised liquidity covenant.

The Group's forecasts and projections, which have been prepared for the period to 31 December 2021 for going concern assessment purposes, show that it will be able to operate within its revised liquidity covenants.

The Committee's work included a review of the principal assumptions and future profitability of the Group, forecast future cash flows and associated liquidity headroom under revised liquidity covenants. The key judgements, assumptions and estimates underpinning this review, and the associated sensitivities, were the subject of a number of Board presentations, discussions and robust challenge. Disclosures were then drafted and considered, for inclusion of material judgements and assumptions, by the Committee.

Conclusion: The Committee was satisfied that it was appropriate for the Group to adopt the going concern basis of accounting in the financial statements, and the related disclosures in note 2(b), including the existence of material uncertainties, and recommended the same to the Board.

Matter and description	Action the Committee has taken and conclusion
Impairment of goodwill and other non-current assets	
As at 31 December 2019, the total value of the Group's goodwill was £194.6 million (2018: £233.8 million), with other non-current assets amounting to £82.5 million (2018: £101.6 million). The appropriateness of the key assumptions and methodologies for both value in use models and fair value measurements require significant judgement, particularly in relation to: the achievability of long term business plans, future cash flows, discount rates and the macroeconomic assumptions underlying the valuation process. As a result of transition to IFRS 16 on 1 January 2019, additional right-of-use assets were created which reduced the headroom on prior year impairment reviews and crystallised a charge to fully impair the B2B Commercial cash generating unit goodwill amounting to £8.8 million. As a result of a half year impairment review, the following impairments were recorded: £29.5 million was incurred in relation to goodwill within the Financial Services cash generating unit; and £0.8 million was incurred in relation to goodwill within the Countrywide Residential Development Solutions (CRDS) cash generating unit. As a result of a year-end impairment review, additional goodwill impairments were recorded of £0.5 million in relation to the CRDS cash generating unit. Impairment charges of non-current assets (excluding goodwill) within continuing operations amounted to £16.9 million (2018: £172.2 million). Details of the Group's impairment, impairment methodology and related disclosures are provided in notes 10 and 14.	The Committee reviewed the methodology and challenged the results of the impairment test prepared by management, which considers not just the carrying value of goodwill (the only asset with an indefinite life) but also all other intangible and tangible assets within the cash generating unit. The Committee reviewed the assumptions used in relation to long term growth, resulting headroom and sensitivities applied by management. The Committee also considered the adequacy of the disclosures provided, including specific recommended opportunities to improve disclosures raised by the Financial Reporting Council during correspondence, particularly for the case of cash generating units where changes in key assumptions could give rise to an impairment. **Conclusion:** The Committee was satisfied with the carrying values stated within the financial statements in respect of goodwill and other non-current assets and the related disclosures as at 31 December 2019. These impairment reviews were concluded using the Board approved three-year plans extant at 31 December 2019, and COVID-19 has therefore been considered as a non-adjusting post balance sheet event. Significant variations from the year end forecast, arising as a result of the impact of COVID-19, could therefore result in further impairment charges arising in cash generating units with limited headroom (see note 14 for sensitivity analysis).
Presentation and disclosure of exceptional items	
Exceptional items amounted to £57.7 million (2018: £243.7 million). The Committee reviewed the treatment of items considered as exceptional items. Management have prepared, for review by the Committee, documentation to support the proposed disclosure of these items in the financial statements as exceptional by virtue of their size, nature or incidence. For more detail in respect of exceptional items, see note 10.	The Committee reviewed and challenged the disclosures prepared by management in relation to exceptional items, considered whether the nature of these items was within the Group's accounting policies and with the guidance issued by the FRC, whether they were being applied consistently from year to year and whether these items included both debits and credits in a balanced manner. **Conclusion:** The Committee was satisfied that the Group's accounting policies have been applied consistently and that the designation of exceptional items was subject to objective and balanced criteria and was appropriate to give an improved understanding of the continuing operations of the Group.

Matter and description	Action the Committee has taken and conclusion
Professional indemnity provisions	
The total value of the Group's professional indemnity provisions as at 31 December 2019 was £9.8 million (2018: £9.5 million). The level of provision has remained broadly flat year-on-year, following a low level of claims in line with expectations. LSH had a professional indemnity provision of £2.5 million as at 31 December 2019; of which £0.2 million was reclassified as held for sale and £2.3 million was retained as a provision at the year end to provide for the existing open claims in respect of LSH, in accordance with the terms of the proposed sale. The Committee receives quarterly updates on the status of the professional indemnity 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.	The Committee reviewed the methodology and resultant professional indemnity provision prepared by management and 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. The Committee notes that evaluating these potential liabilities is highly judgemental and in smaller populations of claims, estimates can be significantly affected by the outcome, good or bad, of a limited number of claims. Accordingly, sensitivity disclosures have been provided in note 3. **Conclusion:** The Committee was satisfied with the level of professional indemnity provisions and the related disclosures as at 31 December 2019.
Impairment risk of investment in subsidiaries and intercompany receivables	
The total value of investments in subsidiaries and intercompany receivables in the parent Company balance sheet are £118.2 million and £162.2 million respectively. As a result of the impairment charges recorded within the consolidated financial statements during the year detailed above, the Committee has focused on this area due to the size of the investment and intercompany receivable balances and the risk of impairment arising due to the deterioration in business performance. In accordance with IAS 36, management compared the carrying value of the investment in subsidiaries with their recoverable value using the same discounted cash flow forecasts used in the impairment test of goodwill described above. For the intercompany receivables, in accordance with the principles of IFRS 9, management assessed the recoverability of the receivables based on the ability of the entity to generate cash and repay over time. The results showed that there was insufficient headroom between the carrying value and the recoverable value of intercompany loans and receivables respectively, and therefore impairment charges have been recognised in the parent Company as follows: £88.4 million impairment of investment carrying value; and a £45.2 million impairment of intercompany receivables.	Linked to the impairment testing of goodwill noted above, the Committee has reviewed the discounted cash flow forecast which underpins: • the IFRS 9 expected credit loss assessment and the ability of subsidiaries to repay the intercompany receivables on the Company balance sheet; and • assessment of the recoverable value against the carrying value of the investments in accordance with IAS 36. **Conclusion:** The Committee was satisfied with the impaired carrying value of the investments in subsidiaries and intercompany receivables held by the Company.

Other issues considered by the Committee:

Matter and description	Action the Committee has taken and conclusion
Viability statement	
Consideration of the prospects and viability of the Group is a fundamental responsibility of the Board, and the Committee has given this matter its full attention.	Management provided the Committee with a paper on the viability of the Group, over a three-year period, which included a review of the principal risks and considered and modelled a number of severe but plausible scenarios. The key judgements, assumptions and scenario modelling were the subject of a number of Board discussions and robust challenge. Disclosures were then drafted and considered, for inclusion of material judgements, assumptions and uncertainties, by the Committee. **Conclusion:** The Committee approved the viability statement, as detailed on page 47, and recommended its adoption by the Board.

Matter and description	Action the Committee has taken and conclusion
IFRS 16 and the impact on the income statement and balance sheet	
At each meeting during the year, the Committee received an update in relation to the Group's proposed approach to the IFRS 16 reporting standard. The Group has adopted IFRS 16 using the modified retrospective approach from 1 January 2019 but has not restated the 2018 comparatives. The Committee reviewed the Group's impairment model, given the £83.0 million impairment arising on transition, and discussed the broader reporting impacts of IFRS 16 on reporting assets, liabilities and the Group income statement. The material impact on the 2019 income statement (£34.6 million increase in adjusted EBITDA) is detailed in the chief financial officer's review on page 53. This has led to the presentation of an additional adjusted profit measure (adjusted EBITDA pre-IFRS 16) in this transitional year, to provide an understanding of underlying performance on a comparable basis to the prior year comparatives. Significant judgements exercised, and reviewed by the Committee, included: adoption methodology; discount rates applied; assumptions for the determination of lease term, notably for held over leases; and impairments arising on transition. For more detail in respect of the impact of IFRS 16 on the balance sheet and transition approach, see note 2(c). For details of ongoing critical judgements in relation to determining the lease term, notably in relation to held over properties, please see note 3.	The new lease accounting policy includes disclosure of the significant judgements and estimates exercised in relation to its application. The Committee is satisfied that these have been properly disclosed. **Conclusion:** The Committee is satisfied that the significant judgements and estimates and related disclosures given within the accounts are sufficient to gain a proper understanding of the methodology of accounting for leases across the Group.
Discontinued operations disclosures	
Lambert Smith Hampton (LSH) represented a separate major line of business and was proposed to be disposed of on 31 December 2019. The business has therefore been disclosed as a discontinued operation in the financial statements and the comparative figures have been restated. For more detail in respect of discontinued operations, see note 34.	The Committee reviewed management's assessment in relation to discontinued operations and their treatment in the financial statements. **Conclusion:** The Committee concurred that management's assessment of discontinued operations was correct and that the disclosures in the financial statements as at 31 December 2019 are appropriate.

For further information on the critical accounting estimates and assumptions, refer to the notes to the consolidated financial statements on pages 128 to 130. For a discussion of the areas of particular audit focus by the auditor, refer to pages 101 to 106 of the independent auditors' 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 and internal control systems. No significant control weaknesses were identified.

The Group's risk management framework is designed to support consistent and effective management of risk throughout the Group and overseen by the structure detailed on pages 40 and 41 which includes the Committee. The principles and expectations for risk management are driven by a clear tone from the top.

The Board has an ongoing process to identify, evaluate and manage the significant current and emerging risks faced by the Group in accordance with UK Corporate Governance Code guidance. Management is responsible for the identification, evaluation and management of these risks together with the design, operation and monitoring of associated controls to manage risks to an acceptable level.

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, and recommended to the Board for approval, changes to the Committee's terms of reference and calendar of duties;
- reviewed the quarterly Group risk report on the 'top risks' facing the Group, the relative assessment of impact and likelihood and actions underway or taken to deliver target risk ratings over a six-month horizon;
- reviewed the emerging risks facing the business;
- approved the annual internal audit plan, outlining those areas to be covered by the work of internal audit during 2019 and monitored progress against the plan at each meeting. This included updates on progress to deliver management actions relating to internal audit actions. The Committee also received and approved changes to the plan during the year;
- completed an annual review of the effectiveness of the Group's internal audit function, under the direction of the Group's enterprise risk director, using a questionnaire for key stakeholders as an underlying framework;
- completed an annual review of the effectiveness of the Group's risk management and internal control systems;
- received updates from the Group's enterprise risk director in relation to the Group's Financial Conduct Authority-regulated operations, including regulatory relationship matters and outputs from the Financial Services business unit's risk, audit and governance committee;
- approved the 2020 Group risk function plan, outlining the objectives and activities of the Group risk function for the forthcoming year;
- monitored completion and pass rates of mandatory compliance and ethics-related training courses taken by colleagues throughout the Group;
- 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 auditors on any issues identified during the course of its work, including a report on control weaknesses identified; and
- 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.

Oversight of the external audit

The Committee's oversight of the external auditors includes reviewing and approving the annual audit plan. In reviewing the plan, the Committee discusses and challenges the auditors' 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. 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 auditors. These included ensuring that appropriate safeguards were put in place, such as the complete separation of teams, where additional work was undertaken during the year in respect of capital market transactions.

To further safeguard the objectivity and independence of the external auditors, the Committee has a formal policy governing the engagement of the external auditors to provide non-audit services, 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.

Amounts paid to PwC were reported to and considered by the Committee. Non-audit fees will remain subject to scrutiny and approval by the Committee.

The total of non-audit fees and audit fees paid to PwC during the year is set out in the table below:

Description of service	**2019 £'000**	2018 £'000
Audit-related assurance services	**180**	58
Other non-audit services*	**710**	992
Non-audit fees	**890**	1,050
Audit fees (excluding audit-related assurance services)	**796**	558
Ratio of non-audit to audit fees	**112%**	188%

* 2018 amounts relate to work undertaken on the Group's capital refinancing plan. 2019 amounts relate to reporting accountant work undertaken in connection with the shareholder circular in respect of disposal of Lambert Smith Hampton. We considered this work to be most effectively performed by the external auditor given the nature of the work and timescales for completion.

The assessment of the effectiveness of our external auditors is based on a framework setting out the key areas of the audit process for the Committee to consider. The framework takes the form of an annual questionnaire covering all key aspects of the audit, including the contribution of management to an effective audit process, and is completed by each member of the Committee and by the chief financial officer. Feedback was also sought from other members of the Group finance team, divisional management and the enterprise risk director. Based on responses to the questionnaires, management produced a report for detailed consideration by the Committee. The feedback from this process was considered by the Committee, and action plans were developed in relation to better communication during the audit cycle between PwC and the Group's divisional teams. 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.

PwC operates a five-year rotation policy for audit partners of a listed entity and, as a result of this being his final year of signing the audit report, the current engagement partner's tenure will end at the conclusion of the 2019 audit cycle. His successor has been introduced to the Committee and attended year end clearance meetings within the Group and Audit and Risk Committee meetings as an observer to allow a smooth transition.

External audit tender

The Group put its external audit contract out to tender during the final quarter of 2016 and PwC were reappointed as auditors of the Group. The Group, as a listed company, will continue to tender its audit every ten years. PwC can continue to audit up to and including the year ending 31 December 2027. There are no contractual obligations on the Group that restrict the choice of auditor; however, Deloitte provide internal audit services to the Group and, to allow continued provision of those services, have previously been excluded from the tender process by mutual consent.

During the year, the Group can confirm that it has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Annual evaluation of Committee performance

The Committee's activities formed part of the evaluation of Board effectiveness performed in the year. Details of this process and the actions taken arising from the external evaluation undertaken by Lintstock can be found on page 67.

Financial Reporting Council thematic review

The Group's annual report and accounts for the year ended 31 December 2018 was selected, as part of a sample of accounts, by the Financial Reporting Council (FRC) for their thematic review of companies' disclosures relating to the impairment of non-financial assets. The FRC carried out a limited scope review[1] of the disclosures relating to impairment of non-financial assets and did not conduct a full review of the 2018 annual report and accounts. Following correspondence, the review was closed on 23 December 2019 and the recommended opportunities to improve disclosures were noted and have been adopted in these financial statements.

1. As detailed in an extract of their correspondence below:

Scope and limitations of our review

Our review is based on your annual report and accounts and does not benefit from detailed knowledge of your business or an understanding of the underlying transactions entered into. It is, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. We support continuous improvement in the quality of corporate reporting and recognise that those with more detailed knowledge of your business, including your audit committee and auditors, may have recommendations for future improvement, consideration of which we would encourage.

This, and any subsequent letter, provides no assurance that your report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Our letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the company or any third party, including but not limited to investors and shareholders.

Directors' remuneration report

As we make progress with our turnaround strategy, it's essential that our remuneration policy continues to incentivise both the delivery of strong, sustainable financial results and the creation of shareholder value.

At the same time, particularly given the pain that COVID-19 has inflicted on many in society, remuneration of senior staff needs to be seen as fair. I'm very pleased by the way the Countrywide senior team has responded to the crisis.

The Remuneration Committee and its composition

Attendance by members at the meetings is shown on page 63. All members of the Committee are considered independent non-executive directors.

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

Annual statement

Dear shareholder

I am delighted to have become the chair of the Remuneration Committee during the year, having served as a member since I joined the Countrywide Board in 2017. I would particularly like to thank my predecessor, Cathy Turner, for her excellent stewardship and handover.

Overview of our performance in 2019

As the executive chairman's statement says, until the onset of COVID-19, the Group was trading in a challenging market. The management team has delivered in line with expectations as we have continued the turnaround plan. The Group's continuing operations, excluding Lambert Smith Hampton, have returned to profitable growth year-on-year, despite the combination of a shrinking market, the introduction of the tenant fee ban and costs of investing in our recovery. We have made significant progress in the turnaround strategy, as detailed on pages 20 to 24. The business ended 2019 with stronger capability and better processes and disciplines, and is well positioned to capitalise on any improvement in the residential property market.

Response to the COVID-19 pandemic

Following the outbreak of the global COVID-19 pandemic, the Group has taken significant actions on employment and remuneration in order to protect the Group's and staff's future.

As much of the housing market was effectively shut down, 78% of the Group's total staff were furloughed on the Government's Coronavirus Job Retention Scheme. We have taken active steps to support all of our people during a very challenging period, offering regular updates to all colleagues, ensuring clear and consistent guidance that reflected the UK Government and Chief Medical Officer advice.

We have developed a range of tools, resources and materials available through the intranet which is available 24/7 through desktop or via the mobile app. The new content includes useful information and resources on physical, mental and financial wellbeing alongside useful guides, policy changes and FAQs. Colleagues can stay connected through the Group managing director's message and weekly business blogs and everyone is encouraged to take 'time to talk' through the various forums and posts.

Recognising that the impact needed to be shared as widely as possible across the organisation, the executive chairman and non-executive directors volunteered to take a 33% pay cut from 1 March 2020, and the executive team and senior leaders a 20% pay cut from 1 April 2020. All non-furloughed staff earning over £45,000 have also taken a 20% reduction in salary, again from 1 April 2020.

Finally, we have also taken the decision to defer the award of the senior management 2019 bonus until the Group's situation is clearer. Award won't be automatic; it will depend upon the financial position of the Group. The Remuneration Committee will make an assessment later in 2020. We have not amended the proposed remuneration policy as a result of the crisis as we believe that as the business returns it remains appropriate for the future of the organisation.

Senior leadership

Paul Creffield's extensive industry experience has been crucial to the implementation of the turnaround plan. Paul's credibility within the sector and business has allowed the Group to rebuild its senior leadership, focus on getting the basics right, and improve morale across the business. Equally critical has been the leadership of Peter Long, who has served for the year as executive chairman, supporting Paul through his extensive turnaround experience, and by focusing on external communications and investor relations has enabled Paul to be completely focused on leading business performance.

We recognise that simply stabilising the business is not adequate – we need a return to profitable growth. Over the course of the year, we have strengthened our internal succession planning and talent management approach, to give ourselves stronger succession options for the future.

UK Corporate Governance Code

Countrywide has, since the start of the 2019 financial year, developed its policies and approach in the light of the revised UK Corporate Governance Code. By way of an example, the Board took the decision to broaden the Committee's remit to capture a number of additional responsibilities. As required under section 172 of the Companies Act, the Committee now has responsibilities both for reviewing workforce policies (beyond pay, including a wide range of HR matters) and for monitoring and reviewing organisational culture. The Committee already reviews and approves the pay arrangements for senior executives below the Board and has taken an active interest in understanding pay policies more generally across the workforce. We have also developed a human capital risk register which the Remuneration Committee reviews frequently. During 2020, we shall continue to develop and formalise our approach so that greater attention is given to reviewing pay and employment conditions across the Group. To support this, the Group has created a Variable Pay Committee that reports to the Remuneration Committee.

As noted earlier in the corporate governance section, the Board as a whole will be seeking to develop the ways in which it engages with employees. Existing mechanisms which include branch visits, colleague surveys and Board dinners with divisional teams form the foundations on which we have built to ensure the employee voice is heard. The Committee members play an active part in this process so that they are fully informed of employee sentiment when setting executive remuneration. By way of example, we have mandated a minimum number of visits of non-executive directors to branches (which may be virtual in light of COVID-19), and we ensure the Board takes a very active interest in employee survey results and key HR metrics. Lisa Charles-Jones, who was appointed to the Board and joined the Committee during the year, was also appointed as the Board's employee engagement lead and has been providing feedback to the Committee in terms of broader employee matters as well as any pay-related concerns.

The Committee was already, in practice, responsible for reviewing senior executive pay but has now formalised this as part of our terms of reference.

The provisions of the UK Corporate Governance Code focused on remuneration were considered as part of our directors' remuneration policy (the "policy") review which is discussed below.

2019 business performance and reward outcomes

In light of business performance, there were no base salary increases for executive directors (nor the rest of the Executive Committee team) with effect from 1 January 2019. The Committee, as explained in last year's report, also decided to scale back the LTIP awards granted during 2019 to take account of the share price. Awards were granted in March 2019 at 50% of salary for Paul Creffield and 35% for Himanshu Raja, which was a significant reduction compared with prior years. This was in recognition of the share price at the date of grant (8.2 pence). A limit on the value which can be delivered to any individual was also applied to this award to avoid excessive outcomes, recognising the impact of wider market conditions on the performance of the Group.

Our 2019 annual bonus was subject to a combination of financial and personal/strategic performance measures. The financial element was focused on Group adjusted EBITDA targets, against which we delivered £24.4 million for the year ended 31 December 2019. This was considered a good achievement against the backdrop of difficult market conditions and a challenging political climate. When assessing performance for this year, the Committee took into account the impact on the target range set at the start of the year of the declining market. At the end of the year, the Committee considered both financial and personal objectives and determined that the outcomes were 57% of salary for Paul Creffield and 55% for Himanshu Raja (Peter Long does not participate in any incentive plan). When making this determination, the Committee considered both the formulaic outturn and a wider range of factors, including broader financial and operational performance, conduct and compliance issues, as well as progress against our turnaround plan. Overall, the Committee is satisfied that the bonus outcomes are a fair reward for performance delivered. Our business leaders also participate in an annual bonus scheme and are treated consistently with the executive directors in terms of assessment.

When the potential impact of the COVID-19 pandemic became clear, the Board agreed swiftly that the award of bonuses for senior managers and executive directors should be deferred until the Group's financial position was clearer, in order to preserve cash. At this stage, it is unclear when the Group will resume normal trading. The Remuneration Committee has therefore decided to review the position later in 2020, to determine if and when the senior management and executive director bonuses can be awarded. The Remuneration Committee's desire is to award the bonuses, given that they relate to 2019, but will only do so if the Group can afford to do so.

The 2017 LTIP, of which Paul Creffield and Himanshu Raja participated, will not vest as performance conditions attached were not met. An award of restricted shares granted to Paul Creffield in 2017, when he was a member of the Executive Committee (not at executive director level) will vest in 2020 subject to continued service.

Directors' remuneration policy for 2020 – the review process

In line with the reporting regulations, the Remuneration Committee is required to put the directors' remuneration policy to a shareholder vote at least every three years. Our current policy was approved by shareholders at the 2017 Annual General Meeting (AGM) and so this year we are proposing a revised policy for renewal.

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 awards are only achieved for exceptional performance against challenging targets; it recognises the cyclicality of the business and exposure to changing market conditions; and it encourages an appropriate level of risk taking commensurate with the risk profile of the business.

In general, the current policy is considered to be working well to support our business strategy and therefore few material changes are being proposed. Those changes (set out below) are primarily in response to the revised UK Corporate Governance Code and the resulting developments in market practice, and also reflect shareholder feedback to our current policy. We consulted with our major shareholders during 2019 and confirmed that the majority were supportive of the changes proposed. I am grateful to the shareholders who took time to give me their views.

In summary, the principle changes are:

- Pensions: reduction of the maximum limit to 15% of salary from 20% of salary. New appointees to the Board will be treated in the same way as new joiners across the Group. This is currently 3% of salary;
- Annual bonus: strengthening of the malus and clawback provisions;
- Personal/strategic objectives: confirming that these will be SMART and clearly measurable, focused on core business goals; and
- Share ownership guidelines: introduction of a post-cessation shareholding requirement for full-time executive directors.

Implementation for 2020

The Committee is satisfied that the operation of the existing (and proposed) directors' remuneration policy remains appropriate and should continue to operate with these amendments for 2020.

The key points to note are as follows:

- There was no increase to either the Group managing director or chief financial officer's salary from 1st January 2020. They subsequently volunteered to a salary reduction of 20% effective from 1st April 2020 as a response to the COVID-19 crisis, after which their salaries will revert to the previous level.
- No increase in fee for the executive chairman (as above, this will return to pre-crisis level);
- Pension remains unchanged at a contractual commitment of 15% of salary for existing executive directors, but will be 3% of salary for any future executive director appointment;
- The 2020 annual bonus framework will be similar to that in 2019, with 70% of the award now based on adjusted EBITDA, with the remaining 30% incorporating strategic/personal targets. The strategic/personal targets will align with the strategic objectives of the Group and represent both personal and customer outcomes, and will be set with clear, primarily quantitative targets which can be objectively assessed; and
- The performance conditions that apply to the long term incentive grant policy will be adjusted earnings per share and relative total shareholder return, with weighting split two-thirds/one-third respectively. Ongoing grant levels are expected to be consistent with the normal grant policy, further, the maximum value of any individual payouts has been capped as to avoid undue windfalls for a recovery in the share price. However, in recognition of the current low share price and challenge in setting meaningful, relevant targets in light of COVID-19, the Committee has determined that there will not be an LTIP award granted in 2020 for the Group managing director, chief financial officer or other senior managers.

The 2020 bonus framework was set before the impact of COVID-19 was clear, and presumed a continuation of normal trading conditions. The Remuneration Committee has not taken any action to reset targets but, as the majority of Remuneration Committees are doing, we will keep the situation under close review as the year progresses.

The Committee believes that, in normal trading times, the revised directors' remuneration policy will continue to incentivise the delivery of strong yet sustainable financial results and the creation of shareholder value. The organisational cultures within the different Countrywide divisions do differ slightly, but they are hallmarked by some common characteristics, including a strong drive to meet customers' needs; a desire to meet high quality and regulatory standards; a sales orientation; and a strong sense of purpose, professionalism and commitment. The current directors' remuneration policy helps to reinforce these things which we believe help us to perform. We recognise that, while these are not 'normal trading times', it would not be appropriate to abandon these sound fundamentals of a remuneration approach.

Further details of how the current policy will be applied in practice for the 2020 financial year are set out in the annual report on remuneration on pages 93 to 95.

Shareholder support

The Committee was pleased to receive positive support from 96.63% of the shareholders who voted on our 2019 remuneration report (the annual statement and annual report on remuneration). We remain committed to ongoing engagement with our shareholders and take an active interest in their views and voting on this remuneration report. In addition, we have also ensured engagement with some of our larger investors as we have developed policy and are confident that our approach is aligned with the views of shareholders and their best interests.

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.

Natalie Ceeney
Chair of the Remuneration Committee
21 May 2020

PART A: Directors' remuneration policy

The remuneration policy as set out in this section of the remuneration report will take effect for all payments made to directors from the date of the AGM to be held on 26 June 2020. The policy has been developed with regard to the UK Corporate Governance Code, and is felt to be appropriate to support the long term success of the Company while ensuring that it does not promote inappropriate risk-taking.

Despite the uncertainty introduced by COVID-19, we have not sought to amend our planned remuneration policy from the policy on which we consulted our major shareholders during 2019.

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.

When developing the proposed policy, the Committee actively considered the provisions of the revised UK Corporate Governance Code and, in particular, addressed the following six factors:

Clarity

- The proposed policy has a clear objective: to enable the Company to recruit, retain and motivate high calibre individuals to deliver long term sustainable performance which benefits all stakeholders
- The policy itself is in line with standard UK market practice, and is an update of the current policy, so is well understood by participants and shareholders alike
- The terms of the policy are clearly described in detail in this report, including full disclosure on limits, measures and discretions. There should be no ambiguity on how it is intended to be operated
- Full retrospective disclosure of the relevant performance assessments and outcomes is provided for shareholders to consider
- Full prospective disclosure is provided in relation to LTIP awards, including the award levels, performance measures and targets

Simplicity

- The policy includes a standard annual bonus plan and a single LTIP so the incentive arrangements are considered easy to understand and communicate
- Payments are made either in cash or via Countrywide plc shares. No artificial or complex structures are used to facilitate the operation of the incentive plans
- The rationale for each element of the policy is clearly explained in the policy table and links to the overall Company strategy

Risk

- Relevant individual and plan limits prevent excessive outcomes under the annual bonus or LTIP
- Regular interaction with the Audit and Risk Committee ensures relevant risk implications are understood when setting or assessing performance targets
- Periodic risk reviews to ensure the policy remains within an acceptable risk profile and that the performance measures used do not incentivise or reward for inappropriate behaviour and the introduction in 2019 of a human capital risk register
- The unintended consequences of a particular performance metric are considered when assessing its appropriateness
- Comprehensive clawback and malus provisions are in place across all incentive plans and the Committee's ability to use its discretion to override formulaic outcomes are considered important controls to prevent inappropriate reward outcomes
- Flight risk and succession issues are considered as part of the wider remit of the Committee, and are considered on at least an annual basis, generally as part of the annual pay review which includes a review of executive talent summaries

Predictability

- The possible reward outcomes are quantified and reviewed at the outset of the performance period. The illustrations provided in the "Illustration of Policy for 2020" section on page 85 clearly show the potential scenarios of performance and the resulting pay outcomes which could be expected
- Relevant individual and plan limits prevent excessive outcomes. The inclusion of an additional value cap on the 2019 LTIP (e.g. no more than £1 million) highlights the Committee's awareness of potential capricious outcomes
- Regular monitoring of performance by the Committee ensures that there are "no surprises" at the end of period assessment

Proportionality

- Incentives only pay-out if strong performance has been delivered by the executive directors
- The performance measures used have a direct link to the KPIs of the business and there is a clear separation between those used in the annual bonus and LTIP
- Appropriate underpins can be (and have been) used to ensure that any pay-outs are affordable based on financial performance
- The Committee has the discretion to override formulaic outcomes if they are deemed inappropriate in light of the wider performance of the Company and considering the experience of stakeholders

PART A: Directors' remuneration policy continued

Alignment to culture

- Incentive structures incentivise and reward for strong performance; they do not reward for poor performance
- The policy seeks to retain executives to deliver long term, sustainable performance which benefits all stakeholders
- The relevant discretions in the policy are intended to ensure that performance is assessed on a "like for like basis" and that participants are rewarded for "doing the right thing" for the Company, not for themselves
- The Committee has taken onboard an additional responsibility to monitor culture and ensure pay policies are set to align with this. This covers areas including wellbeing and diversity

Decision making process

The proposed policy was formed as part of discussions held between the Committee, the executive chairman, Group managing director, Group Human Resource director, Group reward director and external advisors, and then tested and refined with input from the Executive Committee and other senior executives. During 2019, the Chair of the Remuneration Committee met with major stakeholders to seek their input into the policy, and to test the proposed approach. The Committee also set aside time without management presence, to consider the wider implications of the proposals. Other non-executives who are not Committee members were also kept informed of the process throughout. Ultimately, the decision to proceed with the proposed policy was made by the Committee members.

Engagement with employees on executive directors' remuneration

Employee views expressed on executive pay issues are collated through the wide ranging engagement activities held throughout the year and are passed back to the Committee and senior executives, so they are aware of overall sentiment when setting pay structures throughout the Group. However, the workforce is not directly consulted solely on executive remuneration matters, rather it forms part of wider engagement on a range of issues.

The activities of the employee engagement lead cover a range of issues, one of which is pay considerations, and the views of employees are fed back to the Committee as part of this process.

Statement of employment conditions elsewhere in the Company

The Committee takes an active role in approving the remuneration of senior executives, which covers the executive directors, Executive Committee and other senior executives. The Committee also dedicates time, through a standing agenda item, to consider wider workforce pay policies and pay structures throughout the Group – in the last year, this has included consideration of the number of incentive plans in operation, pension provisions across the Group and the annual pay review process.

Annual pay reviews for the senior executives were viewed in light of pay increases across the Group.

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 weighted towards variable pay 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.

Further down the organisation, there are numerous incentive arrangements which vary across roles depending on the nature of the business in which they operate, the local market conditions and the seniority of the role and its ability to influence local or Group level outcomes. The monitoring of these plans is delegated to the Variable Pay Committee which reports to the Remuneration Committee.

Employees are encouraged to participate in all-employee share plans such as the Save As You Earn scheme. However, participation in discretionary share plans, such as the LTIP, is limited to those who are able to influence Group level performance. The Committee has responsibility for the operation of share incentive plans, including who participates and the level of awards granted.

Statement of consideration of shareholder views

The Company welcomes dialogue with its significant shareholders and, in the event that material changes to the policy are proposed, will consult with major shareholders and representative bodies in advance of changes being made (as has been the case in connection with the proposed new policy).

Directors' remuneration policy – executive directors

The table below summarises the Committee's proposed policy on the remuneration of executive directors which, if approved by shareholders at the forthcoming AGM on 26 June 2020, will replace the existing policy for which shareholder approval was obtained at the 2017 AGM and will become binding immediately thereafter. The material differences between the existing and proposed new policy (which has also been designed with due account taken of the UK Corporate Governance Code) are explained in the Committee chairman's letter and in the table below. It is currently intended that the policy will remain valid until the 2023 AGM.

Purpose/Link to strategy	Operation	Maximum opportunity	Performance measures	Changes from previous policy
Base salary				
To aid the recruitment, retention and motivation of high performing people	Base salaries are set at a level which reflects the skills and experience of the individual, the size and scope of the role and their criticality to the business The salary of a newly appointed director may be set at a level below intended positioning, with phased increases to take account of experience For an executive director who does not participate in any other remuneration arrangement (i.e. the current executive chairman), the relevant base fee will be set taking into account expected time commitments and responsibilities Base salaries are normally reviewed annually. The review reflects changes in scope of role and responsibility, personal and Group performance, and increases throughout the rest of business	During the life of this policy, no executive director's base salary shall increase by an average of more than 10% p.a. in an existing role (save following recruitment – see below) The Committee is guided by the general increase for the broader employee population but may decide to award 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	Clarification on the approach for the current executive chairman – namely that he is not eligible for a bonus or LTIP
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 Any reasonable business expenses incurred in line with the Company's expenses policy will be reimbursed (on a gross basis if necessary)	No executive director will receive benefits of a total aggregate value exceeding £50,000 per annum	n/a	Clarification that business expenses may be reimbursed on a gross basis if necessary
Pension				
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	Directors will receive a pension contribution appropriate to their role either as a formal pension and/or cash equivalent For current executive directors, the maximum pension contribution will not exceed 15% of salary For a new appointment, the maximum pension contribution will be no more than that offered to the wider workforce[1]	n/a	Reduce the maximum limit (from 20% to 15% of salary) and commit that any new appointment will be treated no differently to any other new joiner across the workforce (which is currently 3% of salary)

1. The actual pension provision used will be set in the context of that which applies to the majority of new joiners at the time of the appointment. This will be explained in the following directors' remuneration report with a clear explanation of the alignment with the wider workforce.

PART A: Directors' remuneration policy continued

Purpose/Link to strategy	Operation	Maximum opportunity	Performance measures	Changes from previous policy
Annual bonus				
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	Subject to the achievement of performance measures and targets set by the Committee at the start of the financial year One-third of any bonus payable will normally be deferred into share awards with a three-year vesting period (and subject to forfeiture) Dividend equivalent payments may be payable on awards to the extent they vest Non-pensionable Malus and clawback provisions operate[1]	Maximum bonus of 120% of salary per annum	Performance measures applied may be financial or non-financial, corporate, divisional or individual and in such proportions as the Committee considers appropriate When determining the portion of bonus that is payable for achieving any threshold and target level of performance for any measure, the Committee will take account of a number of factors such as (i) the stretch inherent in the threshold/target performance level, (ii) how that threshold/target level compares with internal and external forecasts, (iii) bonus outturns and associated performance in the prior year and (iv) the general financial and market conditions that apply when the targets are set	Strengthening of the malus and clawback provisions
Long term incentive plan				
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 performance share awards Structured as nil-cost options/conditional awards, with at least a three-year vesting period and a further two-year holding period Non-pensionable Dividend equivalent payments may be payable on awards to the extent they vest Malus and clawback provisions operate[1]	Normal grant limit: Up to 150% of salary Exceptional limit: 300% of salary per annum The Committee will determine the size of each award grant, taking into account the circumstances at the time, including the performance of the business and the individual	The Committee may set such performance conditions on awards as it considers appropriate, whether financial or non-financial and whether corporate, divisional or individual Performance periods may be over such periods as the Committee selects at grant, which will not be less than, but may be longer than, three years No more than 25% of awards vest for attaining the threshold level of performance conditions	Removal of the "Maximum" limit of 200% of salary

1. Malus and clawback provisions may be applied to the annual bonus and LTIP awards in the following circumstances:
   - Misstatement
   - Error in calculation
   - Misconduct
   - Serious reputational damage
   - Insolvency or administration (to the extent that the Remuneration Committee and the Board retains its authority)

Purpose/Link to strategy	Operation	Maximum opportunity	Performance measures	Changes from previous policy
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 operated as per HMRC approved rules	Consistent with prevailing HMRC limits and on the same terms as other employees	n/a	None
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	Full-time 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 200% of base salary has been achieved In addition, a further requirement for executive directors (excluding executive chairman) to continue to hold the lesser of 100% of salary and the shareholding immediately before cessation, for a period of one year post-cessation, reducing to 50% of salary for a further one year period (i.e. a two-year post-cessation shareholding requirement). For these purposes, the requirement will exclude shares which have been purchased from the individual's own funds. Such a requirement could only be disapplied in exceptional circumstances at the Committee's discretion	n/a	n/a	Introduction of a post-cessation shareholding requirement for full-time executive directors
Chairman and non-executive directors' fees				
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 Neither the chairman nor the non-executive directors participate in any cash or share incentive arrangements Non-executive directors may receive benefits (including travel and office support, together with any associated tax liability that may arise)	The maximum aggregate fees payable to the non-executive directors is as set out in the Company's Articles of Association (currently £2 million) 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 may be paid for specific additional responsibilities, such as chair of Audit and Risk Committee, chair of Remuneration Committee, employee engagement lead and senior independent director or to reflect a substantially greater time commitment than normal in any year A non-executive director who fulfils an executive position on an interim basis may be paid in accordance with policy above or, if felt appropriate, could be subject to a higher fee arrangement which recognises the increase in time commitments associated	n/a	Clarified the treatment for a non-executive director who temporarily fulfils an executive position

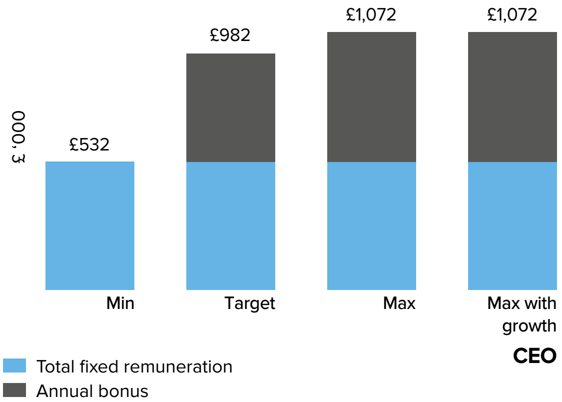
PART A: Directors’ remuneration policy continued

Notes to summary policy table

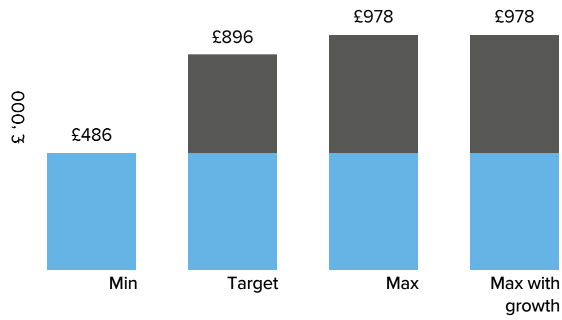
1. A description of how the Company intends to implement the remuneration policy for 2020 is set out in the annual report on remuneration.
2. The performance-related elements of remuneration take into account the Group’s risk policies and systems, and are designed to align the senior executives’ interests with those of shareholders. The Committee reviews and sets the metrics and targets applying to awards to the executives every year, in order to ensure that they are aligned with the Group’s strategy. All financial targets will (where appropriate) be set on a sliding scale. Non-financial targets are set based on individual and management team responsibilities and strategic objectives. A summary of the targets to be used in 2020 under the annual bonus and LTIP can be found on page 94. Appropriate levels of reward are available for achieving threshold performance with maximum rewards requiring substantial out-performance of challenging strategic plans. The Committee retains discretion to set different targets and introduce additional metrics in line with the Company’s strategy for future awards providing that, in the opinion of the Committee, the new targets are no less challenging in light of the prevailing circumstances than those set previously. If substantially different targets to those used previously are proposed, major shareholders will be consulted. Furthermore, the Committee reserves the right to adjust any bonus outturn and/or LTIP vesting that is based on a formulaic assessment of performance against the targets if such outturn/vesting does not reflect shareholders’ experience and/or underlying performance.
3. The Committee operates incentive arrangements for executive directors in accordance with their respective rules and the Listing Rules and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plan rules. These include (but are not limited to) the following:
   - who participates;
   - the timing of grant of award and/or payment;
   - the size of an award (up to plan/policy limits) and/or a payment;
   - the result indicated by the performance conditions;
   - discretion relating to the measurement of performance in the event of a change of control or reconstruction;
   - determination of a good leaver (in addition to any specified categories) for incentive plan purposes;
   - adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends);
   - the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose; and
   - the rules of the plans also allow the Remuneration Committee to exercise its discretion if necessary to zero in respect of incentive payments.
4. For the avoidance of doubt, in approving this directors’ remuneration policy, authority is 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).
5. The Committee may make minor amendments to the policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.
6. The regulations and related investor guidance encourage companies to disclose a cap within which each element of the policy will operate. Where maximum amounts for elements of remuneration have been set within the policy, these will operate simply as caps and are not indicative of any aspiration.
7. While the appropriate benchmarks vary by role, the Company seeks to apply the philosophy behind this policy across the Company as a whole. Where the Group’s pay policy for Directors differs from its pay policies for groups of staff, this reflects the appropriate market rate position and/or typical practice for the relevant roles. The Company takes into account pay levels, bonus opportunity and share awards applied across the Group as a whole when setting the executive directors’ policy.

Illustration of the application of the directors' 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.



CEO



CFO

These scenarios adopt the following assumptions:

- fixed pay consists of base salary as at 1 January 2020, benefits and pension allowances. The value of benefits and pension is as set out in the single figure table for 2019;
- on-target performance is based on the value of fixed pay plus on-target incentive pay, based on 83% of the maximum bonus. As there is no LTIP award in 2020, it is not included within the illustrations;
- maximum performance is based on the value of fixed pay plus maximum incentive pay (i.e. a 120% of base salary annual bonus);
- as there is no LTIP award for 2020 there is also no share price growth, therefore the max and the max with growth columns are identical; and
- no assumptions have been made as to the share price growth and any dividend accrual has been excluded from the above; and options have been made as to the share price growth and any dividend accrual has been excluded from the above.

Recruitment policy:

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 79 to 84. 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 (subject to performance) up to market rate, in line with increased experience and/or responsibilities. In accordance with the policy table, any pension provision will be no different to that offered to the majority of the workforce at time of appointment.

Our policy on maximum annual bonus and LTIP awards would apply. Depending on the timing of such an appointment within the financial year, the Committee may set alternative performance measures for the first performance period.

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.

PART A: Directors' remuneration policy continued

If a director is required to relocate in order to take up the position, the Company may consider reasonable relocation, travel, subsistence and any other incidental payments as appropriate. Any such payments will be at the discretion of the Committee. In the case of an employee who is promoted to the position of director, it is the Company's policy to honour pre-existing commitments in accordance with their terms.

Service agreements and letters of appointment

Each of the executive directors' service agreements is for a rolling term and may be terminated by the Company or the director by giving no more than 12 months' notice. The non-executive directors of the Company (including the chairman) do not have service agreements. The independent non-executive directors are appointed by letters of appointment and have an initial two-year term. Caleb Kramer's services are provided to the Company under an agreement between the Company and Oaktree Capital Management FIE LLC which runs for an initial period of three years. The initial terms of the non-executive directors' positions are subject to their re-election by the Group's shareholders at the AGM. The dates of appointments of the non-executive directors who served during the year are set out below:

Chairman and non-executive directors	Commencement date of original term	Unexpired term as at 26 June 2020 AGM
Peter Long	11 February 2016	n/a
David Watson	2 September 2013	n/a
Cathy Turner	31 July 2013	n/a
Rupert Gavin	25 June 2014	n/a
Jane Lighting	9 June 2014	n/a
Caleb Kramer	19 February 2013	n/a
Natalie Ceeney	28 April 2017	n/a
Mark Shuttleworth	1 October 2018	3 months
Lisa Charles-Jones	26 June 2019	12 months
Amanda Rendle	16 October 2019	16 months

All individuals (save for Jane Lighting and Cathy Turner, who stepped down from the Board during the year) will be subject to re-election at the 2020 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 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.

The Company has the power to enter into settlement agreements with directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an executive director, the Company may pay a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

External appointment of executive directors

The Board allows executive directors to accept appropriate outside 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 2019 are disclosed on page 87.

PART B: Annual report on remuneration

Directors' remuneration for the year ended 31 December 2019 (audited)

	Salary and fees		Taxable benefits[3]		Annual bonuses[11]		Long term incentives		Pension[4]		Total[5]	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Executive directors												
Peter Long[2]	**360**	349	**–**	–	**–**	–	**–**	–	**–**	–	**360**	349
Himanshu Raja	**410**	410	**15**	14	**224**	–	**–**	–	**62**	62	**711**	486
Paul Creffield[6]	**450**	187	**14**	6	**257**	–	**–**	–	**68**	28	**789**	221
Non-executive directors												
Caleb Kramer[10]	**40**	40	**–**	–	**–**	–	**–**	–	**–**	–	**40**	40
David Watson	**95**	102	**–**	–	**–**	–	**–**	–	**–**	–	**95**	102
Rupert Gavin	**45**	45	**–**	–	**–**	–	**–**	–	**–**	–	**45**	45
Natalie Ceeney	**63**	55	**–**	–	**–**	–	**–**	–	**–**	–	**63**	55
Mark Shuttleworth[7]	**58**	11	**–**	–	**–**	–	**–**	–	**–**	–	**58**	11
Lisa Charles-Jones[9]	**35**	–	**–**	–	**–**	–	**–**	–	**–**	–	**35**	–
Amanda Rendle[9]	**10**	–	**–**	–	**–**	–	**–**	–	**–**	–	**10**	–
Former directors												
Alison Platt[1]	**–**	48	**–**	1	**–**	–	**–**	–	**–**	7	**–**	56
Cathy Turner[8]	**18**	55	**–**	–	**–**	–	**–**	–	**–**	–	**18**	55
Jane Lighting[8]	**23**	45	**–**	–	**–**	–	**–**	–	**–**	–	**23**	45
Richard Adam	**–**	18	**–**	–	**–**	–	**–**	–	**–**	–	**–**	18
	1,607	1,365	**29**	21	**481**	–	**–**	–	**130**	97	**2,247**	1,483

1. Alison Platt stepped down from the Board on 24 January 2018, however she served notice with the Company until 23 January 2019 as was stipulated in her contract. Further details are noted in the payments to past directors. During her time in post, she acted as a non-executive director for Tesco plc.
2. Peter Long served as non-executive chairman until 24 January 2018, at which time he became executive chairman. Within his remuneration above is the £180,000 element of his fees which would continue to be attributable to his previous non-executive chairman role. During 2019, he served as a non-executive director for TUI AG and retained 330,000 Euros during the year for his services.
3. Benefits consist of the provision of a car allowance, life assurance and private medical and health insurance.
4. Himanshu Raja and Paul Creffield received a 15% of salary supplement in lieu of pension entitlements.
5. Matching shares were also issued to the eligible executive directors under the Share Incentive Plan (until cessation of the plan in April 2018), 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 below.
6. Paul Creffield joined the Board on 2 August 2018. His remuneration is shown for the period in which he served as a director.
7. Mark Shuttleworth joined the Board on 1 October 2018. He received pro-rata fees during 2018.
8. Cathy Turner and Jane Lighting stepped down from their roles on 30 April 2019 and 26 June 2019 respectively.
9. Lisa Charles-Jones and Amanda Rendle joined the Board on 26 June 2019 and 16 October 2019 respectively and received pro-rata fees in 2019.
10. Caleb Kramer's services are provided to the Company under an agreement between the Company and Oaktree Capital Management FIE LLC.
11. Along with all other participants of the annual discretionary bonus plan, executive director bonuses for 2019 have been deferred. They have been included within the table above on the assumption that the Group is in a position to make the bonus payments during 2020, however this will be subject to affordability and acceptable performance, as assessed by the Remuneration Committee.

2019 base salaries and pension

Executive	Annual salary / fee from 1 January 2019	Pension allowance
Peter Long	£360,000 (no increase for 2019)[1]	0%
Paul Creffield	£450,000 (no increase for 2019)	15%
Himanshu Raja	£410,000 (no increase for 2019)	15%

1. Peter Long previously received a fee of £180,000 per annum as non-executive chairman. This was increased to £360,000 per annum for the period that he is executive chairman of Countrywide. He is not eligible for other employment benefits and does not participate in any incentive plans.

PART B: Annual report on remuneration continued

2019 annual bonus award (audited)

Executive directors had the potential to receive an annual bonus of up to 120% of base salary for 2019.

During the course of the year, the Committee decided to restructure the annual bonus plan to better align with market conditions. The Committee determined that there would be no bonus payable for performance during H1 2019 due to an estimate that the original adjusted EBITDA performance targets would not be met. When revising adjusted EBITDA targets for the remainder of the year, the Committee reduced the maximum bonus that could be earned by executive directors for 2019 to half the normal maximum, to 60% of base salary for the Group managing director and the chief financial officer. The intention was to ensure that the targets for the senior managers and the wider leadership team were relevant and motivational.

Group adjusted EBITDA targets

The primary driver of the award was based on Group adjusted EBITDA, relative to a sliding scale of challenging targets set to the end of the financial year.

More particularly, the table below sets out details of the adjusted EBITDA, income and operating cash flow targets, performance against these targets and the resultant bonus outturn. As noted above, the financial performance was assessed for the first six months of the financial year, based on performance to that time and with an assessment of potential full year performance.

As a result of the proposed sale of LSH, the Board assessed the Group adjusted EBITDA targets and concluded that the 2019 performance of LSH should be removed as it was held as an asset for disposal at the time of assessing 2019 performance. The restated targets excluding LSH are detailed below:

		Performance required				
Measure	Weighting	Threshold	On-target	Maximum	Actual	Payout
Group adjusted EBITDA	70%	22.3	22.9	23.6	24.4	120%

Personal/strategic targets (up to one-third of the revised bonus)

This part of the bonus was based on the Committee's assessment of performance against personal/strategic targets. Details of the targets and the Committee's assessment of performance against them are as follows:

Target	Weighting	Committee's assessment of whether target was met
Personal/strategic targets	30%	see below

Measure	Outcome
Paul Creffield (Group MD)	
1. Continue to lead the recovery plan for the Group and ensure clear and measurable gains against the 5 pillars.	Achieved
2. Financial plan Delivery of the 2019 financial plan to consensus **Cash** Manage our cash position as a Group to maximise our cash from operations, free cash flow and OCF all within the covenant headroom. Ensure cash collection continues to improve (order to cash) and the outgoings are within the operating plan	Achieved
3. Talent/Succession and retention of key talent. Ensure support and develop industry experienced team and engaged workforce and understand strategy and survey how this has moved forward	Achieved
Overall outcome for personal objectives	100%
Himanshu Raja (Group CFO)	
1. Working with the executive team and Board ensure consensus sits in the agreed range.	Achieved
2. Deliver on the IT operating plan and targets	Partially met
3. Manage our cash position as a Group to within the agreed plan and ensure RCF covenant headrooms are protected	Achieved
Overall outcome for personal objectives	85%

Total award

Based on the financial performance and assessment of the personal performance objectives, the total award for Paul Creffield is £256,500 (57% of salary) and for Himanshu Raja is £224,475 (55% of salary).

As is the case for all other participants of the annual discretionary bonus plan, payments relating to 2019 have been deferred. The Remuneration Committee will consider the appropriateness of making payments in respect of 2019 during 2020, subject to affordability and acceptable performance.

Vesting of scheme interests in respect of the year ended 31 December 2019 (audited)

Awards granted under the LTIP to Paul Creffield and Himanshu Raja in May 2017 and June 2017 respectively would be due to vest on the third anniversary of grant in 2020 based upon adjusted EPS and relative TSR performance as follows:

	Threshold target 0% vesting at or below	Maximum target 100% vesting at or above	Actual performance[1]	Vesting %
Adjusted EPS for the three years ended 31 December 2019	22.4	29.4	4.3	0%
Relative TSR (vs FTSE 250 ex financial services) for the three years ended 31 December 2019	Median	Upper quartile	Below median	0%

1. Actual performance calculated using adjusted earnings per share of 69.12 pence for the Group (continuing and discontinued business in note 13) and adjusting for the 2018 share issue and 2019 share consolidation (see details in note 27).

Based on the above, none of the outstanding 2017 LTIP awards will vest. Paul Creffield was granted a restricted share award at the same time as the 2017 LTIP (reflecting he was at that time a member of the Executive Committee). This will be due to vest in 2020 subject to continued service. Due to this not being a performance-related award, the value of this award is not shown in the single total figure table.

Scheme interests awarded during the year (audited)

LTIP awards

The LTIP awards for 2019 were scaled back considerably from "normal" award levels to be 50% of salary for Paul Creffield and 35% for Himanshu Raja, which is a significant reduction compared with prior years. This was in recognition of the low share price at the time the award was made (awards to other participants were likewise scaled back). A limit on the value which can be delivered to any individual was also applied to this award (set at £1 million to avoid excessive outcomes).

The following LTIP awards, structured as nil-cost options, were granted to executive directors during 2019:

Executive	Date of grant	Basis of award granted	Share price at date of grant (pence)	Number of shares	Face value of award at grant[1]	% of face value that would vest at threshold performance	Vesting determined by performance over	Normal vesting (exercise) date
Himanshu Raja	27/03/19	35% of salary	8.2p	1,752,137	£143,500	25%	Three-year period ending 31 December 2021	27 March 2022 (27 March 2029)
Paul Creffield	27/03/19	50% of salary	8.2p	2,747,253	£225,000	25%	Three-year period ending 31 December 2021	27 March 2022 (27 March 2029)

1. Based on the share price at grant date in March (i.e. prior to the share consolidation in December 2019) multiplied by the number of shares awarded.

Performance targets for these awards are as follows:

- adjusted EPS growth (two-thirds of award) – 25% of this part of an award will vest for achieving a minimum EPS of 0.8p, increasing pro-rata to 100% vesting for achieving an EPS of 3.00p in adjusted EPS for the three-year period ending 31 December 2021; and
- relative TSR (one-third of award) – the Company's TSR measured against the constituents of the FTSE Small Cap Index (excluding 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.

Note that in assessing the achievement of the relative TSR measure, the Committee will need to be satisfied that the outcome is reflective of underlying financial and operational performance as well as absolute returns to shareholders. We take the view that the measures and targets will provide a strong alignment between the senior executive team and shareholders.

PART B: Annual report on remuneration continued

Outstanding share awards

	Date of grant	Interest at 1 January 2019	Options/ awards granted during the year	Options/ awards lapsed during the year	Options/ awards exercised during the year	Adjusted for share consolidation	Interest at 31 December 2019	Exercise price pence	Expected exercise date/ (vesting expiry date)
Paul Creffield									
Deferred bonus	22/05/15	19,210	–	–	–	(18,826)	384	–	22/05/18
LTIP	22/03/16	143,271	–	(143,271)	–	–	–	–	22/03/19 (22/03/26)
Deferred bonus	05/05/16	20,215	–	–	–	(19,811)	404	–	05/05/19
LTIP	02/05/17	195,021	–	–	–	(191,121)	3,900	–	02/05/20 (02/05/27)
LTIP	26/03/18	1,251,197	–	–	–	(1,226,173)	25,024	–	26/03/21 (26/03/28)
LTIP	27/03/19	–	2,747,253	–	–	(2,692,308)	54,945	–	27/03/22 (27/03/29)
Himanshu Raja									
LTIP	14/06/17	609,096	–	–	–	(596,914)	12,182	–	14/06/20 (14/06/27)
LTIP	26/03/18	1,628,544	–	–	–	(1,595,973)	32,571	–	26/03/21 (26/03/28)
LTIP	27/03/19	–	1,752,137	–	–	(1,717,094)	35,043	–	27/03/22 (27/03/29)

1. Awards were adjusted to take into account the impact of the share consolidation undertaken in December 2019. This technical adjustment is permitted by the plan rules and is in line with the treatment approved by HMRC for other all-employee share plans as a result of a share consolidation. This is designed to ensure that the economic value of the award is substantially the same before and after the transaction.

The executive directors' interests in ordinary shares of the Company under the SIP as at 31 December 2019 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 2019	Adjusted for share consolidation	Total SIP shares at 31 December 2019
Paul Creffield	5,497	(5,387)	110

Mr Raja had completed less than 12 months' service when the SIP was closed in April 2018.

Up to April 2018 when the plan was closed, matching shares were awarded each month in the ratio of two matching shares for every three 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 during 2019 have been subject to audit and are set out in the table below:

	Legally owned		LTIP awards		SIP matching share awards	DSBP options			
	31 December 2019[3]	31 December 2018	Unvested	Vested	Unvested	Unvested	Vested	**Total 31 December 2019**[3]	Shareholding guideline (200% of salary)[2]
Paul Creffield	**50,386**	2,519,016	83,869	–	34	–	788	**135,077**	39%
Himanshu Raja[1]	**27,768**	1,388,474	79,796	–	–	–	–	**107,564**	23%
Peter Long	**68,740**	3,436,985	–	–	–	–	–	**68,740**	n/a
David Watson[1]	**2,998**	149,946	–	–	–	–	–	**2,998**	n/a
Cathy Turner	**–**	56,638	–	–	–	–	–	**–**	n/a
Rupert Gavin	**418**	20,900	–	–	–	–	–	**418**	n/a
Jane Lighting	**1,215**	70,304	–	–	–	–	–	**1,215**	n/a
Caleb Kramer	**–**	–	–	–	–	–	–	**–**	n/a
Natalie Ceeney	**2,491**	125,368	–	–	–	–	–	**2,491**	n/a
Mark Shuttleworth	**–**	–	–	–	–	–	–	**–**	n/a
Lisa Charles-Jones	**–**	–	–	–	–	–	–	**–**	n/a
Amanda Rendle	**–**	–	–	–	–	–	–	**–**	n/a

1. Includes jointly controlled shares held by close family members.
2. For the purposes of the above table, compliance with the share ownership guidelines has been calculated by using the share price of 345 pence on 31 December 2019 and excludes unvested share awards for these calculations.
3. All holdings at 31 December 2019 are stated after the impact of the share consolidation exercise concluded in December 2019.

Peter Long, Paul Creffield and Himanshu Raja all bought additional shares in the Company as part of the capital raising in 2018. Formal share ownership guidelines do not apply to Peter Long in his role as executive chairman. For Paul Creffield and Himanshu Raja, the lower current share price means that the value of their holding (as a percentage of salary) is lower than the shareholding guideline requires. In line with our policy, one-third of the bonus awarded for 2019 performance will be in shares. Progress against the guideline will be monitored. There have been no changes in the interests of any director between 1 January 2020 and the date of this report.

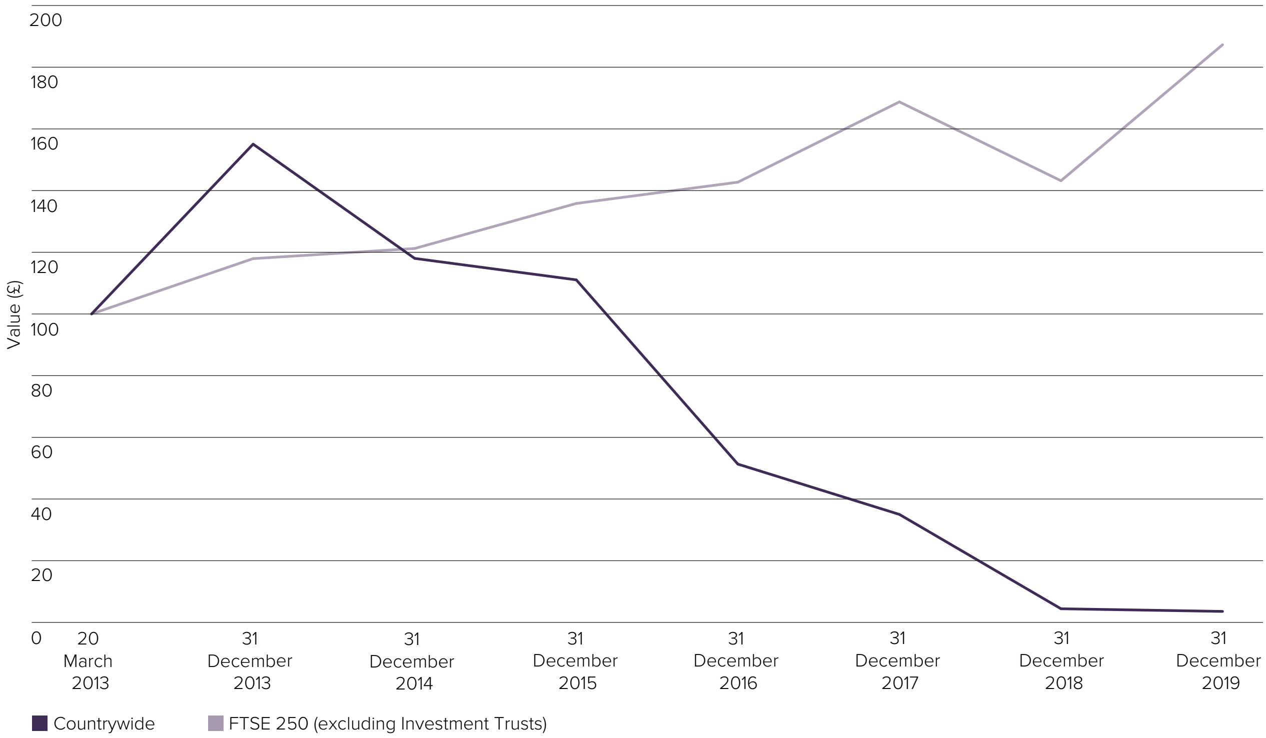
Payments to past directors and payments for loss of office (audited)

Alison Platt stepped down from the Board on 24 January 2018, and was paid in lieu of notice until 23 January 2019 as was stipulated in her service contract. The main provisions relating to her departure (which comply with the Company's remuneration policy) are as follows:

- Base salary, benefits and pension continued to be paid up to the end of her notice period on 23 January 2019.
- No bonus payment was payable for 2018.
- SIP awards were treated in accordance with the plan rules.
- Outstanding 2016 DSBP awards vested in full on cessation of employment and remained exercisable until 23 January 2020.
- Outstanding LTIP awards lapsed on the date of cessation.

PART B: Annual report on remuneration continued

Total shareholder return



Source: Thomson Reuters Datastream

The graph shows the value, by 31 December 2019, 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 LTIPs, 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 %
2019	Paul Creffield	789	48	0
2018	Paul Creffield[3]	221	0	0
2018	Alison Platt[1]	56	0	0
2017	Alison Platt	676	0	0
2016	Alison Platt	676	0	0
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 and stepped down on 24 January 2018.
2. Grenville Turner stepped down as chief executive officer with effect from 1 September 2014.
3. Paul Creffield is the Group managing director. The Committee considers this is currently the role most commensurate with the role of a full-time chief executive officer.

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 2018 and 2019:

	Percentage increase in remuneration in 2019 compared with remuneration in 2018	
	Chief executive officer	Average pay based on all Countrywide employees
Salary and fees	0	8
All taxable benefits	0	17
Annual bonuses/variable pay	100	4

Chief executive officer pay ratio

In line with the new reporting regulations, we have published our chief executive officer pay ratio for 2019 below. For these purposes, we have used Paul Creffield as the Group managing director as the role most commensurate with the role of a full-time chief executive officer. The 2019 bonus value for Paul Creffield has been included within the calculation. As outlined earlier in the report, the 2019 bonus has been deferred. However it has been included within the calculation on the assumption that the Group is in a position to make the bonus payment during 2020.

Option B	Lower Quartile	Median	Upper Quartile
Total pay and benefits	£21,559	£29,067	£40,881
Ratio	36.6 :1	27.1 :1	19.3 :1
Salary only	£18,000	£26,000	£29,250

Given the complexity of the Group payroll structure and the short timescale in which to prepare the data, it has been agreed by the Committee that Countrywide calculate the ratio using option B. Therefore the employees identified as the best equivalents at the lower quartile (p25), median (p50) and upper quartile (p75) from the 2019 Gender Pay Gap report have been selected to calculate the ratio.

As a single snapshot, the above analysis is considered to be of limited benefit on its own, but the Committee will continue to monitor the alignment between executive director pay and that throughout the Group. Movements in subsequent years will be investigated and explanations provided in the relevant directors' remuneration report.

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:

	2019 £'000	2018[1] £'000	Change %
Employee costs	309,325	321,152	(4)
Dividends	0	0	n/a
Tax credit	419	35,043	(99)
Retained losses	(37,452)	(224,422)	83

4. Restated from the prior year following the reclassification of Lambert Smith Hampton as discontinued operations.

Implementation of the remuneration policy for the year ending 31 December 2020

Details of how the Committee intends to operate the remuneration policy for directors for the year ending 31 December 2020 are set out below.

Base salary

Base salaries for the executive directors are reviewed annually by the Committee, taking account of the approved policy and each executive director's 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. As can be seen in the table below, neither Paul Creffield nor Himanshu Raja will be awarded a base salary increase in 2020:

	1 January 2019 £'000	1 January 2020 £'000
Himanshu Raja	410	410
Paul Creffield	450	450

Peter Long will continue to receive an additional annual £180,000 fee in recognition of his role as executive chairman. He receives no other remuneration for the role.

PART B: Annual report on remuneration continued

Benefits in kind and pension

Paul Creffield and Himanshu Raja will continue to receive benefits, including a company car allowance, life assurance, private medical cover, income protection and a salary supplement in lieu of pension entitlement of up to 15% of base salary. This is not in line with the level of pension contribution for employees across the Group, but we have taken the view that these are legacy arrangements and contractual, hence in accordance with our values and approach to employment terms across the business, they should be respected. Peter Long is not eligible for any employment benefits, nor any pension allowance. All executives will be reimbursed reasonable business-related expenses (including any tax thereon) in line with the Countrywide expenses policy.

Annual bonus

For 2020, the maximum bonus potential will continue to be 120% of salary for Paul Creffield and Himanshu Raja, with one-third of any bonus payable to be deferred into Company shares for a period of three years. Peter Long will not participate in the annual bonus.

The metrics used in 2020 will be as follows:

- 70% – Group adjusted EBITDA targets
- 30% – Personal/strategic metrics

As outlined earlier in the report, the 2020 bonus targets will be kept under review in light of COVID-19. In addition, any bonuses accruing will only be payable if the Committee is satisfied that underlying performance warrants such payments.

The Committee does not believe it to be in shareholders' interests to disclose the performance targets in advance for 2020, as these include items which the Committee considers commercially sensitive. However, retrospective disclosure of the targets and performance against them will be presented in the 2020 annual report on remuneration.

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

Long term incentives

In light of the challenges in setting meaningful and relevant targets due to the pandemic situation, along with the current low share price, it has been decided that no LTIP award will be made in 2020 for Paul Creffield or Himanshu Raja.

Shareholding guidelines will continue to operate. Executive directors will be required to retain no less than 50% of net of tax shares from vesting of share options or awards until such time as a shareholding equivalent in value to 200% of base salary has been achieved.

Non-executive directors

Non-executive director fee levels for 2020 are as follows:

Director	Committee chair role	2020 £'000	2019 £'000
Peter Long[1]	Chairman, Nomination	360	360
David Watson	Deputy chairman and senior independent director	95	95
Cathy Turner	Remuneration (until 30 April 2019)	–	55
Rupert Gavin	–	45	45
Jane Lighting	–	–	45
Caleb Kramer	–	40	40
Natalie Ceeney[2]	Remuneration (from 30 April 2019)	60	55
Mark Shuttleworth[3]	Audit and Risk	60	55
Lisa Charles-Jones[4]	Employee engagement lead	60	–
Amanda Rendle[5]		55	–

1. Peter Long received an increased annual fee of £360,000 from 24 January 2018 in recognition of his role as executive chairman of Countrywide. If he reverts to a non-executive role, his annual fee will decrease to £180,000.
2. Natalie Ceeney receives an annual non-executive director fee of £45,000 and an additional annual fee of £15,000 in recognition of her role as chair of the Remuneration Committee.
3. Mark Shuttleworth receives an annual non-executive director fee of £45,000 and an additional annual fee of £15,000 in recognition of his role as chair of the Group Audit and Risk Committee.
4. Lisa Charles-Jones receives an annual non-executive director fee of £45,000 and an additional annual fee of £15,000 in recognition of her role as employee engagement lead.
5. Amanda Rendle receives an annual non-executive director fee of £45,000 and an additional annual fee of £10,000 in recognition of her role on the Countrywide Principal Services Limited Board within Financial Services.

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.

During the year, the Committee received advice on remuneration from FIT Remuneration Consultants LLP (FIT). FIT is not connected to the Group, is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct, and is therefore considered to be objective and independent. In 2019, FIT received fees of £108,438 (2018: £135,367) in connection with its work for the Committee, which it provided pursuant to its standard terms of business.

Shareholder voting and engagement

The remuneration policy was approved at the Annual General Meeting held in April 2017. The last remuneration report was approved at the Annual General Meeting held in April 2019. The voting in respect of the resolutions was as follows:

		Votes					
AGM	Resolution	For		Against		Withheld	Total
30 April 2019	2 Directors' remuneration report	1,406,084,725	96.63%	49,109,956	3.37%	2,048	1,455,196,729
27 April 2017	3 Directors' remuneration policy	202,605,093	99.71%	580,400	0.29%	300	203,185,793

Approval

This report was approved by the Board of directors on 21 May 2020 and signed on its behalf by:

Natalie Ceeney
Chair of the Remuneration Committee

Directors' report

Group directors' report for the year ended 31 December 2019

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2019.

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 31 and 32 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	Page 85 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 87 of the directors' remuneration report
LR 9.8.4(14)	Details of transactions with controlling shareholders	Page 174 (note 33 to the financial statements)

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.

Directors

The names of the directors who held office during the year are set out on pages 56 to 59, with the exceptions of:

- Catherine Turner, who retired from the Board on 30 April 2019
- Jane Lighting, who retired from the Board on 26 June 2019

Dividends

The directors do not recommend the payment of a final dividend and no interim dividend was paid (2018: nil).

Capital structure

Details of the issued share capital are shown in note 26 to the Group financial statements of this annual report. The Company has one class of ordinary shares 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. Any shares held by the Group Employee Benefit Trust abstain from voting.

50 for 1 consolidation of share capital

Following publication of the Circular dated 29 November 2019, the shareholders agreed on 27 December 2019 to consolidate the share capital. This will improve market liquidity by reducing the volatility and spread. The ordinary shares were consolidated on the basis of 1 ordinary share of £0.50 for every 50 existing ordinary shares of £0.01 each, which were consolidated, subdivided and re-designated into one new ordinary share of £0.01 and 49 deferred shares of £0.01 thereby reducing the number of ordinary shares in issue. The consolidation was completed on 30 December 2019.

Authority for the Company to purchase its own shares

At the end of the year, the directors had authority, under a shareholder resolution approved at the AGM on 30 April 2019, to make one or more market purchases of its ordinary shares, limited to: a maximum number of 163,802,985 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 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 forthcoming AGM.

As a routine matter, the Company will be seeking to have this authority renewed at the 2020 AGM.

Substantial shareholdings

At 30 April 2020, 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 Mgt	5,990,726	18.29
Ninety One	4,712,958	14.38
Brandes Investment Partners	3,100,928	9.46
Jupiter Asset Mgt	3,051,256	9.31
Hosking Partners	2,564,164	7.83
Schroder Investment Mgt	1,504,612	4.59
Hargreaves Lansdown Asset Mgt	1,380,007	4.21
Aberdeen Standard Investments (Standard Life)	1,087,152	3.32

Relationship agreement with major 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 is known as a 'controlling shareholder'. 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') which currently have a combined total holding of approximately 18% of the Company's voting rights. Although the Relationship Agreement is no longer required by the Listing Rules (as the Oaktree Shareholders do not currently constitute a 'controlling shareholder' of the Company), the provisions of the Relationship Agreement will continue to apply for so long as the Oaktree Shareholders hold in aggregate 10% or more of the voting rights of the Company. Under the terms of the Relationship Agreement, the Oaktree Shareholders have agreed to comply with the independence undertakings described above.

The Board confirms that, since the entry into the Relationship Agreement on 19 March 2013 until 30 April 2020, 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 its associates.

As there are no controlling shareholders of the Company, 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 which may exercise all the powers of the Company.

Amendment of Articles

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

Directors and directors' interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements are disclosed on pages 56 to 59 and their interests in the shares of the Company are disclosed on page 91.

Directors’ conflicts of interest

All directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest or possible conflict with the Company. The Articles provide a general power for the Board to authorise such conflicts. Directors are not counted in the quorum for the authorisation of their own actual or potential conflicts.

On an ongoing basis, the directors are responsible for informing the company secretary of any new, actual or potential conflicts that may arise or if there are any changes in circumstances that may affect an authorisation previously given. Even when provided with authorisation, a director is not absolved from his or her statutory duty to promote the success of the Company. If an actual conflict arises post-authorisation, the Board may choose to exclude the director from receipt of the relevant information and participation in the debate, or suspend the director.

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.

Change of control

We do not have contracts or other arrangements which individually are fundamental to the ability of the business to operate effectively, nor is the Company party to any material agreements that would take effect, be altered, or terminate upon a change of control following a takeover bid. We do not have agreements with any director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company’s share plans may cause options and awards granted under such plans to vest on a takeover.

Auditors and disclosure of information to auditors

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 auditors are unaware; and
- the directors have taken all reasonable 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 auditors are aware of any such information.

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office as auditors 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 62 to 65 of this annual report. The corporate governance statement forms part of this directors’ report and is incorporated into it by cross-reference.

Going concern and viability

The Group’s going concern and viability statements can be found in note 2(b) and on page 47 respectively and are incorporated into this directors’ report by cross-reference.

Political donations

No political donations or contributions were made or expenditure incurred by the Company or its subsidiaries during the year and there is no intention to make or incur any in the current year.

Greenhouse gas (GHG) emissions

GHG emissions data for the period 1 January to 31 December 2019

	Tonnes of CO_2e*	
	2019	2018
Scope 1		
Controlled vehicle fleet	**3,298**	3,887
Scope 2		
Electricity and heat purchased for own use	**5,734**	6,446
Tonnes of CO_2e*/£m revenue	**15.1**	16.5

1. 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.
2. For comparability purposes, these GHG emissions use data, and revenue, for the Group including discontinued operations.

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 2016 to calculate the above disclosures.

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 176 of this annual report and are incorporated into this directors' report by cross-reference.

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.

This report was approved by the Board of directors on 21 May 2020 and signed on its behalf by:

Gareth Williams
Company secretary

Statement of directors’ responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

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 Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company 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.

The directors are also responsible for safeguarding the assets of the Group and Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group and Company’s performance, business model and strategy.

Each of the directors, whose names and functions are listed in the corporate governance statement, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the directors’ report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors’ report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company’s auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company’s auditors are aware of that information.

Independent auditors' report to the members of Countrywide plc

Report on the audit of the financial statements

Opinion

In our opinion:

Countrywide plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss and cash flows for the year then ended;

- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report 2019 (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2019; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2019 to 31 December 2019.

Material uncertainties related to going concern - Group and Company

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2(b) to the group financial statements concerning the group's and company's ability to continue as a going concern. The group's forecast used in the assessment of going concern for at least the next 12 months from approval of these financial statements contains a range of assumptions including:

- HMRC agreeing to payment in instalments after the current tax year ends of the group's March to June 2020 VAT, PAYE and NI liabilities currently deferred as part of the UK Government's COVID-19 response measures;
- management agreeing with HMRC to further defer the group's July, August and September 2020 VAT, PAYE and NI payments until after the current tax year;
- no significant attrition in the opening sales pipeline after the COVID-19 lockdown is lifted and a phased recovery in housing market activity to 2019 levels, excluding closed branches, from July 2020; and
- the refinancing of the £20 million super-senior bank facility by October 2021.

Each of these items is subject to a level of uncertainty. If the group's forecast is not achieved, there is a risk that the group will not meet its liquidity covenants and should such a situation materialise, the banks reserve the right to withdraw the existing facilities. Without these facilities and without alternative finance being obtained, the group and company will be unable to meet their liabilities as they fall due. These conditions, along with the other matters explained in note 2(b) to the group financial statements, indicate the existence of material uncertainties which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

Explanation of material uncertainties

Note 2(b) to the group financial statements details the directors' disclosures of the material uncertainties relating to going concern in respect of compliance with liquidity covenants attached to bank borrowings. In forming their conclusions regarding

Independent auditors' report to the members of Countrywide plc continued

the going concern of the group and company, and as described in note 2(b), the directors have considered various matters including, but not limited to, the expected financial impact of COVID-19 on the group's strategic plan in arriving at a revised base case forecast (the "reasonable worst case") and further consideration of a range of downside scenarios through stress testing key assumptions within the forecast including:

- The estate agency pipeline deteriorates by 40% during the lockdown period;
- The lockdown period extends by one month to the end of July 2020;
- The lockdown period ends in June 2020, but there is a 10% deterioration of the pipeline and a slower recovery in the market.

The reasonable worst case forecast, before stress testing, includes an assumption that HMRC will agree to payment in instalments after the current tax year ends of the group's March to June 2020 VAT, PAYE and NI liabilities currently deferred as part of the UK Government's COVID-19 response measures. In the event of a prolonged branch network lockdown beyond 30 June 2020, or a slower recovery in housing market transactions than that modelled in the forecast, the ability to further defer HMRC tax payments arising in July through to September 2020, in line with those measures that have been agreed to June 2020, and repaying them in instalments after the current tax year would need to be agreed. The Group is also required to refinance its £20 million super-senior debt facility when it expires in October 2021 and has assumed that it will continue to benefit from a supportive lender group in those discussions.

Given the timing and execution risks associated with achieving the forecast and therefore remaining within the liquidity banking covenants, the directors have drawn attention to material uncertainties relating to going concern in the basis of preparation to the financial statements.

What audit procedures we performed

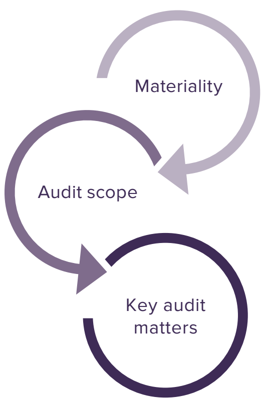
In concluding there are material uncertainties, our audit procedures included the following:

- We obtained the directors' financial forecast used in their going concern assessment and conclusions with respect to their statement of going concern;
- We discussed with management and the directors the critical estimates and judgements applied in their going concern assessment so that we could understand and challenge the key assumptions made;
- We obtained supporting documentation to corroborate significant assumptions, where possible, for example examination of correspondence with HMRC in respect of the initial deferral of March to June monthly tax payments;
- We assessed the likelihood of the different scenarios and sensitivities considered by the directors and performed our own independent assessment of other potential downside scenarios;
- We examined loan agreements and amendments in respect of the group's borrowing facilities and the related covenants;
- We considered the directors' assessment of the availability of additional liquidity and government support, and the ability of the directors to successfully implement mitigating liquidity actions where required; and
- We considered the appropriateness of the disclosures made in respect of the going concern basis of preparation.

Having performed the above procedures, we concluded there is a reasonably possible scenario where the liquidity covenants may be breached within 12 months of this report.

Our audit approach

Overview



- Overall group materiality: £1.7 million (2018: £2.2 million), based on 0.36% of the group's revenue.
- Overall company materiality: £1.6 million (2018: £1.6 million), based on 1% of total assets.

- The group has three operating segments (Sales and Lettings, Financial Services and B2B) alongside a head office function. Each of the operating segments is broken down into a number of legal entities, which are consolidated into the group financial statements along with head office legal entities.
- We performed full scope audits on six legal entities (three of which are financially significant) in order to obtain appropriate audit coverage. Included in the six full scope audits is the parent company and one component which is classified as a discontinued operation and is held for sale at the year end.

- Going concern (Group and Company) - refer to Material uncertainties section above
- Management's consideration of the potential impact of the COVID-19 pandemic (Group and Company)
- Presentation and disclosure of exceptional items (Group)
- Accounting estimates and judgements in relation to professional indemnity and related litigation costs (Group)
- First time adoption of IFRS 16 'Leases' (Group)
- Impairment of goodwill and other non-current assets (Group)
- Impairment of the company's investment in subsidiary and intercompany receivables (Company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the Royal Institute of Chartered Surveyors' guidelines, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Listing Rules, Pensions legislation and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to achieve desired financial results, the manipulation of exceptional items and management bias in accounting estimates. Audit procedures included:

- testing of a risk-based sample of journal entries, focussing in particular on those entries that improve reported financial performance by increasing revenue or reducing expenses;
- enquiries with management and the group's legal counsel, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations;
- reading key correspondence with external legal counsel and regulators, in particular the Royal Institute of Chartered Surveyors, in relation to compliance with certain laws and guidelines; and
- challenging the assumptions and judgements made by management in their significant accounting judgements and estimates, in particular in relation to professional indemnity provisions, impairment of goodwill and other non-current assets and the classification of exceptional items (see related key audit matters below).

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainties related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Management's consideration of the potential impact of the COVID-19 pandemic (Group and Company) Refer to note 2(b) to the group financial statements for the directors' disclosures related to going concern; note 3 to the group financial statements and note 2 to the company financial statements for the directors' disclosures of the critical accounting estimates and judgements; pages 47 and 48 for the directors' assessment of viability; and pages 70 and 72 for the views of the Audit and Risk Committee. The directors have considered the potential impact of the non-adjusting post-balance sheet events that have been caused by the pandemic, COVID-19, on the current and future operations of the group and the company. In doing so, the directors have made estimates and judgements that are critical to the outcomes of these considerations with a particular focus on the ability of the group and the company to continue as a going concern, and their conclusions in respect of viability. As a result of the impact of COVID-19 on the wider financial markets and the company's share price, as well as the significance of the current and potential impact of COVID-19 on the operations and trading performance of the group and the company, we determined that the directors' consideration of the potential impact of COVID-19 (including their associated estimates and judgements) to be a key audit matter.	In assessing the directors' consideration of the potential impact of COVID-19, our audit procedures included: • Testing management's going concern assessment and related disclosures in the financial statements, as explained in the Material uncertainties related to going concern section above. • Examining the directors' post balance sheet events disclosure in note 36 to the group financial statements. We agreed with their conclusion that the impact of COVID-19 is a non-adjusting event. We also agreed with the directors' assertion that it is not yet possible to quantify the impact. Based on the results of the procedures performed, and on the information available as of the date of the directors' approval of the financial statements and of our audit report, we concluded that material uncertainties exist which may cast significant doubt about the ability of the group and the company to continue as a going concern, as described in the Material uncertainties related to going concern section above.

Independent auditors' report to the members of Countrywide plc continued

Key audit matter	How our audit addressed the key audit matter
Presentation and disclosure of exceptional items (Group) Refer to note 3 to the group financial statements for the directors' disclosures of the critical accounting estimates and judgements; note 10 to the group financial statements in respect of exceptional items; and page 71 for the views of the Audit and Risk Committee. The group has separately disclosed net exceptional items of £57.7 million comprising: • Strategic and restructuring costs of £9.9 million; and • Impairment charges of £47.8 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.	In determining the appropriateness of the presentation and disclosure of exceptional items, our audit procedures included: • 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 reorganisation of the group and rationalisation of branches, and through consideration of expenses that are typically connected with strategic and restructuring activities. In particular, we focussed on costs related to the group's strategic IT transformation programme. • We assessed the completeness of exceptional items through identifying other large or unusual items in underlying profit and considering their 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. • We discussed the items classified as exceptional with the Audit and Risk Committee and they confirmed that they were in agreement with the classification and presentation in the financial statements. Based on the results of the procedures performed, we found that the presentation and disclosure of exceptional items is consistent with the group's accounting policy.
Accounting estimates and judgements in relation to professional indemnity and related litigation costs (Group) Refer to note 3 to the group financial statements for the directors' disclosures of the critical accounting estimates and judgements; note 23 to the group financial statements in respect of provisions; and page 72 for the views of the Audit and Risk Committee. Professional indemnity provisions principally relate to the Surveyors business within the B2B operating segment and the Lambert Smith Hampton business which is classified as held for sale at the year end. In common with other valuers, the group is subject to significant claims in relation to alleged incorrect mortgage valuation reports. 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 third party legal report and the provisions held are based on experience of settling past claims, discussions with the group's insurers and advice from external legal counsel.	In evaluating management's accounting estimates and judgements in respect of professional indemnity provisions, our audit procedures included: **Claims already received** • We checked that the amounts in the Bordereaux report were appropriately reflected in the accounting records and tested the mathematical accuracy of the report and the input data. • We verified the Bordereaux report was complete by obtaining confirmations from third party legal providers. • With respect to the input data, we agreed a sample of claims received and provisions made to the advice from external legal counsel. We also agreed a sample of settlements on closed claims to supporting documentation and bank payments. • Open large legal claims were discussed with the group's internal legal counsel, and appropriate documentation obtained in order to understand the legal position and the basis of material risk positions. • We also compared a sample of historical provisions to the actual amounts settled, determining that management's estimation techniques were satisfactory. **Claims yet to be received** • For claims not yet received but incurred, we evaluated the model and approach used by management by testing the mathematical accuracy of the underlying calculations and satisfying ourselves that the input data used reflected the latest observed trend of claims and average loss incurred. Based on the results of the procedures performed, we consider the level of provisioning at the balance sheet date is reasonable.

Key audit matter	How our audit addressed the key audit matter
First time adoption of IFRS 16 ‘Leases’ (Group) Refer to note 3 to the group financial statements for the directors’ disclosures of the critical accounting estimates and judgements; note 2(c) to the group financial statements in respect of the first time adoption of IFRS 16; and page 73 for the views of the Audit and Risk Committee. The group adopted IFRS 16 ‘Leases’ with effect from 1 January 2019. The standard requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments. The group applied the modified retrospective approach to transition which means that comparative figures were not restated. The right-of-use assets and lease liabilities are estimated based on the discounted future lease payments. Management applied judgement in determining the lease term where lease arrangements contain extension or early termination options, and in determining the discount rate to be applied to the forecast cash flows. Management performed an impairment assessment at 1 January 2019 and found that the carrying value of the UK Sales and Lettings and B2B - Commercial cash generating units (CGUs), including the newly recognised right-of-use assets, exceeded their recoverable amount. As a result, they recognised an impairment of £66.3 million relating to right-of-use assets in the UK Sales and Lettings CGU and £16.7 million in the B2B – Commercial CGU relating to goodwill and other non-current assets. At 1 January 2019, the group recognised, post-impairment, right-of-use assets of £49.4 million and lease liabilities of £121.7 million.	In testing the first time adoption of IFRS 16, our audit procedures included: • We assessed the completeness of the population of leases by testing management’s reconciliation between the group’s operating lease commitments at 31 December 2018 and the lease liability recognised on transition to IFRS 16 at 1 January 2019. • For a sample of leases, we recalculated the right-of-use asset and associated lease liability. We tested the accuracy of a sample of key inputs to these calculations by agreeing them to the underlying lease contracts. Where leases contained an option for early termination or extension, or where the contractual lease term had expired, we considered and challenged management’s judgements made in determining the lease term. • We considered whether management’s assessment of the incremental borrowing rate used to discount future lease payments was appropriate in the context of UK gilt yields, borrowing costs, the risk associated with the asset and other factors. Based on the results of the procedures performed, we found the key assumptions used, and calculations undertaken by management to determine right-of-use assets and lease liabilities recorded at 1 January 2019, including the impairment of right-of-use assets and other non-current assets, to be appropriate.
Impairment of goodwill and other non-current assets (Group) Refer to note 3 to the group financial statements for the directors’ disclosures of the critical accounting estimates and judgements; notes 10, 14, 15 and 16(a) to the group financial statements in respect of exceptional items, intangible assets, property, plant and equipment, and right-of-use assets respectively; and page 71 for the views of the Audit and Risk Committee. Management performed its annual impairment test of goodwill and other non-current assets at 31 December 2019, and in addition determined that there were indicators of impairment at 30 June 2019 which required them to undertake an impairment assessment at that date. As a result of these assessments, management recorded total impairments of £47.8 million, comprising £30.8 million against goodwill and £17.0 million against other non-current assets.	In evaluating management’s impairment assessment of goodwill and other non-current assets, our audit procedures included: • We assessed management’s impairment methodology, as required under IAS 36 ‘Impairment of assets’. • We evaluated the cash flow forecasts, and the process by which they were drawn up, comparing them to the latest board approved budget and forecasts as of 31 December 2019, which predate the outbreak of COVID-19. This included challenging the directors on key assumptions and considering the historical accuracy of management’s forecasting. • We evaluated the sensitivities performed by management and performed our own sensitivity analysis of the key drivers of the cash flow forecasts. • We involved our internal valuation experts to assess the reasonableness of the discount rates used. • We tested the mathematical accuracy and integrity of the underlying spreadsheet model. • We considered the adequacy of the disclosures made. Based on the results of the procedures performed, we found that the impairments and related disclosures are appropriate.

Independent auditors' report to the members of Countrywide plc continued

Key audit matter	How our audit addressed the key audit matter
Impairment of the company's investment in subsidiary and intercompany receivables (Company) Refer to note 2 to the company financial statements for the directors' disclosures of the critical accounting estimates and judgements; notes 5 and 6 to the company financial statements in respect of investment in subsidiary and intercompany receivables respectively; and page 72 for the views of the Audit and Risk Committee. As a result of group impairment charges to goodwill and other non-current assets discussed above, management determined that the company would not recover the full carrying value of its intercompany receivables and that there were indicators of impairment in its investment in subsidiary, which required them to undertake an impairment assessment. As a result of these assessments, management recorded impairment of £45.2 million in respect of intercompany receivables and £88.4 million in respect of the investment in subsidiary.	In evaluating management's impairment assessment of the company's investment in subsidiary and intercompany receivables, our audit procedures included: • We evaluated management's assessment of the expected credit loss on the company's intercompany receivables performed in accordance with IFRS 9 'Financial Instruments' and their assessment of impairment in the company's investment in subsidiary performed in accordance with IAS 36 'Impairment of assets'. • We verified that the cash flows used in these assessments were based on the estimated cash flows of the company's subsidiary after adjusting for the contractual cash outflows relating to outstanding debt, consistent with the impairment review of goodwill and other non-current assets, where appropriate. • We considered the adequacy of the disclosures made. Based on the results of the procedures performed, we concluded that the impairments recorded were appropriate.

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 structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

The group has three operating segments (Sales and Lettings, Financial Services and B2B) alongside a head office function. Each of the operating segments is broken down into a number of legal entities, which are consolidated into the group financial statements along with head office legal entities.

We performed full scope audits on six legal entities (three of which are financially significant) in order to obtain appropriate audit coverage. Included in the six full scope audits is the parent company and one component which is classified as a discontinued operation and is held for sale at the year end.

The entities where we performed full scope audits accounted for approximately 93% (2018: 93%) of the group's revenue and 90% (2018: 86%) of the group's absolute profit before tax and exceptional items (i.e. the sum of the numerical values without regard to whether they were profits or losses of each of the legal entities within the group).

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 in aggregate on the financial statements as a whole.

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

	Group financial statements	Company financial statements
Overall materiality	£1.7 million (2018: £2.2 million).	£1.6 million (2018: £1.6 million).
How we determined it	0.36% of the group's revenue (2018: 0.36% of the group's revenue).	1% of total assets (2018: 1% of total assets).
Rationale for benchmark applied	In light of the Group's turnaround status, and the expectation that a return to previous levels of profitability will take time, we believe that revenue remains the appropriate benchmark on which to base materiality.	We believe total assets to be the key performance benchmark of the company as it is a holding company for the group and does not trade.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £0.7 million and £1.6 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £90,000 (group audit) (2018: £150,000) and £79,000 (company audit) (2018: £78,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to other than the material uncertainties we have described in the Material uncertainties related to going concern section above. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Independent auditors' report to the members of Countrywide plc continued

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (in the Corporate Governance report on pages 56 to 100) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (in the Corporate Governance report on pages 56 to 100) with respect to the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the company. (CA06)

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

Other than the material uncertainties we have described in the Material uncertainties related to going concern section above, we have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 42 of the Annual Report 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 disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on pages 47 and 48 of the Annual Report 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 to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 100, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on pages 68 to 75 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company 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.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 25 March 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2013 to 31 December 2019.

Christopher Burns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 May 2020

Consolidated income statement

For the year ended 31 December 2019

	Note	2019 Pre-exceptional items, amortisation, contingent consideration and share-based payments £'000	2019 Exceptional items, amortisation, contingent consideration and share-based payments £'000	2019 Total £'000	2018 (restated)[2] Pre-exceptional items, amortisation, contingent consideration and share-based payments £'000	2018 (restated)[2] Exceptional items, amortisation, contingent consideration and share-based payments £'000	2018 (restated)[2] Total £'000
Continuing operations							
Revenue		**492,373**	**–**	**492,373**	507,283	–	507,283
Other income	5	**5,754**	**–**	**5,754**	7,770	–	7,770
	4	**498,127**	**–**	**498,127**	515,053	–	515,053
Employee benefit costs	6	**(305,925)**	**(3,400)**	**(309,325)**	(312,355)	(8,797)	(321,152)
Other operating costs	7	**(137,722)**	**–**	**(137,722)**	(181,605)	–	(181,605)
Adjusted EBITDA[1]	4	**54,480**			21,093		
Depreciation and amortisation	14, 15, 16	**(19,021)**	**(2,112)**	**(21,133)**	(15,989)	(2,275)	(18,264)
Share of profit/(loss) from joint venture	17(b)	**304**	**–**	**304**	(1,518)	–	(1,518)
Group operating profit/(loss) before exceptional items		**35,763**	**(5,512)**	**30,251**	3,586	(11,072)	(7,486)
Employee benefit costs		**–**	**(1,659)**	**(1,659)**	–	(3,692)	(3,692)
Other operating costs		**–**	**(8,223)**	**(8,223)**	–	(16,526)	(16,526)
Impairment of goodwill and non-current assets		**–**	**(47,780)**	**(47,780)**	–	(217,020)	(217,020)
Exceptional items (net):	10	**–**	**(57,662)**	**(57,662)**	–	(237,238)	(237,238)
Operating profit/(loss)	4	**35,763**	**(63,174)**	**(27,411)**	3,586	(248,310)	(244,724)
Finance costs	8	**(10,499)**	**–**	**(10,499)**	(8,430)	(6,489)	(14,919)
Finance income	9	**39**	**–**	**39**	178	–	178
Net finance costs		**(10,460)**	**–**	**(10,460)**	(8,252)	(6,489)	(14,741)
Profit/(loss) before taxation		**25,303**	**(63,174)**	**(37,871)**	(4,666)	(254,799)	(259,465)
Taxation (charge)/credit	11	**(4,999)**	**5,418**	**419**	145	34,898	35,043
Profit/(loss) for the year from continuing operations		**20,304**	**(57,756)**	**(37,452)**	(4,521)	(219,901)	(224,422)
Discontinued operations							
Profit/(loss) for the year from discontinued operations	34(a)	**2,317**	**(6,539)**	**(4,222)**	8,991	(2,724)	6,267
Profit/(loss) for the year		**22,621**	**(64,295)**	**(41,674)**	4,470	(222,625)	(218,155)
Loss per share from continuing operations attributable to owners of the parent							
Basic and diluted loss per share[3]	13			**(114.43)p**			(1,585.73)p
Loss per share attributable to owners of the parent							
Basic and diluted loss per share[3]	13			**(127.33)p**			(1,541.45)p

1. Adjusted EBITDA is a non-GAAP measure of earnings before interest, tax, depreciation, amortisation, exceptional items, contingent consideration, share-based payments and share of profits/(losses) from joint venture.
2. Restated from prior year following the reclassification of Lambert Smith Hampton as a discontinued operation.
3. Loss per share for 2018 has been restated for the impact of the share consolidation undertaken on 30 December 2019 (see note 26).

The notes on pages 115 to 176 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Note	**2019 £'000**	2018 £'000
Loss for the year		**(41,674)**	(218,155)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Actuarial loss arising in the pension scheme	25	**(577)**	(168)
Deferred tax arising on the pension scheme	25	**110**	32
		(467)	(136)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences[1]	28	**(51)**	10
Cash flow hedge gain:			
– Reclassification adjustments for gains included in profit and loss	28	**–**	337
– Deferred tax arising on cash flow hedge	28	**–**	(63)
		(51)	284
Other comprehensive (expense)/income for the year		**(518)**	148
Total comprehensive expense for the year		**(42,192)**	(218,007)
Total comprehensive (expense)/income for the year arising from:			
Continuing operations		**(37,919)**	(224,284)
Discontinued operations[1]		**(4,273)**	6,277

1. Relating to Lambert Smith Hampton, reclassified as a discontinued operation in 2019 (see note 34(a)).

The notes on pages 115 to 176 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings/ (accumulated losses) £'000	Total £'000
Balance at 1 January 2018		2,413	211,838	(18,088)	109,293	305,456
Loss for the year		–	–	–	(218,155)	(218,155)
Other comprehensive income/(expense)						
Currency translation differences	28	–	–	10	–	10
Cash flow hedge: fair value on termination	28	–	–	337	–	337
Cash flow hedge: deferred tax on termination	28	–	–	(63)	–	(63)
Actuarial loss arising in the pension scheme	25	–	–	–	(168)	(168)
Deferred tax movement relating to pension	25	–	–	–	32	32
Total other comprehensive income/(expense)		–	–	284	(136)	148
Total comprehensive income/(expense)		–	–	284	(218,291)	(218,007)
Transactions with owners						
Issue of share capital		14,000	126,000	–	–	140,000
Transactional costs of shares issued		–	(8,481)	–	–	(8,481)
Share-based payment transactions	27	–	–	–	1,888	1,888
Deferred tax on share-based payments		–	–	–	(90)	(90)
Purchase of treasury shares	28	–	–	(499)	–	(499)
Utilisation of treasury shares for DSBP options	28	–	–	49	(49)	–
Transactions with owners		14,000	117,519	(450)	1,749	132,818
Balance at 31 December 2018		16,413	329,357	(18,254)	(107,249)	220,267
Effect of initial application of IFRS 16	2 (c)	–	–	–	(83,029)	(83,029)
Restated balance at 1 January 2019[1]		16,413	329,357	(18,254)	(190,278)	137,238
Loss for the year		–	–	–	(41,674)	(41,674)
Other comprehensive (expense)/income						
Currency translation differences	28	–	–	(51)	–	(51)
Actuarial loss arising in the pension scheme	25	–	–	–	(577)	(577)
Deferred tax movement relating to pension	25	–	–	–	110	110
Total other comprehensive expense		–	–	(51)	(467)	(518)
Total comprehensive expense		–	–	(51)	(42,141)	(42,192)
Transactions with owners						
Reclassification of share premium	26	–	(329,357)	–	329,357	–
Share-based payment transactions	27	–	–	–	2,474	2,474
Deferred tax on share-based payments		–	–	–	43	43
Utilisation of treasury shares for DSBP options	28	–	–	6	(6)	–
Transactions with owners		–	(329,357)	6	331,868	2,517
Balance at 31 December 2019		**16,413**	**–**	**(18,299)**	**99,449**	**97,563**

1. Restated from prior year following the adoption of IFRS 16 (see note 2(c)).

The notes on pages 115 to 176 form an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Goodwill	14(a)	**194,204**	233,820
Other intangible assets	14(b)	**32,422**	74,191
Property, plant and equipment	15	**3,397**	7,403
Right-of-use assets	16 (a)	**24,672**	–
Investments accounted for using the equity method:			
Investments in joint venture	17(b)	**1,768**	1,464
Financial assets at fair value through profit or loss	17(c)	**153**	153
Other receivables	18	**899**	–
Deferred tax assets	24	**19,573**	18,389
Total non-current assets		**277,088**	335,420
Current assets			
Trade and other receivables	18	**52,236**	88,817
Cash and cash equivalents	19	**17,773**	17,426
Total current assets		**70,009**	106,243
Assets classified as held for sale	34(b)	**67,524**	–
Total assets		**414,621**	441,663
Equity and liabilities			
Share capital	26	**16,413**	16,413
Share premium	26	**–**	329,357
Other reserves	28	**(18,299)**	(18,254)
Retained earnings/(accumulated losses)		**99,449**	(107,249)
Total equity		**97,563**	220,267
Liabilities			
Non-current liabilities			
Borrowings	21	**98,525**	84,432
Lease liabilities	16 (b), 21	**55,914**	–
Net defined benefit scheme liabilities	25	**3,597**	4,634
Provisions	23	**9,231**	10,916
Deferred income	22	**97**	239
Trade and other payables	20	**10,779**	9,931
Deferred tax liability	24	**4,640**	7,756
Total non-current liabilities		**182,783**	117,908
Current liabilities			
Borrowings	21	**2,158**	3,663
Lease liabilities	16 (b), 21	**21,395**	–
Trade and other payables	20	**62,541**	81,146
Deferred income	22	**1,559**	2,143
Provisions	23	**13,498**	16,536
Total current liabilities		**101,151**	103,488
Liabilities directly associated with assets classified as held for sale	34(b)	**33,124**	–
Total liabilities		**317,058**	221,396
Total equity and liabilities		**414,621**	441,663

The notes on pages 115 to 176 form an integral part of these consolidated financial statements.
The financial statements on pages 110 to 176 were approved by the Board of directors and signed on its behalf by:

Himanshu Raja
Chief financial officer
21 May 2020

Consolidated cash flow statement

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Loss before taxation		**(42,809)**	(252,673)
Adjustments for:			
Depreciation	15,16	**17,051**	10,162
Amortisation of intangible assets	14(a), 14(b)	**11,620**	12,300
Share-based payments	27	**2,474**	1,888
Impairment of goodwill and other intangible assets	14(a), 14(b)	**42,716**	186,494
Impairment of property, plant and equipment	15	**4,738**	27,826
Impairment of right-of-use assets	16	**5,106**	–
Impairment of financial assets at fair value through profit or loss	17(c)	**–**	2,379
Loss/(profit) on disposal of fixed assets		**27**	(9)
(Profit)/loss from joint venture	17b)	**(304)**	1,518
Finance costs		**11,651**	14,921
Finance income		**(55)**	(200)
		52,215	4,606
Changes in working capital (excluding effects of acquisitions of Group undertakings):			
Decrease in trade and other receivables		**4,382**	14,865
Decrease in trade and other payables[2]		**(8,234)**	(20,271)
Increase/(decrease) in provisions		**1,020**	(1,986)
Net cash generated from/(used in) operating activities[1]		**49,383**	(2,786)
Pension paid	25	**(2,000)**	(2,000)
Interest paid		**(10,208)**	(7,702)
Income tax received		**901**	2,037
Net cash inflow/(outflow) from operating activities		**38,076**	(10,451)
Cash flows from investing activities			
Acquisitions net of cash acquired		**–**	(160)
Deferred consideration paid in relation to prior year acquisitions		**(1,449)**	(997)
Purchase of property, plant and equipment	15	**(4,976)**	(3,400)
Purchase of intangible assets	14(b)	**(11,182)**	(5,930)
Proceeds from sale of property, plant and equipment		**136**	46
Purchase of investments	17(c)	**–**	(1,300)
Proceeds from disposal of financial assets at fair value through profit or loss	17(c)	**–**	15,980
Investments in a non-current deposit	18	**(899)**	–
Interest received		**55**	200
Net cash (outflow)/inflow from investing activities		**(18,315)**	4,439
Cash flows from financing activities[1]			
Proceeds from issue of shares	26	**–**	140,000
Transactional costs of shares issued	26	**–**	(8,481)
Purchase of own shares	28	**–**	(499)
Term and revolving facility loan drawn/(repaid)	21	**15,000**	(125,000)
Financing fees paid	21	**(584)**	(3,028)
Principal elements of lease payments (2018: Principal elements of finance lease payments)	16, 21	**(33,371)**	(2,087)
Net cash (outflow)/inflow from financing activities		**(18,955)**	905
Net increase/(decrease) in cash and cash equivalents		**806**	(5,107)
Cash and cash equivalents at 1 January		**17,426**	22,533
Cash and cash equivalents at 31 December		**18,232**	17,426
Cash and cash equivalents classified as held for sale	34(b)	**(459)**	–
Cash and cash equivalents at 31 December[3]	19	**17,773**	17,426

1. Net cash generated from/(used in) operating activities includes £8,790,000 (2018: £18,392,000) of net cash expended on exceptional items. Cash flows from financing activities included £nil (2018: £647,000) of net cash expended on exceptional items, as discussed in note 10.
2. 2018 includes £10,094,000 of cash payments in respect of the restitution of trust funds (see note 10).
3. Cash and cash equivalents includes £3,972,000 within accounts that are subject to restrictions on withdrawal and are therefore not available for general use by the entities within the Group and £4,500,000 of cash deposits held by HSBC who have charges over those accounts in respect of two letters of credit issued by the Group (see note 19).

The notes on pages 115 to 176 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 2019. 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 Greenwood House, 1st Floor, 91-99 New London Road, Chelmsford, Essex, CM2 0PP.

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, except for the adoption of new or amended standards which became applicable for the current reporting period (see 2 (c)) and for items as stated below:

Brand names, which previously were assigned an indefinite life, have been subject to review following impairments in prior years. We concluded a change in accounting estimate effective from 1 July 2018. Brand names were assigned useful economic lives of up to 15 years and amortisation commenced from that date.

The change to the Group's segmental presentation in 2019 (see note 4), moving Countrywide Residential Development Solutions and Auctions from B2B to Sales and Lettings, is aligned with management's current internal financial reporting framework (including monthly management information reports reviewed by the directors, and the Board as the chief operating decision maker) and this forms the basis on which decisions for allocation of resources and assessing performance of segments are undertaken.

On 29 November 2019, the Board announced the proposed sale of Lambert Smith Hampton and the business was classified as held for sale following shareholder approval on 27 December 2019. These operations, which have previously been reported within the B2B segment and which as of 31 December 2019 were expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the balance sheet as at 31 December 2019 as related assets and liabilities and disclosed as discontinued operations in the income statement and related notes in both 2019 and the comparative year (see note 34).

(a) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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) interpretations 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 and the Company will be able to meet their liabilities when they fall due. The effects of COVID-19 on the UK economy and consumer confidence, and the knock on effects on transaction levels in the UK housing market in the short to medium term, are impossible to predict. There is, therefore, an inherently high degree of uncertainty in the future outlook and forecasts.

In assessing the Group's and Company's ability to continue as a going concern, the Board has reviewed its trading and cash flow forecasts against the available financing facilities and covenants.

Financing

The Group meets its working capital and funding requirements through a Revolving Credit Facility of £125 million which matures in September 2022. The Group benefits from a supportive lender group of six lenders, most of whom have provided borrowing facilities since March 2013. In April 2020, the Lenders agreed to provide an additional £20 million super-senior debt facility, for an 18 month period, with £10 million available from 1 May 2020 and £10 million available from April 2021. In view of the uncertainty arising as a result of COVID-19, the lenders also agreed to waive the Group's debt covenants for the March 2020 covenant tests and to amend the covenants going forward in the short-term to be based on maintaining liquidity headroom, with a review period to agree revised debt covenants in June 2020 or later if there remains ongoing, significant uncertainty arising from the impact of COVID-19.

The Group is required to refinance its £20 million super-senior debt facility when it expires in October 2021, and has assumed that it will continue to benefit from a supportive lender group in those discussions.

Notes to the financial statements continued

2. Accounting policies continued

The Group has also begun to explore the funding available to large businesses under the Government's Coronavirus Large Business Interruption Loan Scheme (CLBILS) which would provide the Group with additional debt facilities of up to £50 million, with a maturity of up to three years, and further liquidity over the three year planning horizon beyond the maturity of the existing revolving credit facility.

Trading forecasts and risks

The principal risk factor that affects the Group's performance is the impact on customer confidence and transactional volumes in the UK housing market, which in turn is influenced by Government policies on stamp duty, on interest rates and on the effects of Government guidance on COVID-19.

The Group prepares, annually, a three year strategic financial model which is tested against the Group's agreed banking covenants. The strategic plan is prepared on a bottom-up basis by each of the Group's trading businesses and is reviewed by the Group's executive before being approved by the Board. The strategic plan (the base case) reflected the directors' best estimate of the prospects of the business before COVID-19. The plan has then been updated for the actual performance to 31 March 2020 and overlaid for the expected financial impact of COVID-19 to arrive at a revised base case that is referred to as the reasonable worst case (RWC) scenario. The RWC has then been stress tested, as described below.

The most significant risk factor that affects the Group's going concern and viability is the impact of the COVID-19 pandemic on the UK housing market.

In preparing the RWC, the Group assumed no new exchange or lettings income in quarter 2, except for the benefit of: the existing pipeline in March 2020 of agreed estate agency sales; written mortgages; the active conveyancing pipeline; conservative assumptions on the collections of income billed in March in Lambert Smith Hampton; the benefits of recurring income and cash flow from the lettings business of managed properties; and the continuing benefits we are seeing from the delivery of desktop based valuations in our surveying business. The resulting drop in income in quarter 2 2020 outlook was a 73% reduction against quarter 1.

On the cost side, we have factored in a reduced run rate of costs and cash flows actions for the duration of the COVID-19 lockdown period, which is forecast to last until the end of June 2020. The RWC scenario assumes a phased return to market activity comparable with 2019, excluding closed branches, from July 2020, and that Group's associated costs ramp-up to match our expectations of demand and transactional activity driving our revenue forecast. The Group has also included its best estimate of potential cash outflows in respect of pensions, capital expenditure and contingent consideration for historic acquisitions.

For the remainder of the financial year to 31 December 2020, we have considered a number of scenarios to assess the timing and extent of transactional volumes returning to the market and the level of conversion and timing of the closing March pipeline and its conversion to cash flow. We have assumed a "v" shaped recovery with transaction levels returning to approximately 75% of 2019 levels, excluding closed branches, in July 2020 and to 100% from August 2020 onwards and that the phasing of our return and associated operational costs will be matched by customer demand and transactional activity.

Importantly, the RWC assumes that HMRC will agree that the repayment of the aggregate tax liabilities deferred in respect of PAYE, NI and VAT for the period March to July 2020 can be repaid over 12 months commencing January 2021, beyond the current tax year. This is dependent on securing Government approval.

The Group also performed three additional stress tests reflecting uncertainty in the recovery period:

- The estate agency pipeline deteriorates by 40% during the lockdown period;
- The lockdown period extends by one month to the end of July;
- The lockdown period ends in June, but there is a 10% deterioration of the pipeline and a slower recovery in the market.

In the event of a prolonged lockdown beyond 30 June 2020, or a slower recovery in housing market transactions than that modelled in the RWC, the ability to further defer HMRC tax liabilities through to September 2020, in line with those measures that have been agreed to June 2020, as well as agreement to repay the aggregate tax liabilities deferred for the seven month period from March 2020 to September 2020 would need to be secured through Government approval.

In the RWC, and all three additional stress test scenarios, there is a material decline in income and working capital in the short term. After meeting existing creditor payments of approximately £10 million and assuming the availability of agreed deferral of HMRC liabilities, and securing the further deferral of the HMRC liabilities for the period July to September 2020 noted above, the Group is forecast to have sufficient liquidity until October 2021, when the repayment of the £20 million super-senior facility noted above is due. Subject to a successful renegotiation of that facility, the forecasts indicate that the Group would encounter liquidity issues in Q1 2022 and Q2 2022, as noted in the Viability statement on page 47.

2. Accounting policies continued

Material uncertainties

In assessing the Group's and Company's ability to continue as a going concern, the Board has reviewed the Group's trading and cash flow forecasts, as described above. The impact of potential risks and related sensitivities to the forecasts were considered in assessing the likelihood of a breach of the liquidity covenants, whilst identifying what mitigating actions are available to avoid a potential breach or lack of cash headroom.

The Group's performance is dependent on a number of market and macroeconomic factors including the impact on customer confidence and transactional volumes in the UK housing market arising from the current COVID-19 crisis, as well as related Government and HMRC support measures, which are inherently difficult to predict. Specifically, a range of assumptions underpin the cashflow forecasts, including:

- agreement with HMRC to defer tax liabilities in respect of PAYE, NI and VAT for the period July to September 2020, in line with those measures that have already been agreed to date for the period March to June 2020;
- agreement with HMRC that the aggregate tax liabilities deferred in respect of PAYE, NI and VAT for the period March to July 2020 can be repaid over 12 months commencing January 2021, beyond the current tax year;
- the lockdown period ends in June 2020, there is no significant adverse attrition in the opening pipeline for estate agency transactions and there is a phased return to market activity comparable with 2019 by July 2020; and
- successful refinancing of the £20 million super-senior facility upon expiration in October 2021.

Failure to achieve one or more of the above would result in lower liquidity headroom. If the Group's cash forecast is not achieved, there is a risk that the Group will not meet the liquidity covenants and, should such a situation materialise, the lenders reserve the right to withdraw the existing facilities. The Board recognises the importance of maintaining a supportive lender group in maintaining access to its debt facilities as part of its capital structure for the long term success of the business and will be exploring refinancing options in 2021. Without the support of the lender group, the Group and the Company would be unable to meet their liabilities as they fall due. Given the timing and risks associated with achieving forecast liquidity, and therefore remaining within the liquidity covenant as stipulated by the banking facility agreements, the directors have drawn attention to these matters as material uncertainties which may cast significant doubt about the group's and company's ability to continue as a going concern.

Despite the material uncertainties noted above, the directors are of the view that the Group will be able to access further liquidity through the CLBILS facility and that Government and HMRC will continue to provide the Group with support to counteract the trading impact of COVID-19 such that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and that they can adopt the going concern basis in preparing the Group and the Company financial statements. Therefore, the financial statements do not include any adjustments that would result if the going concern basis of preparation was inappropriate. Accordingly, the directors have confirmed that, after due consideration, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements
continued

2. Accounting policies continued

(c) New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted by the Group

The following new standards effective for the first time for the financial year beginning on or after 1 January 2019 have had a material impact on the Group.

IFRS 16 'Leases'

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's consolidated financial statements and discloses the new accounting policies that have been applied from 1 January 2019. The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Subsequent to the Group's 2019 Interim Results for the period ended 30 June 2019, the Group's initial application of IFRS 16 at 1 January 2019 has been revised as a result of the identification of further information in respect of certain leases and judgements made regarding extension options. This has resulted in an amendment of the Group's opening transition accounting.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.83%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

	£'000
Operating lease commitments disclosed under IAS 17 as at 31 December 2018	**105,690**
Discounted using the lessee's incremental borrowing rate as at the date of initial application	**(15,796)**
Add: payments due in periods up to end of lease term (discounted)	**28,095**
Add: payments due in periods covered by held-over leases (discounted)	**1,675**
Add: finance lease liabilities recognised under IAS 17 as at 31 December 2018	**2,068**
Lease liability recognised as at 1 January 2019 (see note 16(b))	**121,732**
Of which:	
Current lease liabilities	**32,184**
Non-current lease liabilities	**89,548**
	121,732

The associated right-of-use assets for all leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid (or accrued) lease payments related to that lease recognised in the balance sheet as at 31 December 2018. In addition, there were onerous contract provisions (both closed property and loss making branches provisions) recognised in the balance sheet as at 31 December 2018 which have been reclassified as impairments against the right-of-use assets at the date of initial application. Furthermore, given the impairments in the UK Sales and Lettings cash generating unit as at 31 December 2018, all related right-of-use assets recognised at transition have been impaired in full on application of IFRS 16, amounting to £66.3 million. In addition, impairments in the B2B-Commercial cash generating unit as at 31 December 2018 have resulted in the need to recognise impairments amounting to £16.7 million against goodwill and then prorated across all other assets, including right-of-use assets recognised.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 £'000	1 January 2019[1] £'000
Properties	**23,250**	44,472
Motor vehicles	**880**	3,197
Computer software	**542**	1,681
Total right-of-use assets (see note 16 (a))	**24,672**	49,350

1. Includes Lambert Smith Hampton.

2. Accounting policies continued

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	Note	31 December 2018 As previously reported £'000	Impact of IFRS 16 £'000	1 January 2019 Restated £'000
Non-current assets				
Property, plant and equipment	15	7,403	(1,195)	6,208
Goodwill	14(a)	233,820	(8,774)	225,046
Other intangible assets	14(b)	74,191	(7,338)	66,853
Right-of-use assets	16(a)	–	49,350	49,350
Deferred tax assets	24	18,389	1,087	19,476
Total impact on non-current assets		333,803	33,130	366,933
Current assets				
Trade and other receivables		88,817	(4,231)	84,586
Total impact on assets		422,620	28,899	451,519
Non-current liabilities				
Equity and liabilities				
Borrowings	21	84,432	(398)	84,034
Lease liabilities	16(b)	–	89,548	89,548
Provisions	23	10,916	(2,146)	8,770
Deferred tax liability		7,756	(1,122)	6,634
Total impact on non-current liabilities		103,104	85,882	188,986
Current liabilities				
Borrowings	21	3,663	(1,670)	1,993
Lease liabilities	16(b)	–	32,184	32,184
Trade and other payables		9,931	(1,736)	8,195
Provisions	23	16,536	(2,732)	13,804
Total impact on current liabilities		30,130	26,046	56,176
Accumulated losses		(107,249)	(83,029)	(190,278)
Total impact on equity and liabilities		25,985	28,899	54,884

The impact on retained earnings on 1 January 2019 was £83.0 million in respect of the impairments in both the UK Sales and Lettings and B2B-Commercial cash generating units at transition (detailed in the notes above), net of the impact of taxation.

Deferred tax assets have been recognised to the extent that it is probable that these assets will be recovered through future taxable profits.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics. The Group applied a range of discount rates: 5.6% to 5.8% for property leases dependent on length of lease term; 7.9% for motor vehicle leases; and 5.6% for computer software leases;
- Reliance on previous assessments on whether leases are onerous, but with additional impairments recognised where identified;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- The use of hindsight in determining whether held-over leases will continue.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 'Determining whether an arrangement contains a lease'.

Notes to the financial statements
continued

2. Accounting policies continued

The Group's leasing activities and how these are accounted for

The Group has over 5,000 leases in respect of various properties, motor vehicles and computer software. Rental contracts are typically made for average periods of five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Until 31 December 2018, leases of property, motor vehicles and computer software were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable; and
- Incremental payments in relation to extension options which are reasonably certain to be exercised.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of any initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received; and
- Any initial direct costs.

Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value items are those less than £3,000.

For sub-leases where the Group is an intermediate lessor, the Group has assessed whether the sub-lease is an operating lease or finance lease. The Group only has operating sub-leases and payments are recognised straight-line over the lease term through other income.

Critical judgements in determining the lease term

Extension and termination options are included in a number of leases across the Group and these terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Group.

In addition, the Group has a number of held-over leases where the contractual lease term has expired and occupation of the premises continues on a rolling basis. As these held-over leases can be exited by either the Group or the landlord, without significant penalty on either side, the Group assumes continued occupation for the statutory notice period of six months and maintains a rolling six month liability until any notice is served by either party.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. None of these new standards or interpretations is expected to have a material impact on the consolidated financial statements of the Group.

2. Accounting policies continued

(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.

The purchase method of accounting is used to account for acquisitions and the cost of acquisition is measured at 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.

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 the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Joint ventures

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

Transactions eliminated on consolidation

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

(e) Foreign currency translation

The functional currency of the Company is Pounds Sterling because that is the currency of the primary economic environment in which the Company and 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.

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 and average for year:

	2019	2018
Euros: 31 December	**1.17**	1.11
Euros: Average for year	**1.14**	1.13

Notes to the financial statements
continued

2. Accounting policies continued

(f) Property, plant and equipment

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

As explained in note 2(c) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described in note 2(c) including the impact of the change.

Until 31 December 2018, leases of property, motor vehicles and computer software where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (note 21). Finance leases were 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. The corresponding rental obligations, net of finance charges, were included in other short term and long term payables. Each lease payment was allocated between the liability and the finance cost. The interest element of the finance cost was 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 was depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant proportion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

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 was depreciated over the shorter of the useful life of the asset and the lease term prior to the adoption of IFRS 16 on 1 January 2019. Freehold land and assets in the course of construction are 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.

2. Accounting policies continued

Intangible assets other than goodwill that are acquired by the Group, principally acquired brand names, customer contracts and relationships, computer software, pipeline and other intangibles, are stated at cost less accumulated amortisation, where charged, and impairment losses.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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:

- brand names – up to 15 years
- customer contracts and relationships – five to ten years
- other intangibles – six to 20 years
- computer software – one to five years

Brand names, which previously were assigned an indefinite life, were reviewed following impairments in prior years. We disclosed our intent to undertake this review within the 2017 annual report and concluded a change in accounting estimate effective from 1 July 2018. Brand names were assigned useful economic lives of up to 15 years and amortisation commenced from that date.

(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 and other non-current assets 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 financial assets at amortised cost and financial assets at fair value through profit or loss. The classification depends on the purpose and business model for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(j) Financial assets

Financial assets at amortised cost

Financial assets at amortised cost 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 12 months after the end of the reporting period. Financial assets at amortised cost comprise mainly cash and cash equivalents and trade and other receivables.

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.

Notes to the financial statements continued

2. Accounting policies continued

Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance. To measure the loss allowance, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In determining the loss allowance for these assets, the Group has taken into account the historical default experience, adjusted to reflect current and forward looking information, and the financial position of the counterparties, in estimating the likelihood of default of each of these financial assets occurring within their loss assessment time horizon.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan and a failure to make contractual payments for a period of greater than 90 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(k) 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 in line with the provisioning policy noted above.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Included within cash and cash equivalents are cash balances which are subject to restrictions on withdrawal and are therefore not considered to be generally available for use by entities within the Group, notwithstanding the fact that the balances are readily obtainable by the Group in the short term and continue to meet the definition of cash and cash equivalents (see note 19).

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.

(m) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets and financial assets that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities on the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

(n) Trade and other payables

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

(o) 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.

2. Accounting policies continued

(p) 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 pension plan

The liability recognised in the balance sheet in respect of the defined benefit pension plan 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 profit or loss.

(q) 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.

(r) 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.

(s) 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.

Deferred shares, arising from the share consolidation on 30 December 2019, are classified as equity. The deferred shares have no rights to dividends and have been cancelled in full during March 2020, with their associated nominal value transferred from share capital to a capital redemption reserve.

(t) Revenue

Services rendered

A five-step approach is taken for recognising revenue from contracts with customers, namely to: identify the contract(s) with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) a performance obligation has been satisfied.

The Group generates revenue from external customers mainly in the UK from three main types of business: Sales and Lettings, Financial Services and Business to Business (B2B). All relevant factors and circumstances are taken into account when determining the revenue recognition methods that appropriately depict the transfer of control of goods or services to customers for each performance obligation.

Notes to the financial statements continued

2. Accounting policies continued

Commission earned on sales of residential and commercial property is recognised at a point in time, upon the exchange of contracts for such sales.

The Group offers the following residential lettings services to customers: Tenant Introduction, Tenant Renewal, Standard Lettings (often referred to as Rent Collection), Full Property Management, and a Leasehold Property Management service. Commissions and fees earned for Tenant Introduction and Tenant Renewal in respect of securing or extending the letting are recognised in full at a point in time upon delivery of the service, when the underlying tenancy agreement commences. A liability for future refunds is recognised for contracts that contain a break clause and which may require a refund if broken early. Fees for standard lettings (rent collection) and property management services, including leasehold property management services, are recognised on a straight-line basis over the life of the contract in line with the satisfaction of the performance obligations.

Fees earned from surveying, valuation and conveyancing services are recognised at a point in time when we have fully provided the service to the customer.

The Group acts as principal in the majority of contracts with customers, with the exception of commission earned on the sale of third party financial services products and revenue generated from surveying panel management contracts, where we act as an agent. Revenue from the sale of third party financial services products is recognised at a point in time when the policies go on risk or the mortgage is exchanged. Revenue from surveying panel management contracts is recognised at a point in time, net of any fees payable to other parties in the arrangement.

Lambert Smith Hampton generates revenue from commercial property consultancy and advisory services, property management and valuation services. Revenue in respect of consultancy services performed by our commercial business, Lambert Smith Hampton, is recognised either: at a point in time when we have fully provided the service; or over a period of time as activity progresses, reflecting the Group's satisfaction of performance obligations.

The company generates revenue and other income from external customers mainly in the UK from commercial property consultancy. Management is required to take all relevant factors and circumstances into account when determining the revenue recognition methods that appropriately depict the transfer of control of goods or services to the customer for each performance obligation. This requires management to make certain judgements, including: the determination of the performance obligations in the contract; whether the company is acting as principal or agent; the estimation of any variable consideration in determining the contract price; the allocation of the price to the performance obligations inherent in the contract; and an appropriate method of recognising revenue. Other key considerations comprise the appropriate accounting treatment of any costs incurred to obtain the contract and the treatment of any costs incurred to fulfil a contract.

In determining the appropriate method of recognising revenue, management is required to make judgements as to whether performance obligations are satisfied over a period of time or at a point in time. For performance obligations that are satisfied over a period of time, judgements are made as to whether the output method or the input method is more appropriate to measure progress towards complete satisfaction of the performance obligation. If performance obligations are not satisfied over time, the company recognises revenue at a point in time.

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 performance obligations that have not been satisfied, 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.

(u) 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 operating sub-leases are recognised on a straight-line basis over the lease term. Rebates receivable from TM Group (joint venture) are recognised when the right to receive payment is established.

2. Accounting policies continued

(v) Net finance costs

Finance costs

Finance costs comprise interest payable on borrowings (2018: including finance lease commitments), leases (following adoption of IFRS 16 in 2019, see note 2(c)), 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, except for leases where the finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. 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 costs of restructuring existing businesses, integration of newly acquired businesses, asset impairments, costs associated with acquiring new businesses and profit/loss on sale of available-for-sale financial assets.

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.

The Board believes that excluding each of the adjusted items, considered to be exceptional or non-operational in nature, in arriving at adjusted EBITDA is necessary to provide a more consistent indication of the trading performance of the Group. This alternative performance measure provides additional useful information to shareholders on the underlying trends and comparable performance of the Group over time. We seek to present a consistent measure of trading performance which is not impacted by the volatility in profile of:

- exceptional items (costs or income): these are specific items which are material by their nature, size or incidence and are highlighted, with further descriptions, in note 10 to the financial statements;
- amortisation of intangibles arising on acquisitions (excluding software): non-cash charges that can vary significantly dependent on the level and size of acquisitions undertaken in each period, and the related brand names and customer relationships and contracts recognised. In addition, we do not believe the non-cash amortisation charge provides insight into the current cash costs of running our business as these assets are supported and maintained by marketing costs which are reflected within our operating costs. The directors note that the intangibles acquired in business combinations are used in the business to generate revenue, but that there is no equivalent adjustment made to eliminate this revenue;
- contingent consideration: charges can vary significantly dependent on the level and size of acquisitions undertaken and the associated performance criteria linked to the ongoing service requirement. We reassess the fair value of the resulting liabilities across these arrangements at each reporting period end, reflecting our best estimates of future performance. However, these estimates are inherently judgemental as we are required to look beyond our normal three-year budgeting and planning cycle for the five-year agreements in place. Remeasurement could cause material volatility in our reported results over the earn out periods which would not be reflective of the business performance in the period; and
- share-based payments: the income statement has been subject to significant non-cash charges in respect of the IPO options up to and including 2016. As the Group is now in a turnaround situation, it is anticipated that the incentivisation of performance will be driven by award of future LTIPs which, provided Group performance meets these targets, will see the share-based payment non-cash charge continue to increase and reintroduce material volatility into the income statement and distortion to underlying trading results.

The use of an adjusted EBITDA profit measure, as a consistent measure of underlying performance, is also aligned with management's internal financial reporting (including monthly management information reports reviewed by the Board, as the chief operating decision maker), executive director remuneration (being a factor of both the LTIP scheme and annual bonus disclosed in the Remuneration Committee report) and senior management incentive targets.

Reconciliation of adjusted EBITDA to statutory profit measures is provided in note 4 of the financial statements.

Notes to the financial statements
continued

2. Accounting policies continued

(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 tax 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 Board 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 key sources of estimation uncertainty

In application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities and the disclosure of contingent assets and liabilities.

Critical judgements in applying the Group's accounting policies

The following are critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Going concern

Despite the material uncertainty noted above in note 2(b), the directors are of the view that there is a reasonable view that the Group will be able to access further liquidity through the CLBILS facility and that the Government will continue to provide the Group with support to counteract the effects of COVID-19 and that they can therefore conclude that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that they can adopt the going concern basis in preparing the financial statements.

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 costs of restructuring the business, are provided in note 10.

3. Critical accounting judgements and key sources of estimation uncertainty continued

Determination of cash generating units

Cash generating units (CGUs) represent the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other groups of assets. The determination of cash generating units (CGUs) is a judgement made by management in applying the Group's accounting policies. The CGUs are designated as: UK Sales and Lettings; London Sales and Lettings; Countrywide Residential Development Solutions (aggregated to Sales and Lettings); Financial Services; B2B – Professional Services; and B2B – Commercial (which is now classified as a discontinued operation and held for sale at 31 December 2019). These then aggregate into our reporting segments: Sales and Lettings; Financial Services; and B2B; with 'All other segments' comprising central head office functions.

Each individual branch is not considered to be a CGU on the basis that branches do not operate autonomously and that other parts of the business partially use the branch network to generate income. As a result, branches do not generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Branches can receive income across products within Sales and Lettings, Financial Services and also generate sales for Conveyancing (within our B2B segment). This judgement drives the determination of the Group's CGUs for the impairment testing of assets other than goodwill and to which goodwill has been allocated.

Determining lease terms for lease liabilities

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For the Group's leases, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate) the property lease.
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

In addition, the Group has a number of held-over leases where the contractual lease term has expired and occupation of the premises continues on a rolling basis. As these held-over leases can be exited by either the Group or the landlord, without significant penalty on either side, the Group assumes continued occupation for the statutory notice period of six months and maintains a rolling six month liability until any notice is served by either party.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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

Impairment of goodwill and other non-current assets

Determining whether goodwill and other non-current 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 is based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins. Further details of impairment reviews and related sensitivity disclosures are set out in note 14.

Notes to the financial statements continued

3. Critical accounting judgements and key sources of estimation uncertainty continued

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 into 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 claims): 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 very low number of claims received for surveys conducted over nine years ago and the volatility that can impact on the size of the provision, the data set has been limited to surveys conducted since 2010. Since the data set is now limited to claims for surveys beyond the 2004 to 2008 period prior to the financial crisis, we no longer hold a sub-set of data for surveys conducted during that period, which is now more than ten years ago.

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

The number of claims remained low throughout 2019. There is a possible risk that a significant rise in mortgage interest rates could lead to an increase in repossessions and potential losses being incurred by the lenders, but political uncertainty around the future of the UK economy has receded following the general election, although negotiations will continue throughout 2020 over future trade deals. As at 31 December 2019, there were no macroeconomic indicators that the likelihood of repossessions and losses will increase in the short term, and the directors do not consider it appropriate to provide for additional claims due to such changes. It should be noted that a 10% increase in the claim rate applied to all surveys could lead to a £0.9 million (2018: £0.4 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

Our claim handlers and panel lawyers robustly defend all our claims and as a result they have continued to achieve a number of successes where clients have withdrawn their claim. In 2019 we saw a small decrease to the claim liability rate.

The liability rate is sensitive to changes in experience and therefore we have used the average liability rate for claims closed over two or three years as the most appropriate claim liability rate to estimate the provision for those claims already received. A 10% increase in the average liability rate applied to open claims at the end of the year would impact the provision for claims already received by £0.2 million (2018: £0.4 million).

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

Average losses on claims settled saw a modest reduction in 2019 versus prior year (based on weighted average across the various claim populations limited to surveys conducted since 2010). Applying a 10% increase in the average loss to the unreported claims anticipated would increase the total provision required for this population by £0.2 million (2018: £0.1 million).

4. Segmental reporting

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

The change to the Group's segmental presentation in 2019, moving Countrywide Residential Development Solutions and Auctions from B2B to Sales and Lettings, is aligned with management's current internal financial reporting framework (including monthly management information reports reviewed by the directors, and the Board as the chief operating decision maker) and the basis on which decisions for allocation of resources and assessing performance of segments is undertaken.

On 29 November 2019, the Board announced the proposed sale of Lambert Smith Hampton and the business was classified as held for sale following shareholder approval on 27 December 2019. These operations, which have previously been reported within the B2B segment and which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the balance sheet as at 31 December 2019 as related assets and liabilities and disclosed as discontinued operations in the income statement and related notes in both 2019 and the comparative year, and are reported as discontinued operations to the Board.

As reported in our 2019 interim results, we transferred our Countrywide Residential Development Solutions (New Homes) and Auctions businesses from B2B to Sales and Lettings. A summary of the restatement for the 2018 results, along with the exclusion of the LSH discontinued operations for the comparative period, can be found below:

Restatement of the 2018 Income, Adjusted EBITDA and KPIs	As stated in 2018 financial statements: Income, Adjusted EBITDA and KPIs		Revised following restatement and classification of discontinued operations	
£m	Income	Adjusted EBITDA	Income	Adjusted EBITDA
Sales and Lettings	329.2	1.2	343.0	(2.4)
B2B	213.3	27.9	87.5	20.0
Financial Services	83.9	16.6	83.9	16.6
Central costs	0.7	(13.1)	0.7	(13.1)
Total continuing operations	**627.1**	**32.7**	**515.1**	**21.1**
Discontinued operations			112.0	11.6
Total Group			**627.1**	**32.7**

KPIs	Sales and Lettings	B2B	Sales and Lettings	B2B
House exchanges	43,769	3,059	46,828	–
Properties under management	86,415	38,599	87,033	–
FTE (average across the period)	5,467	2,540	5,670	1,034

The Board considers the business to be split into three main types of business generating revenue: Sales and Lettings, Financial Services and Business to Business (B2B), and 'All other segments' comprising central head office functions.

The Sales and Lettings network combines estate agency and lettings operations. Estate agency generates commission earned on sales of residential property and Lettings earns fees from the letting and management of residential properties and fees for the management of leasehold properties. The Financial Services division receives commission from the sale of insurance policies, mortgages and related products under contracts with financial service providers. Business to Business (B2B) services comprise all lines of business which are delivered to corporate clients, including Surveying Services and Conveyancing Services. 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. Other income generated by head office functions relates primarily to sub-let rental income or other sundry fees.

The Board 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, employment-linked 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 function which manages the cash and debt position of the Group.

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

Revenue and other income from external customers arising from continuing operations in the UK was £498,127,000 (2018: £515,053,000 adjusted for discontinued operations) and that arising from activities overseas was £nil (2018: £nil adjusted for discontinued operations).

Notes to the financial statements continued

4. Segmental reporting continued

The assets and liabilities for each operating segment represent those assets and liabilities arising directly from the operating activities of each business unit. Pension assets and liabilities, and liabilities arising from the revolving credit facility, are not allocated to operating segments but allocated in full to 'All other segments' within the segmental analysis as they are managed by central Group functions. Non-current assets attributable to the UK of £277,088,000 (2018: £334,595,000) are included in the total assets in the tables on the following pages. Non-current assets of £nil (2018: £825,000) are attributable to the overseas operations. The equity investment in joint venture is disclosed within 'All other segments' and is £1,768,000 (2018: £1,464,000).

The financial assets at fair value through profit or loss of £153,000 (2018: £153,000) are disclosed within 'All other segments'.

Continuing operations

	2019				
	Sales and Lettings £'000	Financial Services £'000	B2B £'000	All other segments £'000	Total £'000
Revenue	309,928	78,286	104,159	–	492,373
Other income	3,981	1,120	456	197	5,754
Total income	313,909	79,406	104,615	197	498,127
Inter-segment revenue	12,667	2,687	(15,354)	–	–
Total income from external customers	326,576	82,093	89,261	197	498,127
Adjusted EBITDA	30,394	17,346	19,449	(12,709)	54,480
Contingent consideration	(81)	(163)	(5)	(1,036)	(1,285)
Share-based payments	(1,013)	(339)	(362)	(401)	(2,115)
Depreciation and amortisation	(10,374)	(3,354)	(4,926)	(2,479)	(21,133)
Share of profit from joint venture	–	–	–	304	304
Exceptional costs (see note 10)	(10,791)	(29,597)	(1,314)	(15,960)	(57,662)
Segment operating profit/(loss)	8,135	(16,107)	12,842	(32,281)	(27,411)
Finance costs					(10,499)
Finance income					39
Loss before tax					(37,871)
Total assets	88,729	84,410	142,881	31,077	347,097
Total liabilities	610,578	181,735	145,126	(653,505)	283,934
Additions in the year					
Non-current assets					
Intangible assets	1,088	114	1,913	10,446	13,561
Property, plant and equipment	1,463	124	138	3,973	5,698
Right-of-use assets	5,926	54	32	202	6,214

4. Segmental reporting continued

Continuing operations

	2018 restated				
	Sales and Lettings[2] £'000	Financial Services £'000	B2B[1 2] £'000	All other segments[1] £'000	Total[1] £'000
Revenue	326,137	80,178	100,495	473	507,283
Other income	6,078	1,009	494	189	7,770
Total income	332,215	81,187	100,989	662	515,053
Inter-segment revenue	10,749	2,724	(13,473)	–	–
Total income from external customers	342,964	83,911	87,516	662	515,053
Adjusted EBITDA	(2,402)	16,613	19,934	(13,052)	21,093
Contingent consideration	(297)	(1,830)	(48)	(5,137)	(7,312)
Share-based payments	(716)	(225)	(334)	(210)	(1,485)
Depreciation and amortisation	(7,708)	(2,493)	(3,130)	(4,933)	(18,264)
Share of loss from joint venture	–	–	–	(1,518)	(1,518)
Exceptional income (see note 10)	–	–	2,663	504	3,167
Exceptional costs (see note 10)	(216,364)	(3,131)	(207)	(20,703)	(240,405)
Segment operating (loss)/profit	(227,487)	8,934	18,878	(45,049)	(244,724)
Finance costs					(14,919)
Finance income					178
Loss before tax					(259,465)
Total assets	81,256	115,597	222,482	22,328	441,663
Total liabilities	537,614	193,844	180,746	(690,808)	221,396

Additions in the year					
Non-current assets					
Goodwill	–	–	160	–	160
Intangible assets	859	892	2,676	2,087	6,514
Property, plant and equipment	1,927	127	1,042	512	3,608

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.
2. Restated from prior year following the reallocation of Countrywide Residential Development Solutions and Auctions business units from B2B into Sales and Lettings.

Disaggregation of total segment revenue
Continuing operations

2019	**Sales and Lettings £'000**	**Financial Services £'000**	**B2B £'000**	**All other segments £'000**	**Total revenue £'000**
Major service lines					
Sales	154,116	313	2,092	–	**156,521**
Lettings	158,296	–	–	–	**158,296**
Financial Services	–	77,922	–	–	**77,922**
Surveying	645	99	71,764	–	**72,508**
Conveyancing	9,423	2,639	14,949	–	**27,011**
Other	115	–	–	–	**115**
	322,595	**80,973**	**88,805**	**–**	**492,373**

Timing of revenue recognition					
Services transferred at a point in time	168,893	80,973	88,805	–	338,671
Services transferred over a period of time	153,702	–	–	–	153,702
	322,595	**80,973**	**88,805**	**–**	**492,373**

Notes to the financial statements continued

4. Segmental reporting continued

Continuing operations

2018	Sales and Lettings (Restated)[2] £'000	Financial Services (Restated)[3] £'000	B2B (Restated)[1 2] £'000	All other segments £'000	Total revenue (Restated)[1] £'000
Major service lines					
Sales	162,242	539	1,907	–	164,688
Lettings	166,477	–	–	428	166,905
Financial Services	–	79,579	–	–	79,579
Surveying	527	74	71,454	–	72,055
B2B other	7,640	2,710	13,661	–	24,011
Other	–	–	–	45	45
	336,886	82,902	87,022	473	507,283
Timing of revenue recognition					
Services transferred at a point in time	175,787	82,902	87,022	45	345,756
Services transferred over a period of time	161,099	–	–	428	161,527
	336,886	82,902	87,022	473	507,283

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.
2. Restated from prior year following the reallocation of Countrywide Residential Development Solutions and Auctions business units from B2B into Sales and Lettings.
3. Restated from prior year to correctly classify all Financial Services revenue as services transferred at a point in time.

5. Other income

Continuing operations

	2019 £'000	2018 (Restated)[1] £'000
Rent receivable	**573**	599
Rebate receivable from TM Group – joint venture (see related parties note 33)	**1,242**	3,279
Other operating income	**3,939**	3,892
	5,754	7,770

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.

Other operating income comprises a number of individually immaterial items aggregated across the Group.

6. Employee benefit costs

(a) Employee costs for the Group during the year

Continuing operations	2019 £'000	2018 (Restated)[1] £'000
Wages and salaries	**266,827**	273,832
Contingent consideration deemed remuneration (note 32)[2]	**1,285**	7,312
Share options granted to directors and employees (note 27)[2]	**2,163**	1,689
Defined contribution pension costs (note 25)	**9,282**	7,883
Defined benefit pension scheme costs (note 25)	**281**	325
Social security costs	**29,487**	30,111
	309,325	321,152

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.
2. The columnar approach of our income statement separates £3,400,000 (2018: £8,797,000) in respect of employee benefit costs comprising: £1,285,000 (2018: £7,312,000) contingent consideration from the table above; and £2,115,000 (2018: £1,485,000) of share-based payment costs (see note 4). The share-based payment costs are detailed in note 27 and comprise: £2,163,000 (2018: £1,689,000) of charges (as detailed above) net of £48,000 (2018: £204,000) credit in relation to National Insurance (reported within social security costs in the table above).

6. Employee benefit costs continued

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

By business segment	2019 Number	2018 (Restated)[1 2] Number
Sales and Lettings	**5,283**	5,673
Financial Services	**957**	976
B2B	**1,031**	1,019
Head office	**238**	283
	7,509	7,951

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.
2. Restated from prior year following the reallocation of Countrywide Residential Development Solutions and Auctions business units from B2B into Sales and Lettings.

(b) Key management compensation

The following table details the aggregate compensation paid in respect of the members of the Board, including the executive directors and all non-executive directors, and the members of the Executive Committee.

	2019 £'000	2018 £'000
Wages and salaries	**3,617**	2,778
Short term non-monetary benefits	**13**	12
Share-based payments	**312**	(54)
Termination costs	**–**	754
	3,942	3,490

Details of the highest paid director's aggregate emoluments, amounts receivable under long term incentive schemes and payments in lieu of pension entitlements are disclosed within the directors' remuneration report on page 87.

7. Other operating costs

Continuing operations

	2019 £'000	2018 (Restated)[1] £'000
Property related costs[2]	**22,227**	49,564
Advertising and marketing expenditure	**24,506**	27,186
Vehicles, plant and equipment hire[2]	**2,063**	12,263
Other motoring costs	**17,781**	17,602
Other staff related costs	**10,664**	13,269
IT related costs	**19,820**	18,895
Repairs and maintenance	**9,433**	9,941
Insurance	**5,473**	5,328
(Reversal of impairment)/impairment of trade receivables	**(440)**	2,336
Other	**26,196**	25,221
Total operating costs	**137,722**	181,605

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.
2. See note 2 (c) for details about the impact from the change in accounting policy, from the adoption of IFRS 16.

Services provided by the Company's external auditors and network firms

During the year the Company (including its Irish subsidiaries classified within discontinued operations) obtained the following services from the Company's external auditors at costs as detailed below:

	2019 £'000	2018 £'000
Fees payable to the Company's external auditors and their associates for the audit of the consolidated financial statements	**224**	135
Fees payable to the Company's external auditors and their associates for other services:		
• the audit of the Company's subsidiaries	**572**	423
• audit-related assurance services	**180**	58
• other non-audit services[1]	**710**	992
	1,686	1,608

1. 2018 amounts relate to work undertaken on the Group's capital refinancing plan. 2019 amounts relate to reporting accountant work undertaken in connection with the shareholder circular in respect of disposal of Lambert Smith Hampton.

Notes to the financial statements
continued

8. Finance costs

Continuing operations

	2019 £'000	2018 (Restated)[1] £'000
Interest costs:		
Interest payable on revolving credit facility	**4,336**	7,272
Interest paid/payable for lease liabilities	**5,073**	163
Other interest paid	**285**	225
Cash payable interest	**9,694**	7,660
Amortisation of loan facility fee (including £2,220,000 of exceptional items in 2018 (note 10))	**685**	2,764
Net interest costs arising on the pension scheme (note 25)	**105**	115
Unwind of discount on provisions (note 23)	**15**	55
Other finance costs	**–**	56
Non-cash payable interest	**805**	2,990
Capital refinancing costs included in exceptional items in 2018 (note 10)	**–**	4,269
Finance costs	**10,499**	14,919

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.

9. Finance income

Continuing operations

	2019 £'000	2018 (Restated)[1] £'000
Interest income	**39**	178

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.

10. Exceptional items

Continuing operations

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

	2019 £'000	2018 (Restated)[1] £'000
Exceptional income		
Professional indemnity	**–**	3,167
Exceptional costs		
Strategic and restructuring costs:		
People-related restructuring costs	**(1,659)**	(3,692)
Transformation project consultancy costs	**(5,073)**	(7,000)
Property closure costs	**(3,150)**	(1,453)
Total strategic and restructuring costs, excluding impairment	**(9,882)**	(12,145)
Impairment of goodwill (note 14(a))	**(30,842)**	(44,815)
Impairment of brands (note 14(b))	**–**	(126,192)
Impairment of customer contracts (note 14(b))	**–**	(9,605)
Impairment of non-current assets (notes 14(b), 15, 16(a), and 17(c))	**(16,938)**	(36,408)
Total impairment charge	**(47,780)**	(217,020)
Onerous lease provision	**–**	(6,055)
Restitution of trust funds	**–**	(5,185)
Financing costs[2]	**–**	(6,489)
Total exceptional costs	**(57,662)**	(246,894)
Net exceptional costs	**(57,662)**	(243,727)

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.
2. Reported within finance costs (see note 8).

10. Exceptional items continued

2019

Net exceptional costs comprise items that have or will result in cash charges of £9,882,000 (2018: £26,707,000) and £47,780,000 (2018: £217,020,000) of non-cash impairment charges as follows:

Strategic and restructuring costs

During 2019 the Group progressed a strategic transformation agenda for the fundamental turnaround of the business, which is expected to take place over a period of around three years, resulting in a number of exceptional costs in relation to the project and related restructuring costs. The principal elements are:

- £1,659,000 relating to redundancy costs, principally arising from the branch rationalisation programme that occurred during the period to progress the achievement of an appropriate organisational structure;
- £5,073,000 in respect of restructuring costs, comprising third party consultancy costs arising from our IT transformation projects (commenced in 2018 and running over a three-year period, with costs being capitalised where applicable in notes 14 and 15) and related strategic initiatives which are being project managed centrally and reporting progress to the Group Executive Committee; and
- £3,150,000 of property closure costs and related property dilapidations provision costs in respect of properties that have been identified for closure.

Impairment charges

Significant progress has been made with the turnaround plan during the year. However, further impairment charges have been incurred in 2019. Cash flows underpinning the current impairment review align to the latest three-year strategy and turnaround plan that have been scrutinised and endorsed by the Board.

The Group incurred the following impairment charges, deemed to be exceptional given their size, arising from the impairment review of goodwill, following an assessment of the recoverable amount against the carrying value, and the associated review of other intangible and tangible fixed assets impacted by the impairment review:

2019	Note	UK Sales and Lettings £'000	Financial Services £'000	B2B - Countrywide Residential Development Solutions £'000	Total £'000
Goodwill	14(a)	–	29,499	1,343	30,842
Computer software	14(b)	8,550	–	–	8,550
Property, plant and equipment	15	4,666	–	–	4,666
Right-of-use assets	16(a)	3,722	–	–	3,722
Total impairment		16,938	29,499	1,343	47,780

The UK Sales and Lettings write-down includes £11,104,000 in respect of the write-down of Head Office assets (principally IT related) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit (see notes 14, 15 and 16). UK Sales and Lettings cash generating unit assets are being impaired in full following the assessment of the recoverable amount, calculated on a value in use basis and compared against the carrying value of assets.

2018

Exceptional income

Professional indemnity

A claim was settled in the Group's favour resulting in the recognition of £2,064,000 of exceptional income.

Estimating the liability for professional indemnity claims is highly judgemental and we updated our financial models to reflect the latest inputs and trends and took advice from our panel of lawyers in respect of open claims. Despite the judgemental nature of the provision, the progress made during the year on individually significant claims, aligned with the low level of claims made, resulted in the assessment of a £1,103,000 release in the provision.

Notes to the financial statements continued

10. Exceptional items continued

Exceptional costs

Strategic and restructuring costs

- £3,692,000 relating to redundancy costs, principally arising from the restructuring of head office functions undertaken following our announcement on 8 March 2018, and changes to the leadership structure that occurred to progress the achievement of the appropriate organisational structure;
- £7,000,000 in respect of restructuring costs, including the write-down of assets related to curtailed projects, third party consultancy costs arising from a number of different projects undertaken to tackle cost optimisation targets, including IT transformation consultancy, and related strategic initiatives which are project managed centrally and routinely reporting progress to the Group Executive Committee; and
- £1,453,000 of property closure costs, all relating to closed property provisions in respect of the London office that was identified for closure. The closed property provision covers the onerous commitment for the costs from the period from the office vacation date at 31 October 2018 until the end of the lease term.

Impairment charges

The Group incurred the following impairment charges, deemed to be exceptional given their size, arising from the impairment review of goodwill, following an assessment of the recoverable amount against the carrying value, and the associated review of other intangible and tangible fixed assets impacted by the impairment review:

2018	Note	UK Sales and Lettings £'000	London Sales and Lettings £'000	Total £'000
Goodwill	14(a)	14,045	30,770	44,815
Brand names	14(b)	58,270	67,922	126,192
Customer contracts and relationships	14(b)	6,377	3,228	9,605
Computer software	14(b)	4,861	–	4,861
Property, plant and equipment	15	27,109	717	27,826
Investments		3,721	–	3,721
Total impairment		114,383	102,637	217,020

The UK Sales and Lettings write-down includes £15,533,000 in respect of the write-down of Head Office assets (principally IT related) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit (see notes 14, 15 and 16). UK Sales and Lettings cash generating unit assets are being impaired in full following the assessment of the recoverable amount, calculated on a value in use basis and compared against the carrying value of assets.

The investment impairment of £3,721,000 relates to three equity investments amounting to £2,379,000 (see note 17(c)); the associated loan outstanding with Dynamo of £1,200,000; and £142,000 associated legal costs for the wind up of the venture.

Onerous lease provision

Onerous lease provisions with a present value of £6,055,000 were recognised in relation to the economic outflows arising from onerous contracts in respect of loss making branches (at the direct contribution level), unwinding over periods up to 2026 (comprising £4,204,000 in respect of onerous lease provisions and £1,851,000 in respect of dilapidations provisions). During 2018, provisions of £651,000 unwound as a credit to adjusted EBITDA, in line with the losses being reported within operating results.

10. Exceptional items continued

Restitution of trust funds

In note 4.3 of our 2018 condensed consolidated interim report, we noted a prior year error correction in respect of the restitution of trust funds.

The Group holds deposits made by lessees of properties. Generally, the Group does not recognise client money on its consolidated balance sheet. However, the Group deposits client money in interest-bearing accounts and recognises the interest component as finance income in the Group's consolidated income statement. The Group takes all practical and reasonable measures to identify the ownership of the funds and to trace and return funds in a timely manner. Historically, balances that remained untraceable and were more than six years old were recognised in the Group's consolidated income statement as other income and an indemnity was put in place by Countrywide Group plc to the underlying subsidiary entities to ensure that any claims arising subsequently on these funds would be met by Countrywide Group plc. In practice, less than 1% of the funds released have ever been claimed and paid out.

At the 2018 half year, following a management review of client accounting, and having received legal advice on the treatment of such funds, the Group understood that some of these historical and untraceable funds arising from the Lettings business for the period from 2008-2017 should be held in trust under a separate client account. A liability of £4,681,000 in respect of certain untraceable funds for such period was therefore recognised in the Group's balance sheet in the 2018 condensed consolidated interim report, £4,456,000 of which was recognised as a prior year error correction, along with a related reduction in retained earnings net of deferred tax. These funds were transferred into a separate client account in August 2018.

Having received further legal advice in the second half of 2018, the Group then understood that all of these historical and untraceable funds arising from the Lettings business for the period from 2008-2017 should be held in trust under a separate client account. As a result, management transferred an additional £5,185,000 into a separate client account in December 2018 in full restitution of these client funds. This further advice during the latter part of 2018 caused a change in the accounting estimate taken at 30 June 2018, and given the magnitude of the increase in charge, was treated as an exceptional cost.

Financing costs

Following the revolving credit facility amendment undertaken on 2 February 2018, previously capitalised financing fees (net of amortisation to date) of £1,573,000 were written off. Fees relating to this amendment were simultaneously capitalised. As part of the wider balance sheet refinancing, a subsequent amendment was made to the revolving credit facility and therefore in August 2018, fees capitalised in February 2018 (net of amortisation charged in the six months) amounting to £647,000 were also written off. (Fees incurred in relation to the August 2018 amendment of the revolving credit facility, amounting to £2,145,000, were capitalised and are amortised over the period to September 2022).

In addition, costs of £4,269,000 were also incurred in relation to professional fees provided in respect of work undertaken to restructure the Group's borrowing and raise equity finance. Costs of £8,481,000 which were directly attributable to the equity raise were offset against share premium. Other costs incurred as part of the wider refinancing project, and specifically in relation to restructuring of borrowing, including professional fees provided in respect of work undertaken to potentially restructure the Group's borrowing which were then expensed as abortive fees, amounting to £4,269,000 were treated as exceptional financing costs.

These financing costs were treated as exceptional due to the size of the fees, but also in relation to the non-recurrent costs which have been incurred in relation to refinancing the business to facilitate the financial flexibility to undertake the turnaround transformation.

11. Taxation

Analysis of (credit)/charge in year

	2019 £'000	2018 (Restated) £'000
Current tax on profits for the year	–	–
Adjustments in respect of prior years	(545)	(1,140)
Total current tax	(545)	(1,140)
Deferred tax on profits for the year:		
Origination and reversal of temporary differences	(1,239)	(34,353)
Adjustments in respect of prior years	649	975
Total deferred tax (note 24)	(590)	(33,378)
Income tax credit	(1,135)	(34,518)
Continuing operations	(419)	(35,043)
Discontinued operations (note 34)	(716)	525

Notes to the financial statements
continued

11. Taxation continued

	2019 £'000	2018 £'000
Tax on items charged to equity		
Deferred tax adjustment arising on share-based payments (see note 24)	**43**	(90)
Tax on items credited/(charged) to other comprehensive income		
Deferred tax adjustment arising on pension scheme assets and liabilities (see note 24)	**110**	32
Deferred tax adjustment arising on cash flow hedge (see note 24)	**–**	(63)

The tax charge for the year differs (2018: differs) from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Loss from continuing operations before taxation	**(37,871)**	(259,465)
(Loss)/profit from discontinued operations before taxation (see note 34)	**(4,938)**	6,792
Loss before taxation	**(42,809)**	(252,673)
Loss multiplied by the rate of corporation tax in the UK of 19% (2018: 19%)	**(8,134)**	(48,008)
Effects of:		
(Profits)/losses from joint venture	**(58)**	288
No tax relief on contingent consideration	**236**	1,156
Impact of accelerated unwind of deferred tax assets	**407**	–
Other expenses not deductible	**100**	1,594
Permanent difference relating to depreciation not deductible	**142**	448
No tax relief on impairment of purchased goodwill	**5,822**	9,199
Reversal of the deferred tax previously recognised on share-based payment options that lapsed	**192**	151
(Unprovided losses utilised)/losses not provided	**(23)**	765
Adjustments in respect of prior years	**102**	(165)
Overseas losses	**79**	54
Total taxation credit	**(1,135)**	(34,518)
Continuing operations	**(419)**	(35,043)
Discontinued operations (see note 34)	**(716)**	525

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to decrease the tax expense for the period by £1.8 million and to increase the net deferred tax asset by £1.8 million.

There are no material uncertain tax positions.

12. Dividends

	2019 £'000	2018 £'000
Dividends (interim and final)	**–**	–

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2019.

13. Basic and diluted loss per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares of Countrywide plc.

	2019	2018 (Restated)[1,2]
(Loss)/profit for the year attributable to the ordinary equity holders of the company (£'000)		
From continuing operations	**(37,452)**	(224,422)
From discontinued operations (see note 34)	**(4,222)**	6,267
	(41,674)	(218,155)
Weighted average number of ordinary shares in issue[3]	**32,729,811**	14,152,577
Basic and diluted (loss)/earnings per share (in pence per share)		
From continuing operations	**(114.43)**	(1,585.73)
From discontinued operations	**(12.90)**	44.28
Total basic and diluted loss per share attributable to the ordinary equity holders of the Company	**(127.33)**	(1,541.45)

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.
2. Restated from prior year following the share consolidation undertaken on 30 December 2019 (see note 26).
3. Weighted average number of ordinary shares in issue excludes any deferred shares in issue as they have no rights to dividend (see note 26).

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. All potential ordinary shares were anti-dilutive in 2019 and 2018 and therefore no adjustment was required in either period.

	Continuing 2019 £'000	Discontinued 2019 £'000	Continuing 2018 (Restated)[1,2] £'000	Discontinued 2018 (Restated)[1,2] £'000
Adjusted (loss)/earnings				
(Loss)/profit for the year attributable to owners of the parent	**(37,452)**	**(4,222)**	(224,422)	6,267
Adjusted for the following items, net of taxation:				
Amortisation arising on intangibles recognised through business combinations	**1,659**	**2,574**	1,843	2,166
Contingent consideration	**1,285**	**(44)**	7,312	(1,223)
Share-based payments charge	**1,931**	**265**	1,207	173
Exceptional income	**–**	**–**	(135)	–
Exceptional costs	**52,881**	**3,744**	209,674	1,608
Adjusted earnings/(loss), net of taxation	**20,304**	**2,317**	(4,521)	8,991
Adjusted basic and diluted earnings/(loss) per share (in pence per share)	**62.04**	**7.08**	(31.94)	63.53

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.
2. Restated from prior year following the share consolidation undertaken on 30 December 2019 (see note 26).

Notes to the financial statements
continued

14. Intangible assets

(a) Goodwill

	2019 £'000	2018 £'000
Cost		
At 1 January	**908,829**	908,669
Arising on acquisitions	**–**	160
Transfer to assets classified as held for sale (note 34)	**(9,795)**	–
At 31 December	**899,034**	908,829
Accumulated impairment (note 14(c))		
At 1 January	**675,009**	629,173
Change in accounting policy[1]	**8,774**	–
Restated at 1 January	**683,783**	629,173
Impairment: continuing operations (note 10)	**30,842**	44,815
Impairment: discontinued operations	**–**	1,021
Transfer to assets classified as held for sale (note 34)	**(9,795)**	–
At 31 December	**704,830**	675,009
Net book amount		
At 31 December[2]	**194,204**	233,820

1. See note 2(c) for details about the impact from the change in accounting policy, from the adoption of IFRS 16.
2. Net book value at 1 January 2018 was £279,496,000.

Goodwill impairment charges of £1,343,000 and £29,499,000 have been made in respect of Countrywide Residential Development Solutions and Financial Services cash generating units respectively. In the prior year impairment charges of £14,045,000, £30,770,000 and £1,021,000 were made in relation to the UK Sales and Lettings, London Sales and Lettings and B2B-Commercial cash generating units respectively following assessments of the recoverable amount (value in use) against the carrying value. These charges have been included within exceptional items (note 10 for continuing operations only).

14. Intangible assets continued

(b) Other intangible assets

	2019					
	Computer software £'000	Brand names £'000	Customer contracts and relationships £'000	Other intangibles £'000	Assets under construction £'000	Total £'000
Cost						
At 1 January	74,263	232,015	131,232	403	–	437,913
Change in accounting policy[1]	(6,969)	–	–	–	–	(6,969)
Restated at 1 January	67,294	232,015	131,232	403	–	430,944
Additions: continuing operations	5,661	–	–	–	7,900	13,561
Additions: discontinued operations	274	–	–	–	–	274
Disposals	(6,661)	–	–	–	–	(6,661)
Transfer to assets classified as held for sale (note 34)	(1,717)	(28,377)	(18,344)	–	–	(48,438)
At 31 December	64,851	203,638	112,888	403	7,900	389,680
Accumulated amortisation and impairment losses (note 14(c))						
At 1 January	63,547	182,111	117,922	142	–	363,722
Change in accounting policy[1]	(6,435)	5,044	1,760	–	–	369
Restated at 1 January	57,112	187,155	119,682	142	–	364,091
Charge for the year[2]: continuing operations	6,218	1,550	511	51	–	8,330
Charge for the year[2]: discontinued operations	249	1,544	1,497	–	–	3,290
Impairment (note 10): continuing operations	3,554	–	–	–	4,996	8,550
Impairment (note 34): discontinued operations	–	–	907	–	–	907
On disposals	(6,656)	–	–	–	–	(6,656)
Transfer to assets classified as held for sale (note 34)	(1,432)	(7,535)	(12,287)	–	–	(21,254)
At 31 December	59,045	182,714	110,310	193	4,996	357,258
Net book amount						
At 31 December	5,806	20,924	2,578	210	2,904	32,422

1. See note 2 (c) for details about the impact from the change in accounting policy, from the adoption of IFRS 16.
2. The columnar approach of our income statement separates £5,108,000 (£2,112,000 excluding discontinued operations) from total depreciation and amortisation. This is in respect of amortisation of acquired intangibles (brand names, customer contracts and relationships and other intangibles) as detailed in the table above

Intangible asset additions of £13,835,000 (continuing and discontinued operations) include £11,182,000 of costs paid in 2019 and £2,653,000 of accrued costs within Assets under construction that were paid in 2020.

The assessment of recoverable amount against carrying value resulted in impairment charges of £3,554,000 in respect of computer software, relating to the UK Sales and Lettings cash generating unit (which includes £2,388,000 in respect of the write-down of Head Office assets (principally IT related) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit), £4,996,000 in respect of assets under construction, relating to the UK Sales and Lettings cash generating unit (in respect of the write-down of Head Office assets (principally IT related) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit) and £3,324,000 comprising £17,000 in respect of computer software, £1,717,000 in respect of brand names and £1,590,000 in respect of customer contracts and relationships relating to B2B - Commercial, a discontinued operation during the year. These charges have been included within exceptional items (note 10).

Notes to the financial statements
continued

14. Intangible assets continued

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

	2019 £'000	2018 £'000
Cost – capitalised finance lease	–	6,969
Accumulated amortisation and impairment	–	(6,494)
Net book amount	–	475

From 2019 leased assets are presented as a separate line item, in 'Right-of-use asset', in the balance sheet, see note 16(a). Refer to note 2(c) for details about the changes in accounting policy.

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred, relating to 2019 and the subsequent year, is as follows:

	2019 £'000	2018 £'000
Computer software	**3,903**	5,805

	2018				
	Computer software £'000	Brand names £'000	Customer contracts and relationships £'000	Other intangibles £'000	Total £'000
Cost					
At 1 January	72,964	232,015	131,232	403	436,614
Additions	6,514	–	–	–	6,514
Disposals	(5,215)	–	–	–	(5,215)
At 31 December	74,263	232,015	131,232	403	437,913
Accumulated amortisation and impairment losses (note 14(c))					
At 1 January	56,524	54,199	105,142	91	215,956
Charge for the year	7,354	1,720[1]	3,175[1]	51[1]	12,300
Impairment (note 10)	4,861	126,192	9,605	–	140,658
On disposals	(5,192)	–	–	–	(5,192)
At 31 December	63,547	182,111	117,922	142	363,722
Net book amount					
At 31 December 2018	10,716	49,904	13,310	261	74,191
At 1 January 2018	16,440	177,816	26,090	312	220,658

1. The columnar approach of our income statement separates £4,946,000 (£2,275,000 excluding discontinued operations) from total depreciation and amortisation. This is in respect of amortisation of acquired intangibles (brand names, customer contracts and relationships and other intangibles) as detailed in the table above.

All amortisation and impairment charges are treated as an expense in the income statement.

The carrying amounts of various brand names owned by the Group are disclosed below:

	2019 £'000	2018 £'000
Brand names		
Lambert Smith Hampton	**17,727**	27,431
Transfer to assets classified as held for sale (note 34)	**(17,727)**	–
Hamptons International	**10,422**	11,194
John D Wood	**3,040**	3,265
Bairstow Eves	**1,913**	2,054
Other brands	**5,549**	5,960
Net book value	**20,924**	49,904

14. Intangible assets continued

(c) Impairment

Cash generating units (CGUs) represent the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other groups of assets. The determination of CGUs is a judgement made by management in applying the Group's accounting policies. The CGUs are designated as: UK Sales and Lettings; London Sales and Lettings; Countrywide Residential Development Solutions; Financial Services; B2B – Professional Services; and B2B – Commercial (now classified as a discontinued operation). These then aggregate into our reporting segments: Sales and Lettings; Financial Services; and B2B; with 'All other segments' comprising central head office functions. The assets held within Head Office are allocated, within the impairment review methodology, to the various cash generating units (excluding B2B – Commercial) and where their own assets are being impaired following the assessment of the recoverable amount, arising from value in use, against the carrying value of assets this would also apply to centrally held assets supporting that CGU. These CGUs are used for the impairment testing of goodwill and other assets.

Each individual branch is not considered to be a CGU on the basis that branches do not operate autonomously and that other parts of the business partially use the branch network to generate income. As a result, branches do not generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Branches can receive income across products within Sales and Lettings, Financial Services and also generate sales for Conveyancing (within our B2B segment). Accordingly, this judgement drives the determination of the Group's CGUs for the impairment testing of assets other than goodwill and CGUs to which goodwill has been allocated.

In many cases the operations of the acquired businesses have been fully integrated with existing businesses and due to the cross pollination between product lines, segments and physical locations, cash inflows are not all independently generated on smaller groups of assets. Where necessary, assets have been reallocated to the goodwill-level CGUs that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is monitored by management at the level of the six CGUs, identified above, as follows:

2019	UK Sales and Lettings £'000	Countrywide Residential Development Solutions £'000	London Sales and Lettings £'000	Financial Services £'000	B2B – Professional Services £'000	B2B – Commercial £'000	Total £'000
Goodwill	**–**	**768**	**–**	**60,386**	**133,050**	**–**	**194,204**

2018	UK Sales and Lettings £'000	Countrywide Residential Development Solutions £'000	London Sales and Lettings £'000	Financial Services £'000	B2B – Professional Services £'000	B2B – Commercial £'000	Total £'000
Goodwill	–	2,111	–	89,885	133,050	8,774	233,820

Impairment reviews

Management performed impairment reviews as at 30 June 2019, as a result of impairment indicators, and as at 31 December 2019, as the annual assessment, in accordance with IAS 36 'Impairment of assets' by comparing the carrying value of each CGU against its recoverable amount.

The recoverable amount of each CGU was based on its value in use which was calculated by discounting pre-tax cash flow projections derived from formally approved strategic budgets or forecasts. Cash flow projections for each CGU were based on the latest forecast and three-year plan (i.e. 2019-2021 (as updated by reforecast in June 2019) for June 2019 review and 2020-2022 for December 2019 review (2018: 2019-2021 for December 2018) that was endorsed by the Board. For the purpose of the impairment review, cash flows beyond the period of the plan were extrapolated using a terminal value which includes a growth rate into perpetuity. Cash flows were discounted using pre-tax discount rates reflecting the weighted average cost of capital assigned to each CGU.

For each of the CGUs with significant amounts of goodwill, the key assumptions used in the value in use calculation are set out below.

Notes to the financial statements continued

14. Intangible assets continued

Key assumptions used for value in use calculations

A range of assumptions with varying significance drive the value in use models used for the impairment reviews.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

Financial services	December 2019	June 2019	December 2018
Budgeted adjusted EBITDA margin (%)	**23**	16	23
Long term growth rate (%)	**1**	1	1
Pre-tax discount rate (%)	**14.74**	14.03	11.89
Professional services			
Budgeted adjusted EBITDA margin (%)	**25**	20	24
Long term growth rate (%)	**1**	1	1
Pre-tax discount rate (%)	**14.72**	14.13	11.94

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Budgeted adjusted EBITDA margin	Average annual growth rate over the three-year forecast period; based on past performance and management's expectations of strategic plan development.
Long term growth rate	This is the growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	Reflect specific risks relating to the relevant segments in which they operate.

Outcome of impairment reviews

The impairment charges arising during 2019 as a result of the impairment reviews are summarised in tabular format for the year within exceptional items (note 10).

- **June 2019**

Whilst the Group made operational progress in the execution of its turnaround plan during the six months ended 30 June 2019, the review resulted in further impairment charges beyond those recognised as at 31 December 2018. The additional June 2019 impairment was a function of: the alignment of the turnaround plan to the protracted uncertainty of Brexit since the conclusion of the 2019 business planning process that underpinned the 2018 impairment review; and continued impairment charges in respect of UK Sales and Lettings (and the related Head Office assets allocated to UK Sales and Lettings in the impairment methodology) as a result of the immediate impairment of all capitalised assets (principally IT related and part of the Group IT transformation – detailed in note 10) as a result of the continued negative value in use of the UK Sales and Lettings CGU after full allocation of all apportioned central overheads.

Goodwill

The goodwill impairment review at 30 June 2019 concluded that impairment charges of £30,365,000 were appropriate against goodwill held by the Countrywide Residential Development Solutions (£867,000) and Financial Services (£29,499,000) CGUs respectively (see note 10).

The review concluded that the recoverable amount for all other CGUs to which goodwill is allocated exceeded their respective carrying values, resulting in no further indication of impairment.

Other intangible and tangible assets

The impairment review resulted in further impairment charges of: £2,033,000 against computer software associated with the UK Sales and Lettings CGU (which includes £1,075,000 in respect of the write-down of Head Office assets (principally IT related) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit); £177,000 against Head Office right-of-use assets (IT assets) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit; and £3,868,000 against other tangible assets associated with the UK Sales and Lettings CGU (which includes £2,876,000 in respect of the write-down of Head Office assets (principally IT related) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit). The Head Office write-down is in respect of an impairment of the assets held within Head Office which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit whose own assets are being impaired following the assessment of the recoverable amount, arising from value in use, against the carrying value of assets.

14. Intangible assets continued

- **December 2019**

The Group made continued operational progress in the execution of its turnaround plan during the six months ended 31 December 2019, returning Sales and Lettings to growth in profitability, but incurred further impairment charges. This impairment was a function of: deterioration in cash flow forecasts for Countrywide Residential Development Solutions to that which underpinned the June 2019 impairment review; and continued impairment charges in respect of UK Sales and Lettings (and the related Head Office assets allocated to UK Sales and Lettings in the impairment methodology) as a result of the immediate impairment of all capitalised assets (principally IT related and part of the Group IT transformation – detailed in note 10) as a result of the continued negative value in use of the UK Sales and Lettings CGU after full allocation of all apportioned central overheads.

Goodwill

The December 2019 goodwill impairment review concluded that an additional impairment charge of £476,000 was appropriate against goodwill held by the Countrywide Residential Development Solutions CGU (see note 10). The recoverable amounts for all other CGUs to which goodwill is allocated exceeded their respective carrying values, resulting in no further impairment in addition to the charges taken in June 2019 (December 2018: £1,021,000 B2B-Commercial).

Other intangible and tangible assets

The impairment review resulted in further impairment charges of:

UK Sales and Lettings CGU: £6,517,000 intangible fixed assets (computer software, including assets under construction, and which includes £6,309,000 in respect of the write-down of Head Office intangible fixed assets (computer software, including assets under construction) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit)), £648,000 right-of-use Head office assets (property, motor vehicle and IT assets) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit), £853,000 tangible fixed assets (related computer hardware and other assets, and which includes £19,000 in respect of the write-down of Head Office intangible fixed assets (computer software, including assets under construction) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit)) and £2,897,000 right-of-use assets (property asset). The Head Office write-down is in respect of an impairment of the assets held within Head Office which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit whose own assets are being impaired following the assessment of the recoverable amount, arising from value in use, against the carrying value of assets.

Cumulative impairments, including the goodwill, brand names, customer contracts and relationships, and computer software impairments identified during the current year, combined with previous impairments, amount to the following:

	Goodwill £'000	Brand names £'000	Customer contracts & relationships £'000	Computer software £'000	Assets under construction £'000	Total £'000
Cash generating unit						
UK Sales and Lettings	388,441	101,897	10,452	6,219	–	507,009
London Sales and Lettings	131,160	78,494	4,331	1	–	213,986
Countrywide Residential Development Solutions	1,344	–	–	–	–	1,344
Financial Services	143,885	–	–	–	–	143,885
B2B – Professional Services	40,000	–	100	10,500	–	50,600
Total cash generating units	704,830	180,391	14,883	16,720	–	916,824
All other segments	–	–	–	4,870	4,996	9,866
	704,830	180,391	14,883	21,590	4,996	926,690

Impact of possible changes in key assumptions

Financial Services CGU

The recoverable amount of the Financial Services CGU is estimated to exceed the carrying amount of the CGU at 31 December 2019 by £51.1 million.

The directors and management have considered and assessed reasonably possible changes for key assumptions and have not identified any instances that could cause the carrying amount of the Financial Services CGU to exceed its recoverable amount.

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14. Intangible assets continued

B2B-Professional Services CGU

The recoverable amount of the Professional Services CGU is estimated to exceed the carrying amount of the CGU at 31 December 2019 by £6.5 million.

The recoverable amount of this CGU would equal its carrying amount if any one of the key assumptions were to change as follows:

2019	From	To
Budgeted adjusted EBITDA margin	100% base case above	98%
Long term growth rate (%)	1	0.19
Pre-tax discount rate (%)	14.72	15.39

COVID-19

The outbreak of COVID-19 in 2020 is considered to be a non-adjusting post balance sheet event for these financial statements for the year ended 31 December 2019 (see note 36).

Any assessment of the estimated financial impact of COVID-19 is inherently difficult given the uncertainties about the extent and duration of social distancing measures and the impact on the economy. The Board has considered the potential impact of these matters on the Group, and there is a reasonable expectation that a material impairment will arise as a result of the trading disruption. As detailed in the sensitivities above, the headroom on certain CGUs (e.g. Professional Services) is limited and therefore changes to the underlying forecasts will erode this headroom and could crystallise an impairment charge. At this stage, we have not concluded our review and quantification of this potential impact but expect to continue refining our modelling and forecasts as we approach the half year reporting cycle, when an impairment review will be concluded.

15. Property, plant and equipment

	2019					
	Freehold land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Furniture and equipment £'000	Assets under construction[2] £'000	Total £'000
Cost						
At 1 January	1,922	36,364	143	41,295	29	79,753
Change in accounting policy[1]	–	–	–	(6,967)	–	(6,967)
Restated at 1 January	1,922	36,364	143	34,328	29	72,786
Additions at cost: continuing operations	–	1,676	–	756	3,266	5,698
Additions at cost: discontinued operations	–	–	–	361	–	361
Disposals	(228)	(11,251)	(106)	(11,792)	–	(23,377)
Transfer to assets classified as held for sale (note 34)	–	(180)	–	(7,876)	–	(8,056)
At 31 December	1,694	26,609	37	15,777	3,295	47,412
Accumulated depreciation						
At 1 January	1,844	34,021	139	36,346	–	72,350
Change in accounting policy[1]	–	29	–	(5,801)	–	(5,772)
Restated at 1 January	1,844	34,050	139	30,545	–	66,578
Charge for the year: continuing operations	4	800	1	1,168	–	1,973
Charge for the year: discontinued operations	–	12	–	1,123	–	1,135
Impairment (note 10): continuing operations	55	1,842	3	682	2,084	4,666
Disposals	(227)	(11,251)	(106)	(11,789)	–	(23,373)
Transfer to assets classified as held for sale (note 34)	–	(65)	–	(6,899)	–	(6,964)
At 31 December	1,676	25,388	37	14,830	2,084	44,015
Net book amount						
At 31 December	18	1,221	–	947	1,211	3,397

1. See note 2 (c) for details about the impact from the change in accounting policy, from the adoption of IFRS 16.
2. Assets under construction represent the Group's investment in replacing the core IT platforms.

15. Property, plant and equipment continued

Property, plant and equipment additions of £6,059,000 (continuing and discontinued operations) include £4,976,000 of costs paid in 2019 and £1,083,000 of accrued costs within Assets under construction that were paid in 2020.

The assessment of the recoverable amounts of cash generating units (CGUs) against their carrying values resulted in an impairment of £4,666,000 against property, plant and equipment held within the UK Sales and Lettings CGU (which includes £2,840,000 in respect of the write-down of Head Office assets (principally IT related) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit). Additionally, the 2019 assessment of the recoverable amounts relating to the B2B-Commercial CGU, a discontinued operation during the year, against their carrying values resulted in an impairment of £72,000 against property, plant and equipment held within the CGU.

	2018					
	Freehold land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Furniture and equipment £'000	Assets under construction[1] £'000	Total £'000
Cost						
At 1 January	1,922	34,738	197	55,805	–	92,662
Additions at cost	–	1,834	2	1,743	29	3,608
Disposals	–	(208)	(56)	(16,253)	–	(16,517)
At 31 December	1,922	36,364	143	41,295	29	79,753
Accumulated depreciation						
At 1 January	367	16,558	2	33,937	–	50,864
Charge for the year	10	3,460	39	6,653	–	10,162
Impairment (note 10)	1,467	14,211	139	12,009	–	27,826
Disposals	–	(208)	(41)	(16,253)	–	(16,502)
At 31 December	1,844	34,021	139	36,346	–	72,350
Net book amount						
At 31 December 2018	78	2,343	4	4,949	29	7,403
At 1 January 2018	1,555	18,180	195	21,868	–	41,798

1. Assets under construction represent the Group's investment in replacing the core IT platforms.

The 2018 assessment of the recoverable amounts of cash generating units (CGUs) against their carrying values resulted in an impairment of £27,109,000 against property, plant and equipment held within the UK Sales and Lettings CGU (which includes £9,330,000 in respect of the write-down of Head Office assets (principally IT related) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit). Property, plant and equipment of £717,000 associated with the central functions head office in London Sales and Lettings that had been identified for closure were also impaired.

As at 31 December 2018, furniture and equipment included the following amounts in respect of computer hardware where the Group was a lessee under a finance lease with terms between two and three years:

	2019 £'000	2018 £'000
Cost – capitalised finance lease	**–**	6,967
Accumulated depreciation	**–**	(6,192)
Net book amount	**–**	775

From 2019 leased assets are presented as a separate line item in the balance sheet, see note 16(b). Refer to note 2(c) for details about the changes in accounting policy.

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred, relating to 2020 and the subsequent year, is as follows:

	2019 £'000	2018 £'000
Property, plant and equipment	**238**	1,295

Notes to the financial statements
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16. Leases

(a) Right-of-use assets

On 1 January 2019 following adoption of the leasing standard IFRS 16, assets in relation to leases which had previously been classified as operating leases were recognised, along with the reclassification of finance-leased assets held within tangible and intangible assets to right-of-use assets – see note 2(c) for details.

	2019			
	Right-of-use property assets £'000	Right-of-use motor vehicle assets £'000	Right-of-use computer software Assets £'000	Total right-of-use assets £'000
Cost				
At 1 January	–	–	–	–
Change in accounting policy[1]	44,472	3,197	1,681	49,350
Restated at 1 January	44,472	3,197	1,681	49,350
Additions at cost: continuing operations	6,017	–	197	6,214
Additions at cost: discontinued operations	110	–	–	110
Disposals	(173)	(587)	(400)	(1,160)
Transfer to assets classified as held for sale (note 34)	(15,467)	(657)	–	(16,124)
At 31 December	34,959	1,953	1,478	38,390
Accumulated depreciation				
At 1 January	–	–	–	–
Charge for the year: continuing operations	8,450	1,649	731	10,830
Charge for the year: discontinued operations	2,683	430	–	3,113
Impairment (note 10): continuing operations	3,251	17	454	3,722
Disposals	(54)	(587)	(249)	(890)
Transfer to assets classified as held for sale (note 34)	(2,621)	(436)	–	(3,057)
At 31 December	11,709	1,073	936	13,718
Net book amount				
At 31 December	23,250	880	542	24,672

1. See note 2 (c) for details about the impact from the change in accounting policy, from the adoption of IFRS 16.

(b) Lease liabilities

	2019			
	Property lease liabilities £'000	Motor vehicle lease liabilities £'000	Computer software lease liabilities £'000	Total lease liabilities £'000
Lease liabilities				
At 1 January	–	–	–	–
Change in accounting policy[1]	(106,098)	(10,580)	(5,054)	(121,732)
Restated at 1 January	(106,098)	(10,580)	(5,054)	(121,732)
Additions: continuing operations	(6,017)	–	(198)	(6,215)
Additions: discontinued operations	(109)	–	–	(109)
Disposals	119	–	–	119
Payments	29,312	7,173	2,657	39,142
Interest: continuing operations	(4,384)	(511)	(178)	(5,073)
Interest: discontinued operations	(1,097)	(42)	–	(1,139)
Transfer to liabilities directly associated with assets classified as held for sale (note 34)	17,478	220	–	17,698
Lease liabilities				
At 31 December	(70,796)	(3,740)	(2,773)	(77,309)
Current	(17,420)	(2,558)	(1,417)	(21,395)
Non-current	(53,376)	(1,182)	(1,356)	(55,914)

Interest of £6,212,000 (continuing and discontinued operations) includes £441,000 of accrued interest paid in 2020.

16. Leases continued

The table below analyses the Group's lease 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 discounted cash flows.

	2019 £'000
In less than one year	**21,395**
In more than one year but not more than two years	**16,541**
In more than two years but less than three years	**11,346**
In more than three years but not more than four years	**8,746**
Over five years	**19,281**
	77,309

The expense related to short term and low value leases amounted to £1.2 million in 2019.

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 2019 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	100
Balanus Limited	Holding company	UK	–	100
Sales and Lettings				
Countrywide Estate Agents	Estate Agency and Lettings	UK	–	100
B2B-Commercial (held for sale)				
Lambert Smith Hampton Limited	Holding company	UK	–	100
Lambert Smith Hampton Group Limited	Property consultancy	UK	–	100
Lambert Smith Hampton (NIreland) Limited	Property consultancy	UK	–	100
Lambert Smith Hampton Limited (Ireland)	Property consultancy	Ireland	–	100
Lambert Smith Hampton Investment Management Limited	Investment brokerage	UK	–	100
B2B – Professional Services (continuing operations)				
Countrywide 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
The Buy To Let Business Limited	Financial Services	UK	–	51
Mortgage Bureau 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
Mortgage Next Network Limited	Financial Services	UK	–	100
Capital Private Finance Limited	Financial Services	UK	–	100
Life and Easy Limited	Financial Services	UK	–	100

A full list of subsidiary undertakings and their registered addresses at 31 December 2019 is included within the appendix. The appendix on pages 188 to 194 forms part of these financial statements.

Notes to the financial statements
continued

17. Investments continued

(b) Investments in joint venture

TM Group (UK) Limited

At 31 December 2019 the Group had a 33% (2018: 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 supplies 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.

	2019 £'000	2018 £'000
At 1 January:		
Net (liabilities)/assets excluding goodwill	**(16)**	1,502
Goodwill	**1,480**	1,480
	1,464	2,982
Share of profits/(losses) retained	**304**	(1,518)
At 31 December:		
Net assets/(liabilities) excluding goodwill	**288**	(16)
Goodwill	**1,480**	1,480
	1,768	1,464

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

	2019 £'000	2018 £'000
Cash and cash equivalents	**1,793**	1,157
Other current assets (excluding cash)	**4,089**	5,109
Total current assets	**5,882**	6,266
Non-current assets	**6,939**	4,730
Current liabilities	**(11,822)**	(11,044)
Non-current liabilities	**(135)**	–
Net assets/(liabilities)	**864**	(48)
Net assets/(liabilities) adjusted for the percentage of ownership	**288**	(16)
Income	**62,330**	56,276
Depreciation	**(530)**	(341)
Expenses (excluding depreciation)	**(60,893)**	(60,507)
Interest income	**5**	18
Post-tax results	**912**	(4,554)
Share of post-tax results	**304**	(1,518)

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

c) Financial assets at fair value through profit or loss

	2019 £'000	2018 £'000
At 1 January	**153**	16,998
Disposal of unlisted residential property fund units	**–**	(15,766)
Acquisition of shares in unlisted equity	**–**	1,300
Impairment of unlisted equity	**–**	(2,379)
At 31 December	**153**	153

17. Investments continued

Financial assets at fair value through profit or loss, which are all Sterling denominated, include the following:

	2019 £'000	2018 £'000
Unlisted equity	**153**	153

18. Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year		
Trade receivables not past due	**27,033**	45,510
Trade receivables past due but not impaired	**2,314**	14,514
Trade receivables past due but impaired	**2,383**	5,157
Trade receivables	**31,730**	65,181
Less: provision for impairment of receivables	**(2,383)**	(5,157)
Trade receivables – net	**29,347**	60,024
Amounts due from customers for contract work	**–**	776
Other receivables	**8,547**	4,036
Prepayments	**6,556**	16,192
Accrued income	**7,446**	7,329
Corporation tax asset	**340**	460
	52,236	88,817

Trade and other receivables are all current and any fair value difference is not material. Trade receivables are considered past due once they have passed their contracted due date. Trade receivables are reviewed for impairment by taking into account the historical default experience and the financial position of the counterparties to estimate the likelihood of default. Trade receivables are written off when there is no reasonable expectation of recovery. Further information in respect of financial assets, including credit risk, is provided in note 31.

As at 31 December 2019, trade receivables of £2,314,000 (2018: £14,514,000) 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:

	2019 £'000	2018 £'000
Less than three months	**2,140**	12,568
Over three months	**174**	1,946
	2,314	14,514

Trade and other receivables are denominated in Pounds Sterling with the exception of £450,000 (2018: £622,000) which is receivable in Euros.

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

	2019 £'000	2018 £'000
At 1 January	**5,157**	4,211
IFRS 9 opening transition provision	**–**	1,202
(Reduction in)/additional provisions (note 7): continuing operations	**(440)**	2,336
Additional provisions: discontinued operations	**444**	569
Amounts utilised	**(953)**	(3,161)
Transfer to assets classified as held for sale (note 34)	**(1,825)**	–
At 31 December	**2,383**	5,157

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.

Other non-current receivables totalling £899,000 relate to funds in deposits made on a three-year term basis.

Notes to the financial statements continued

19. Cash and cash equivalents

	2019 £'000	2018 £'000
Current assets		
Cash at bank and in hand	**17,773**	17,426

The cash at bank and in hand disclosed above includes £2 million which was held on a fixed-term two month deposit basis expiring on 17 February 2020 (2018: £nil). The cash at bank and in hand also includes the following restricted amounts: £4 million within two accounts which are subject to restrictions on withdrawal and are therefore not available for general use by the entities within the Group (2018: £2.7 million) and £4.5 million of cash deposits held by HSBC who have charges over those accounts in respect of two letters of credit issued by the Group (see note 35) (2018: £nil). These amounts are readily convertible to cash without significant financial penalty.

The following amounts were held in foreign currencies:

	2019 £'000	2018 £'000
Current assets		
Hong Kong Dollars	**46**	46
Euros	**–**	212
	46	258

20. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	**13,349**	14,620
Deferred consideration	**783**	2,721
Other tax and social security payable	**15,067**	23,581
Accruals and other payables (including contingent consideration)	**44,121**	50,155
	73,320	91,077
Trade and other payables due within one year	**62,541**	81,146
Trade and other payables due after one year	**10,779**	9,931
	73,320	91,077

The principal components of trade and other payables due after one year are: deferred and contingent consideration payments of £10,328,000 (2018: £9,763,000); accrued retention bonuses of £339,000 (2018: £nil); and accrued National Insurance on share-based payment charges of £112,000 (2018: £168,000).

Deferred consideration falls due: £nil within one year; and £783,000 after one year. Contingent consideration accrued falls due: £40,000 within one year; and £9,545,000 after one year (see note 32).

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 £nil (2018: £37,000) which is payable in Euros (2018: Euros).

21. Borrowings

	2019 £'000	2018 £'000
Non-current		
Bank borrowings[1]	**100,000**	85,000
Other loans	**1,000**	1,000
Capitalised banking fees	**(2,475)**	(1,966)
Finance lease liabilities[2]	**–**	398
	98,525	84,432
Current		
Other loans	**2,158**	1,993
Finance lease liabilities[2]	**–**	1,670
	2,158	3,663
Total borrowings	**100,683**	88,095

1. Bank borrowings are not repayable until September 2022.
2. See note 2(c) for details about the impact from the change in accounting policy, from the adoption of IFRS 16.

Notes to the financial statements continued

21. Borrowings continued

Analysis of net debt

	At 31 December 2018 £'000	Adoption IFRS 16 at 1 January 2019 £'000	Cash flow £'000	Non-cash changes[2] £'000	Transfer to assets classified as held for sale £'000	**At 31 December 2019 £'000**
Cash and cash equivalents	17,426	–	806	–	(459)	**17,773**
Capitalised banking fees	1,966	–	584	(75)	–	**2,475**
Other loans	(2,993)	–	–	(165)	–	**(3,158)**
Revolving credit facility due after one year	(85,000)	–	(15,000)	–	–	**(100,000)**
Finance leases due after one year[1]	(398)	398	–	–	–	**–**
Finance leases due within one year[1]	(1,670)	1,670	–	–	–	**–**
Lease liabilities due after one year[1]	–	(89,548)	–	19,512	14,122	**(55,914)**
Lease liabilities due within one year[1]	–	(32,184)	33,371	(26,158)	3,576	**(21,395)**
Total net debt	(70,669)	(119,664)	19,761	(6,886)	17,239	**(160,219)**

1. See note 2(c) for details about the impact from the change in accounting policy, from the adoption of IFRS 16.
2. Non-cash changes include the effect of amortisation of capitalised banking fees on the revolving credit facility, accrued but not yet paid, interest on other loans and lease liabilities and the changing age profile of the lease portfolio.

Borrowings and other loans

At the year end, the facility was a £125 million revolving credit facility (RCF), with any outstanding balance repayable in full on 30 September 2022. Interest was payable based on LIBOR plus a margin of 3.75%. The margin is linked to the leverage ratio of the Group and the margin rate is reviewed four times a year (and can vary between 1.75% and 6.0%). The RCF is available for utilisation subject to satisfying fixed charge, interest cover and leverage covenants. The borrowings are secured by way of various fixed and floating charges over various of the Group's assets (as detailed with the debenture dated 2 August 2018 filed as a charge at Companies House).

In July and November 2019, in view of the continuing and challenging market for residential and commercial property transactions in the UK, the Group's lenders agreed to a new covenant package including an expansion of the leverage covenants and various changes to its information covenants. The Group's covenants are measured on a "frozen GAAP" basis before the effects of IFRS 16 for the full term of the facility.

The Group was in compliance with these covenants at year end, and the relevant ratios at 31 December 2019 were: leverage ratio 4.25x; and interest cover 4.00x.

The leverage ratio (Covenant net debt to Covenant Adjusted EBITDA) and interest cover (Covenant Adjusted EBITDA to net interest payable) financial covenants contained in the Amended Credit Facility Agreement are as follows:

Test date	Leverage ratio – maximum (after 26 July 2019)	Leverage ratio – maximum (following net disposal proceeds arising from the sale of Lambert Smith Hampton)	Interest cover – minimum (before completion of the sale of Lambert Smith Hampton)	Interest cover – minimum (following net disposal proceeds arising from the sale of Lambert Smith Hampton)
30 June 2019	6.00x	6.00x	2.75x	2.75x
30 September 2019	4.75x	4.75x	3.50x	3.50x
31 December 2019	4.25x	4.25x	4.00x	4.00x
31 March 2020	4.25x	4.00x	4.50x	4.50x
30 June 2020	4.00x	5.25x	5.00x	4.00x
30 September 2020	4.00x	5.25x	5.00x	3.75x
31 December 2020	3.75x	5.25x	5.00x	3.75x
31 March 2021	3.75x	5.25x	5.00x	3.75x
30 June 2021	3.75x	5.25x	5.00x	3.25x
Test dates on and after 30 September 2021	2.50x	2.50x	5.00x	5.00x

These financial covenants are tested quarterly until the Group has had a leverage ratio of less than 2.50x on two consecutive test dates. Subsequent to this, the financial covenants will be tested semi-annually on 30 June and 31 December.

The obligations of the Group under the Amended Credit Facility are secured. The lenders have the benefit of an all asset English law debenture in respect of the assets of each Obligor, which includes a fixed charge in respect of the shares owned by each Guarantor. The lenders also have the benefit of guarantees from the Obligors.

21. Borrowings continued

The following Group entities are obligors under the facility: Countrywide PLC; Countrywide Group PLC; Balanus Limited; Countrywide Estate Agents; Countrywide Surveyors Limited; Countrywide Property Lawyers Limited; Countrywide Principal Services Limited (regulated by FCA); Lambert Smith Hampton Limited; Lambert Smith Hampton Group Limited; Lambert Smith Hampton (NIreland) Limited; Mortgage Intelligence Holdings Limited; Mortgage Next Limited; Slater Hogg Mortgages Limited; and Title Absolute Limited.

Further details of the amended credit facility, as revised in November 2019 are available on pages 44 to 47 of the Circular to Shareholders in respect of the 'Proposed sale of Lambert Smith Hampton and 50 for 1 share consolidation' available on our website: https://www.countrywide.co.uk/corporate/investor-relations/investing-in-countrywide/announcement-q4-2019/countrywide-circular-2019.pdf/.

For details of changes to the RCF, and related covenants, arising after the year end, please refer to note 36. Capitalised banking fees are being amortised over the duration of the RCF, until September 2022.

'Other loans' disclosed above comprise: £1 million of unsecured loan notes which are non-interest bearing, repayable in 2029, which arose on the purchase of Mortgage Intelligence Holdings Limited; and loan notes payable to The Buy To Let Group Limited joint shareholder (49%) and director of £1,590,000 capital and associated interest charges accruing at a rate of 8% per annum (£568,000 as at 31 December 2019) that are repayable in Quarter 2 of 2020.

There is no material difference between the book and the fair values of the borrowings and other loans.

Finance lease liabilities

Finance 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:

	2019 £'000	2018 £'000
No later than one year	–	1,683
Later than one year and no later than five years	–	413
	–	2,096
Future finance charges on finance lease liabilities	–	(28)
Present value of finance lease liabilities	–	2,068

The present value of finance lease liabilities is as follows:

	2019 £'000	2018 £'000
No later than one year	–	1,670
Later than one year and no later than five years	–	398
	–	2,068

From 2019 leased assets are presented as a separate line item in the balance sheet, see note 16(b). Refer to note 2(c) for details about the changes in accounting policy.

22. Deferred income

Deferred income will unwind as follows:

	2019 £'000	2018 £'000
Within one year	**1,559**	2,143
After one year:		
Between one and two years	**71**	142
Between two and three years	**26**	71
Between three and four years	–	26
	97	239
	1,656	2,382

The Group recognises deferred income as a result of cash received in advance in relation to certain sales distribution contracts, standard lettings services 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.

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continued

23. Provisions

	2019						
	Onerous contracts[1]						
	Closed property £'000	Loss making branches £'000	Property repairs £'000	Clawback £'000	Claims and litigation[2] £'000	Other £'000	Total £'000
At 1 January	**2,962**	**3,593**	**6,751**	**4,030**	**9,497**	**619**	**27,452**
Change in accounting policy[1]	**(2,390)**	**(2,490)**	**–**	**–**	**–**	**–**	**(4,880)**
Restated at 1 January	**572**	**1,103**	**6,751**	**4,030**	**9,497**	**619**	**22,572**
Utilised in the year	**(763)**	**(369)**	**(926)**	**(3,929)**	**(1,624)**	**(454)**	**(8,065)**
Charged to income statement	**1,544**	**–**	**1,662**	**3,530**	**2,133**	**326**	**9,195**
Credited to income statement	**–**	**–**	**(35)**	**–**	**(70)**	**(23)**	**(128)**
Unwind of discount rate	**10**	**5**	**–**	**–**	**–**	**–**	**15**
Transferred to liabilities associated with assets classified as held for sale	**–**	**–**	**(696)**	**–**	**(164)**	**–**	**(860)**
At 31 December	**1,363**	**739**	**6,756**	**3,631**	**9,772**	**468**	**22,729**
Due within one year or less	**599**	**309**	**5,810**	**2,502**	**3,814**	**464**	**13,498**
Due after more than one year	**764**	**430**	**946**	**1,129**	**5,958**	**4**	**9,231**
	1,363	**739**	**6,756**	**3,631**	**9,772**	**468**	**22,729**

1. See note 2(c) for details about the impact from the change in accounting policy, from the adoption of IFRS 16, in the current period disclosures.

Property repairs provision charged to the income statement of £1,662,000 includes £1,517,000 of exceptional charges in relation to a specific branch rationalisation programme completed in 2019.

	2018						
	Onerous contracts[1]						
	Closed property £'000	Loss making branches £'000	Property repairs[1] £'000	Clawback £'000	Claims and litigation[1] £'000	Other £'000	Total £'000
At 1 January	3,778	–	5,244	3,777	15,520	1,119	29,438
Utilised in the year	(2,202)	(651)	(1,149)	(3,528)	(2,686)	(995)	(11,211)
Charged to income statement	1,453	4,204	2,755	3,781	589	495	13,277
Credited to income statement	(82)	–	(99)	–	(3,926)	–	(4,107)
Unwind of discount rate	15	40	–	–	–	–	55
At 31 December	2,962	3,593	6,751	4,030	9,497	619	27,452
Due within one year or less	1,900	1,771	5,369	2,502	4,375	619	16,536
Due after more than one year	1,062	1,822	1,382	1,528	5,122	–	10,916
	2,962	3,593	6,751	4,030	9,497	619	27,452

1. See exceptional items in note 10.

Onerous contracts

The provision for onerous contracts represents the estimated unavoidable non-rental costs of leasehold properties which have either become surplus to the Group's requirements following the closure or relocation of operations or are in respect of loss making branches. The provision is based on the present value of unavoidable non-rental costs, primarily property rates, for which the Group has a contractual obligation to settle during the remaining lease period after taking into account amounts receivable or expected to be receivable from sub-lessees, on a case-by-case basis. In relation to closed or relocated operations, these non-rental costs are typically incurred over an average of a two-year period. Provisions are released when properties are assigned or sub-let. With regard to the loss making branches, these costs unwind over periods up to 2022. Provisions will be unwound in line with the losses being reported within operating results, or released in full when a branch reaches profitability on turnaround, or ceases to become an onerous contract obligation due to other circumstances, for example if a branch is sub-let or a lease is renegotiated so that cash flows become positive.

In 2018, these also included onerous lease provisions which were offset against the related right-of-use assets on transition to IFRS 16 on 1 January 2019.

23. Provisions continued

Property repairs

The provision for property repairs represents estimates of the cost to repair existing dilapidations under leasehold covenants and dilapidation provisions in respect of loss making branches, 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 three years.

Clawback

Clawback provisions represent amounts provided to meet the estimated cost of repaying indemnity commission income received on life assurance policies that may lapse in the two years following issue and estimated refunds due to customers in respect of residential lettings services.

Claims and litigation

Claims and litigation provisions comprise the amounts set aside to meet claims by customers below the level of any professional indemnity insurance excess, the estimation of IBNR claims (future liabilities arising from claims for mortgage valuation reports and home buyer reports provided by the Surveying Services division) 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. This includes retention of £2,298,000 of professional indemnity provision in respect of Lambert Smith Hampton; in line with the indemnification clause of the proposed share purchase agreement this remains the liability of the Group and has not been reclassified to assets held for sale.

The basis for calculating the IBNR claims 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.

24. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17%-19% (2018: 17%-19%) – see note 11 for the post balance sheet announcements on tax rates (specifically the removal of the 17% proposed rate).

The movement on the deferred tax account is shown below:

	2019 £'000	2018 (Restated)[1] £'000
Net deferred tax asset/(liability) at 1 January	**10,633**	(22,771)
Change in accounting policy[1 2]	**2,209**	147
Restated net deferred tax asset/(liability) at 1 January	**12,842**	(22,624)
Transferred to assets classified as held for sale	**1,348**	–
Credited to income statement	**590**	33,378
Credited/(charged) to other comprehensive income	**110**	(31)
Credited/(charged) to equity	**43**	(90)
Net deferred tax asset at 31 December	**14,933**	10,633
Deferred tax asset	**19,573**	18,389
Deferred tax liability	**(4,640)**	(7,756)
Net deferred tax asset at 31 December	**14,933**	10,633
Deferred tax asset expected to unwind within one year	**2,929**	2,056
Deferred tax asset expected to unwind after one year	**16,644**	16,333
	19,573	18,389
Deferred tax liability expected to unwind within one year	**(317)**	(1,114)
Deferred tax liability expected to unwind after one year	**(4,323)**	(6,642)
	(4,640)	(7,756)

1. Change in accounting policy following the adoption of IFRS 9 in 2018.
2. See note 2(c) for details about the impact from the change in accounting policy, from the adoption of IFRS 16 in 2019.

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.

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.

Notes to the financial statements
continued

24. Deferred tax continued

	2019		
	Asset/ (liability) £'000	Credited/ (charged) to income £'000	Credited to other comprehensive income/equity £'000
Origination and reversal of temporary differences			
Capital allowances	**11,193**	**3,358**	**–**
Employee pension liabilities	**611**	**(379)**	**110**
Trading losses	**3,341**	**(4,010)**	**–**
Share-based payments	**302**	**135**	**43**
Intangible assets	**(1,154)**	**1,310**	**–**
Gain deferred by roll-over relief	**(887)**	**–**	**–**
Other temporary and deductible differences	**1,527**	**176**	**–**
	14,933	**590**	**153**

	2018		
	Asset/ (liability) £'000	Credited/ (charged) to income £'000	Credited/ (charged) to other comprehensive income/equity £'000
Origination and reversal of temporary differences			
Capital allowances	8,375	1,760	–
Employee pension liabilities	880	(221)	32
Trading losses	7,349	6,128	–
Share-based payments	193	(16)	(90)
Intangible assets	(6,702)	25,736	–
Cash flow hedge	–	–	(63)
Gain deferred by roll-over relief	(887)	–	–
Other temporary and deductible differences	1,425	(9)	–
	10,633	33,378	(121)

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 have not been recognised in respect of unused capital losses of £9,588,000 (2018: £9,351,000), non-trading loan relationships of £596,000 (2018: £596,000) or trading losses of £11,766,000 (2018: £14,000). The unprovided trading losses of £11,766,000 arose following impairment of right-of-use assets provided on the adoption of IFRS 16. 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.

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 £9,282,000 (2018: £7,883,000).

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 weighted average duration of the defined benefit pension scheme obligation is 13 years.

25. Post-employment benefits continued

The defined benefit pension arrangements provide pension benefits to members based on earnings at the date of leaving pensionable service in the Scheme. The majority of pensions in payment are updated in line with the minimum of 4% or UK Retail Price Index (RPI) inflation or fixed 4% p.a. The Scheme is established and administered in the UK and ultimately overseen by the Pensions Regulator. The regulatory framework requires the Group to fund the Scheme and every three years the Group needs to agree a valuation with the trustees. The funding arrangements were reviewed as part of the most recent valuation as at 5 April 2018. The Group (with the trustees of the Scheme) are responsible for ensuring that pension arrangements are adequately funded and the directors have agreed a funding programme with the trustees to bring down the deficit in the defined benefit scheme over an appropriate period. During the year, the Group paid £2.0 million (2018: £2.0 million) to the defined benefit scheme. During the year which commenced on 1 January 2020, the Group is expected to pay contributions of £2.0 million (2019: £2.0 million). Further contributions of £2.0 million will be made in each of the next two years and a further contribution of £1.3 million in 2023.

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 using the data being used for the most recent full actuarial valuation at 5 April 2018, updated to 31 December 2019. 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:

	2019 £'000	2018 £'000
Present value of funded obligations	(53,636)	(50,140)
Fair value of plan assets	50,039	45,506
Net liability recognised in the balance sheet	(3,597)	(4,634)

The movement in the defined benefit obligation and the fair value of the plan assets over the year is as follows:

	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2019	(50,140)	45,506	(4,634)
Expected return on Scheme assets	–	1,231	1,231
Actuarial gain	–	4,733	4,733
Employer contributions	–	2,000	2,000
Administration cost	(281)	–	(281)
Interest cost	(1,336)	–	(1,336)
Actuarial loss from changes in assumptions and experience adjustments	(5,310)	–	(5,310)
Benefits paid	3,150	(3,150)	–
Expenses	281	(281)	–
At 31 December 2019	(53,636)	50,039	(3,597)

Notes to the financial statements continued

25. Post-employment benefits continued

	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2018	(52,905)	47,279	(5,626)
Expected return on Scheme assets	–	1,120	1,120
Actuarial loss	–	(1,651)	(1,651)
Employer contributions	–	2,000	2,000
Past service cost – GMP equalisation	(400)	–	(400)
Administration cost	(325)	–	(325)
Interest cost	(1,235)	–	(1,235)
Actuarial gain from changes in assumptions and experience adjustments	1,483	–	1,483
Benefits paid	2,917	(2,917)	–
Expenses	325	(325)	–
At 31 December 2018	(50,140)	45,506	(4,634)

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

	2019 %	2018 %
Cash	**1**	4
UK equities	**2**	7
Overseas equities	**2**	7
Other – Diversified growth fund	**5**	1
Other – Liability driven investment funds	**4**	–
Other – Absolute return bond fund	**7**	–
Other – insured pensioners	**79**	81
	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:

	2019 £'000	2018 £'000
Past service cost – GMP equalisation	**–**	400
Administration cost	**281**	325
Net interest cost on pension scheme liabilities (within net finance costs)	**105**	115
Total charge to the income statement	**386**	840

The amounts recognised in the statement of comprehensive income are:

	2019 £'000	2018 £'000
Actuarial gain/(loss) on scheme assets	**4,733**	(1,651)
Actuarial (loss)/gain on scheme liabilities:		
Actuarial (loss)/gain from changes in financial assumptions	**(5,398)**	2,475
Actuarial (loss)/gain from changes in demographic assumptions	**(423)**	385
Changes due to experience adjustments	**511**	(1,377)
Other comprehensive expense	**(577)**	(168)
Deferred tax arising on the pension scheme assets and liabilities	**110**	32
	(467)	(136)
Cumulative actuarial loss recognised in the statement of comprehensive income (after tax)	**(11,949)**	(11,482)

25. Post-employment benefits continued

The principal assumptions made by the actuaries were:

	2019	2018
Rate of increase in pensions in payment and deferred pensions:		
• on benefits earned prior to 6 April 1997	**4.00%**	4.00%
• on benefits earned between 6 April 1997 and 1 December 1999	**4.25%**	4.25%
• on benefits earned after 1 December 1999	**3.25%**	3.35%
Discount rate	**1.90%**	2.75%
RPI inflation	**3.40%**	3.50%
CPI inflation	**2.00%**	2.15%
Expected net return on plan assets	**1.90%**	2.75%
Cash commutation	**20% of pension**	20% of pension
Life expectancy at age 65 (years):		
• male pensioner member	**22.5**	22.3
• female pensioner member	**24.7**	24.2
• male pensioner non-member (age 45 now)	**23.9**	23.7
• female pensioner non-member (age 45 now)	**26.2**	25.8

Under the requirements of IAS 19, the expected long term rate of return on assets assumption is set as equivalent to the discount rate.

Sensitivity analysis

The results of the calculations are sensitive to the assumptions used. The defined benefit obligation position calculated in accordance with IAS 19 must be expected to be volatile, principally because the market value of the assets 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 Trustees of the Scheme invest the assets in line with the statement of investment principles, which has been established taking into consideration the liabilities of the Scheme and the investment risk that the Trustees are willing to take after consideration of the strength of the employer covenant. There is no direct use of derivative strategies, although this may be employed by the Diversified growth fund. The Scheme also has a number of annuity policies with insurance companies written in the name of the Trustees that provide pension payments to some of the pensioner membership. The Scheme also invests in gilt and corporate bond funds which provide some protection for the Scheme with regards to interest and inflation risk.

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.

	Defined benefit obligation £'000	Fair value of assets £'000	Deficit £'000	Increase in disclosed deficit £'000
Defined benefit obligation	(53,636)	50,039	(3,597)	–
Discount rate less 0.25%	(55,467)	51,234	(4,233)	636
RPI and linked assumptions plus 0.25%	(53,769)	50,100	(3,669)	72
Members living one year longer than assumed	(56,650)	52,464	(4,186)	589

Notes to the financial statements continued

25. Post-employment benefits continued

Defined benefit obligation trends:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Scheme assets	**50,039**	45,506	47,279	53,540	47,435
Scheme liabilities	**(53,636)**	(50,140)	(52,905)	(57,203)	(47,850)
Scheme deficit	**(3,597)**	(4,634)	(5,626)	(3,663)	(415)
Experience gain/(loss) on Scheme liabilities	**511**	(1,377)	1,598	–	(602)
(Loss)/gain from changes in the demographic assumptions for value of Scheme liabilities	**(423)**	385	900	–	1,029
(Loss)/gain from changes in the assumptions for value of Scheme liabilities	**(5,398)**	2,475	(1,384)	(9,565)	1,700
Experience gain/(loss) adjustments on assets	**4,733**	(1,651)	(4,747)	4,782	1,121

Expected maturity analysis of undiscounted pension benefits at 31 December 2019:

	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	2,146	2,216	7,234	59,108	70,704

26. Share capital

Called up issued and fully paid share capital

	Number of shares	Share capital £'000	Share premium £'000	Total £'000
Ordinary shares of 1 pence each				
At 1 January 2019	1,641,303,439	16,413	329,357	345,770
Reclassification of share premium to retained earnings	–	–	(329,357)	(329,357)
Share consolidation on 30 December 2019	(1,608,477,371)	(16,085)	–	(16,085)
At 31 December 2019	**32,826,068**	**328**	**–**	**328**
Deferred shares of 1 pence each				
At 1 January 2019	–	–	–	–
Share consolidation on 30 December 2019	1,608,477,371	16,085	–	16,085
At 31 December 2019	**1,608,477,371**	**16,085**	**–**	**16,085**
Total at 31 December 2019	**1,641,303,439**	**16,413**	**–**	**16,413**

Following the August 2018 firm placing, and the placing and open offer, Countrywide had 1,641,303,439 ordinary shares in issue each with a nominal value of £0.01, a significant number of shares for a company with our market capitalisation. The Board believed that as a result of the large number of ordinary shares in issue, the Group's low share price was affecting investor perception in Countrywide. Share trades could result in disproportionately large percentage movements in the market share price causing considerable share price volatility, and the bid-offer spread on the price of the ordinary shares was disproportionate to the market share price.

To address this, we implemented a consolidation of ordinary shares on the basis of 1 ordinary share of £0.50 for every 50 existing ordinary shares of £0.01 which decreased the number of Countrywide ordinary shares in issue by a factor of 50 while increasing the trading price of each new ordinary share by a factor of 50. Shareholder approval for the restructuring of the Group's share capital was required and granted with 99.97% voting in favour of the consolidation at the General Meeting held on 27 December 2019. Trading in the new ordinary shares commenced on 30 December 2019.

The share consolidation involved the following steps:

- each 50 qualifying ordinary shares held were consolidated into one consolidated ordinary share of £0.50; and
- each such consolidated ordinary share of £0.50 was then immediately subdivided and re-designated into one new ordinary share of £0.01 and 49 deferred shares of £0.01.

Through the issuance of the deferred shares, Countrywide maintained a lower nominal value for the new ordinary shares than would otherwise be the case. The creation of a class of deferred shares ensured that the reduction in the nominal value of the ordinary shares effected by the share consolidation did not result in an unlawful reduction in Countrywide's share capital.

The deferred shares created have no rights to dividends and have been cancelled in full in March 2020, with their associated nominal value transferred from share capital to a capital redemption reserve.

26. Share capital continued

At 31 December 2019, 63,049 (post consolidation) (2018: 65,472 (post consolidation) 3,273,590 (pre-consolidation)) of the ordinary shares disclosed above have been subject to share buy-back and were held in treasury.

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, 35,628 shares (post consolidation) (2018: 38,781 (post-consolidation) 1,939,064 (pre-consolidation) shares) were held in relation to matching shares of the SIP scheme.

At the Annual General Meeting of the Company held on 30 April 2019, a resolution was passed that, subject to the approval of the High Court of England and Wales, the amount of £329,357,899 being the entire amount standing to the credit of the Company's share premium account be cancelled and that the resulting sum be credited to the distributable reserves of the Company.

The cancellation of the Company's share premium account (the Reduction of Capital) was concluded in September 2019 with the purpose to create distributable reserves, which will give the Company the flexibility to make future distributions, including the payment of dividends, and for other corporate purposes.

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 £2,477,000 in the year ended 31 December 2019 (2018: £1,897,000), comprising £2,474,000 (2018: £1,888,000) of equity-settled share-based payments (of which £311,000 relates to discontinued operations), and £3,000 (2018: £9,000) 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 credit for the year was £46,000 (of which a £4,000 charge related to discontinued operations) (2018: credit of £201,000).

On 30 August 2018, the Company, through a firm placing and placing and open offer, issued 1,400,000,000 ordinary shares in the capital of the Company (note 26). As a result of the Capital Refinancing, the number of options outstanding at that date under share-based payment schemes has been subject to a theoretical ex-rights price (TERP) adjustment.

On 30 December 2019, the Company undertook a consolidation in the number of ordinary shares in the capital of the Company (note 26). As a result of the share consolidation, the number of options outstanding under share-based payment schemes has been subject to a corresponding adjustment.

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

	2019			2018		
	Charge £'000	**Number of options/ shares (thousands) (pre-consolidation)**	**Number of options/ shares (thousands) (post-consolidation**	Charge £'000	Number of options/ shares (thousands) (pre-consolidation)	Number of options/ shares (thousands) (post-consolidation
Long term incentive plan	**1,117**	**45,809**	**916**	232	23,273	465
Deferred share bonus plan	**21**	**75**	**2**	314	235	5
Save As You Earn plan	**719**	**40,577**	**812**	450	14,174	283
Share incentive plan (shares)	**620**	**1,781**	**36**	901	1,939	39
	2,477	**88,242**	**1,766**	1,897	39,621	792

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 75 to 95.

Executive schemes

Long term incentive plan (LTIP)

The LTIP is open to executive directors and designated senior management, and awards are made at the discretion of the Remuneration Committee. Awards are subject to market (Total shareholder return or TSR) and non-market (earnings per share or EPS) performance criteria and generally 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.

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27. Share-based payments continued

Other schemes

Save As You Earn plan (SAYE)

The Group implemented an HMRC approved Save As You Earn (SAYE) option scheme in May 2018 after cessation of the SIP scheme. Employees were invited to acquire options over ordinary shares at a discount of 20% to their market price. The scheme started in May 2018 and there have been two issues, the first starting May 2018 will vest in May 2021 and the second starting May 2019 will vest in May 2022. Options granted under the scheme can be exercised during a six month period starting on the third anniversary of the scheme. The SAYE scheme is not subject to any performance measures.

Share incentive plan (SIP)

A HMRC approved share incentive plan was introduced in October 2013. Under the SIP, eligible employees were invited to make regular monthly contributions into a scheme operated by Link Asset Services. Ordinary shares in the Company were purchased at the current market price and since May 2016 an award of two matching shares had been made for every three shares acquired by an employee, subject to a vesting period of three years from the date of each monthly grant. Prior to May 2016, the award comprised one matching share for every two shares acquired by an employee. The SIP scheme ended in April 2018.

The aggregate number of share awards outstanding for the Group is shown below:

	2019				2018			
	Executive schemes[1]		Other schemes		Executive schemes[1]		Other schemes	
	LTIP number of options (thousands)	DSBP number of options (thousands)	SAYE number of options (thousands)	SIP[1] number of shares (thousands)	LTIP number of options (thousands)	DSBP number of options (thousands)	SAYE number of options (thousands)	SIP[1] number of shares (thousands)
At 1 January	**23,273**	**235**	**14,174**	**1,939**	4,027	103	–	1,812
Award true-up	**–**	**–**	**–**	**–**	–	60	–	(93)
Granted	**27,417**	**–**	**39,959**	**–**	5,865	–	4,989	552
Exercised	**–**	**(121)**	**–**	**–**	–	(52)	–	(98)
Lapsed	**(4,881)**	**(39)**	**(13,556)**	**(158)**	(851)	–	–	(234)
Number of share awards before TERP adjustment	**–**	**–**	**–**	**–**	9,041	111	4,989	1,939
Theoretical Ex-Rights Price adjustment	**–**	**–**	**–**	**–**	15,140	170	10,720	–
Adjusted number of share awards	**–**	**–**	**–**	**–**	24,181	281	15,709	1,939
Exercised (post TERP adjustment)	**–**	**–**	**–**	**–**	–	(46)	–	–
Lapsed (post TERP adjustment)	**–**	**–**	**–**	**–**	(908)	–	(1,535)	–
Share consolidation[2]	**(44,893)**	**(73)**	**(39,765)**	**(1,745)**	–	–	–	–
At 31 December	**916**	**2**	**812**	**36**	23,273	235	14,174	1,939

1. Executive schemes are granted at £Nil consideration and SIP matching shares are granted at £Nil consideration.
2. For details of share consolidation see note 26.

The LTIP awards that were granted on 22 March 2016 and on 26 September 2016 lapsed during the year, as minimum threshold levels set out in the performance conditions were not met.

27. Share-based payments continued

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

				Share options / shares (thousands)			
Grant – vest	Expiry date	Exercise price pence (post-consolidation)	Exercise price pence (pre-consolidation)	**2019 (post-consolidation)**	**2019 (pre-consolidation)**	2018 (post-consolidation)	2018 (pre-consolidation
LTIP grants							
22 March 2016–22 March 2019	22 March 2026	–	–	**–**	**–**	56	2,825
26 September 2016–22 March 2019	22 March 2026	–	–	**–**	**–**	4	225
26 September 2016–26 September 2019	26 September 2026	–	–	**–**	**–**	1	71
2 May 2017–2 May 2020	2 May 2027	–	–	**56**	**2,819**	76	3,782
14 June 2017–14 June 2020	14 June 2027	–	–	**13**	**609**	13	609
29 September 2017–2 May 2020	2 May 2027	–	–	**–**	**19**	–	19
26 March 2018–26 March 2021	26 March 2028	–	–	**306**	**15,315**	315	15,742
27 March 2019[1]–27 March 2022	27 March 2029	–	–	**521**	**26,055**	–	–
05 June 2019[1]–27 March 2022	27 March 2029	–	–	**20**	**992**	–	–
DSBP							
22 May 2015–22 May 2018	22 May 2025	–	–	**–**	**19**	2	79
5 May 2016–5 May 2019	5 May 2026	–	–	**2**	**56**	3	156
SAYE							
14 May 2018–14 May 2021	14 November 2021	1,221p	24p	**103**	**5,157**	283	14,174
10 May 2019[1]–10 May 2022	10 November 2022	295p	6p	**709**	**35,420**	–	–
SIP							
Monthly rolling grants and vesting three years later		–	–	**36**	**1,781**	39	1,939
				1,766	**88,242**	792	39,621

1. The fair value of options granted during the year was: LTIP 27 March 2019 £1,815,000; LTIP 5 June 2019 £26,000; and SAYE 10 May 2019 £843,000.

The following information is relevant to the determination of the fair value of the awards granted, and still awaiting vesting, under the schemes:

	LTIP (TSR condition)	LTIP (EPS condition)	DSBP	Save As You Earn	Share incentive plan
Option pricing model	Monte Carlo/ Stochastic	Black Scholes	Fair value at grant date	Black Scholes	Fair value at grant date
Share price at grant date	3p-166p	3p-166p	352p-576p	6p-114p	89p-384p
Weighted average fair value of options granted during the year	45p	78p	n/a	2p	n/a
Exercise price (adjusted)	0p	0p	0p	295p-1221p	0p
Weighted average share price at date of exercise	n/a	n/a	50p	n/a	57p
Weighted average contractual life	2.99 years	2.99 years	3 years	3 years	3 years
Expected dividend yield	0-3.01%	0-3.01%	2.6-4.26%	0%	n/a
Risk-free interest rate	0.07-0.95%	n/a	0.43-0.8%	0.72-0.85%	n/a
Volatility	36.8-52.1%	n/a	n/a	37.8-51%	n/a

Notes to the financial statements continued

28. Other reserves

The following table provides a breakdown of 'other reserves' shown on the consolidated statement of changes in equity:

	Hedging reserve £'000	Foreign exchange reserve £'000	Treasury share reserve £'000	Total £'000
Balance at 1 January 2018	(274)	(322)	(17,492)	(18,088)
Currency translation differences	–	10	–	10
Cash flow hedge: fair value gain	337	–	–	337
Cash flow hedge: deferred tax on gain	(63)	–	–	(63)
Purchase of treasury shares	–	–	(499)	(499)
Utilisation of treasury shares for DSBP options	–	–	49	49
Balance at 1 January 2019	–	(312)	(17,942)	(18,254)
Currency translation differences	–	(51)	–	(51)
Utilisation of treasury shares for DSBP options	–	–	6	6
Balance at 31 December 2019	**–**	**(363)**	**(17,936)**	**(18,299)**

The following describes the nature and purpose of each reserve within shareholders' equity:

Hedging reserve

The hedging reserve represents the fair value movements on the interest swap to hedge the interest cash flows on the first proportion of the revolving credit facility in alignment with forecast drawdowns. The hedge was terminated during the prior year (note 21).

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.

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.

Retained earnings/(accumulated losses)

Cumulative net gains and losses recognised in the Group income statement, pension scheme gains and losses and deferred tax on share-based payments recognised in the statement of comprehensive income.

29. Operating lease commitments – minimum lease payments

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

	2019		2018	
	Property £'000	**Vehicles, plant and equipment £'000**	Property £'000	Vehicles, plant and equipment £'000
Within one year	**–**	**–**	23,079	8,293
Later than one year and less than five years	**–**	**–**	56,612	5,976
After five years	**–**	**–**	11,730	–
	–	**–**	91,421	14,269

From 2019 leased assets are presented as a separate line item in the balance sheet, see note 16. Refer to note 2(c) for details about the changes in accounting policy.

At 31 December 2019, the Group had sub-leased a number of surplus premises and was entitled to receive rents under non-cancellable operating leases as follows:

	2019 £'000	2018 £'000
Sub-leases		
Within one year	**416**	430
Later than one year and less than five years	**799**	653
After five years	**136**	38
	1,351	1,121

30. Financial instruments

Financial instruments by category

Financial assets as per balance sheet	31 December 2019 Financial assets at amortised cost £'000	Financial assets at FV through profit or loss £'000	Total £'000
Financial assets at fair value through profit or loss	**–**	**153**	**153**
Other receivables – non-current assets	**899**	**–**	**899**
Trade and other receivables excluding prepayments	**45,339**	**–**	**45,339**
Cash and cash equivalents	**17,773**	**–**	**17,773**
	64,011	**153**	**64,164**

Financial liabilities as per balance sheet	31 December 2019 Financial liabilities at amortised cost £'000
Borrowings (excluding lease liabilities)	**103,158**
Lease liabilities	**77,309**
Trade and other payables excluding non-financial liabilities	**56,904**
	237,371

Financial assets as per balance sheet	31 December 2018 Financial assets at amortised cost £'000	Financial assets at FV through profit or loss £'000	Total £'000
Financial assets at fair value through profit or loss	–	153	153
Trade and other receivables excluding prepayments	72,165	–	72,165
Cash and cash equivalents	17,426	–	17,426
	89,591	153	89,744

Financial liabilities as per balance sheet	31 December 2018[1] Financial liabilities at amortised cost £'000
Borrowings (excluding finance lease liabilities)	87,993
Finance lease liabilities	2,068
Trade and other payables excluding non-financial liabilities	65,268
	155,329

1. Restated to remove capitalised banking fees of £2.0 million incorrectly presented within contractual undiscounted cash flows due within less than one year.

Notes to the financial statements
continued

31. Financial risk management

Financial risk factors

The Group is exposed through its operations to 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 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 is as follows:

	2019 £'000	2018[1] £'000
Floating rate assets	**17,773**	17,426
Fixed rate assets	**1,325**	348
Interest-free assets	**45,066**	71,970
Total financial assets	**64,164**	89,744
Floating rate liabilities	**100,000**	85,000
Fixed rate liabilities	**79,467**	4,061
Interest-free liabilities	**57,904**	66,268
Total financial liabilities	**237,371**	155,329

1. Restated to exclude capitalised banking fees of £2.0 million incorrectly presented within floating rate liabilities.

The average rate at which the fixed rate liabilities were fixed in 2019 was 5.83% (2018: 4.15%) and the average period for which the liabilities were fixed was 365 days (2018: 365 days).

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

Financial liabilities exclude payroll tax and other statutory liabilities.

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.

	2019 £'000	2018 £'000
Increase in basis points	**100**	100
Effect on profit/(loss) before tax (pre-exceptional) (£'000)	**(1,000)**	(850)
Decrease in basis points	**(50)**	(50)
Effect on profit/(loss) before tax (pre-exceptional) (£'000)	**500**	425

31. Financial risk management continued

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 investment strategy. Investment decisions 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, the revolving credit facility.

The Group monitors its risk of 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 investment.

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 £125 million revolving credit facility which incurs interest payments on defined one, three or six-month periods. This facility has been extended following the year end. Please see note 36 for further details.

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

	2019 £'000	2018[1] £'000
Trade payables	**13,349**	14,620
Deferred consideration	**783**	2,721
Borrowings	**103,158**	87,993
Finance lease liabilities	**–**	2,068
Lease liabilities	**77,309**	–
Accruals and other payables	**42,772**	47,927
	237,371	155,329

1. Restated to exclude capitalised banking fees of £2.0 million incorrectly presented within borrowings.

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.

	2019 £'000	2018[1] Restated £'000
In less than one year	**73,255**	58,884
In more than one year but not more than two years	**18,661**	888
In more than two years but less than three years	**124,261**	8,358
In more than three years but not more than four years	**10,429**	85,000
Over five years	**25,093**	2,231
	251,699	155,361

1. Restated to exclude capitalised banking fees of £2.0 million incorrectly presented within contractual undiscounted cash flows due within less than one year.

Notes to the financial statements continued

31. Financial risk management continued

Counterparty credit risk

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

	2019 £'000	2018[1] £'000
Other receivables (non-current)	**899**	–
Fair value assets through profit or loss	**153**	153
Cash and cash equivalents	**17,773**	17,426
Trade receivables	**29,347**	60,024
Amounts due from customers for contract work	**–**	776
Other receivables and accrued income	**15,992**	11,365
	64,164	89,744

1. Restated from prior year to include fair value assets through profit or loss; being investment in unlisted equity (see note 17(c)).

As stated in note 18, trade and other receivables are current assets and are expected to convert to cash over the next 12 months.

There are no significant concentrations of credit risk within the Group. The Group is exposed to credit risk from 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 and customers of the surveying business, are large financial institutions and as such the credit risk is not 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:

	2019 £'000	2018 £'000
Individual customers	**18,610**	16,884
Major lenders	**7,709**	9,992
Other commercial customers	**5,411**	38,305
	31,730	65,181

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:

	2019 £'000	2018 £'000
Aa3	**9,840**	5,654
A1	**7,759**	10,446
A2	**–**	352
A3	**4**	761
Other	**170**	213
	17,773	17,426

32. Capital management

The Group's objectives when managing capital is 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 revolving credit facility), adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Please note the change in revolving credit facility terms after the year end (see note 36), and the suspension of dividend payments for 2019 (note 12).

32. Capital management continued

The Group defines capital as the total of equity shareholders' funds and long term borrowings net of available cash balances:

	2019 Pre-IFRS 16 £'000	2019 Post-IFRS 16 £'000	2018 £'000
Borrowings (note 21)	**100,683**	**100,683**	88,095
Lease liabilities (note 16)	**–**	**77,309**	–
Cash and cash equivalents (note 19)	**(17,773)**	**(17,773)**	(17,426)
Net debt	**82,910**	**160,219**	70,669
Shareholders' equity	**167,580**	**97,563**	220,267
Total capital	**250,490**	**257,782**	290,936
Gearing ratio	**33%**	**62%**	24%
Adjusted EBITDA	**24,356**	**54,480**	32,683
Net debt to adjusted EBITDA ratio	**3.4x**	**2.9x**	2.2x

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:

- 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 2019:

	Level 3 £'000
Assets	
Financial assets at fair value through profit or loss	**153**
Liabilities	
Contingent consideration	**9,585**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2018:

	Level 3 £'000
Assets	
Financial assets at fair value through profit or loss	**153**
Liabilities	
Contingent consideration	**12,240**

Fair value measurements using significant unobservable inputs (Level 3) and valuation processes

The following changes were made in Level 3 instruments:

	2019		2018	
	Financial assets at fair value through profit or loss £'000	Contingent consideration in a business combination £'000	Financial assets at fair value through profit or loss £'000	Contingent consideration in a business combination £'000
Opening balance at 1 January	**153**	**(12,240)**	1,232	(13,162)
Acquisition	**–**	**–**	1,300	–
Impairment	**–**	**–**	(2,379)	–
Contingent consideration paid	**–**	**3,940**	–	7,011
Losses recognised in profit or loss	**–**	**(1,285)**	–	(6,089)
Closing balance at 31 December	**153**	**(9,585)**	153	(12,240)

Notes to the financial statements continued

32. Capital management continued

The fair value of contingent consideration 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 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 contingent consideration relates to amounts payable in the future on three (2018: six) acquisitions undertaken in prior years, requiring the Group to pay in cash a potential undiscounted maximum aggregate amount of £14.7 million (2018: £19.3 million). The amounts payable are based on the amounts agreed in the contracts and based on the future profitability of each entity acquired. In valuing each liability, estimates have been made as to the future profitability of each entity based on management's expectation of performance, consistent with operating plans approved.

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 and are being accrued over the relevant periods of one to three years (2018: one to five) specific to each of the agreements, with remaining periods of up to three years (2018: three years). Each contingent consideration arrangement is also subject to performance conditions being satisfied. There are target adjusted 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 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. £0.9 million (2018: £3.7 million) of this potential contingent consideration is payable in less than one year and there is no material difference in out-turn anticipated. £13.8 million (2018: £17.8 million) of the potential contingent consideration is payable on a material acquisition six years after the acquisition dates (with a residual period of less than three years remaining), depending on the profitability of those subsidiaries in the relevant years and the former owners being continuously employed over the earn-out period. The fair value of the related contingent consideration liability, estimated by applying the income approach, was revisited at the year end and accrued at £8.7 million (2018: £9.9 million), based on assumed profitability. If the future profitability of the entity with less than a three year out-turn was to decline, with a 10% reduction in adjusted EBITDA, the size of the total contingent consideration would decrease by approximately £1.0 million (2018: £1.6 million).

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 chief financial officer and the Audit and Risk Committee.

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

33. 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	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
TM Group – Joint venture	Purchases by Group	**(3,059)**	(2,232)	**(132)**	(158)
TM Group – Joint venture	Rebate received/receivable	**1,242**	3,279	**1,714**	1,968
Mr Ying Tan	Loan payable	**165**	153	**(2,158)**	(1,993)
Oaktree Capital Management	Director's fee paid	**40**	40	**(10)**	(10)

These transactions are trading relationships which are made at market value. There is a loan payable within The Buy To Let Group Limited of £1,590,000 (and associated interest) that is payable to the joint shareholder and director, Mr Ying Tan, in Quarter 2 of 2020 (having been deferred from 2019 based on payment hurdles) with interest payable at 8% per annum. 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 2019 regarding related party transactions.

34. Discontinued operation

On 29 November 2019, the Board announced the proposed sale of Lambert Smith Hampton to John Bengt Moeller for £38 million and the assets were classified as held for sale following shareholder approval on 27 December 2019. Following protracted efforts to effect completion, Mr Moeller failed to complete the transaction in accordance with the final timetable set for completion of 11 March 2020. The Board is seeking alternative buyers. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the balance sheet as related assets and liabilities and disclosed as discontinued operations in the income statement. The anticipated proceeds less costs of disposal were less than the net book value of the assets and liabilities of the disposal group therefore there was a fair value remeasurement of £3.9 million to write down the net assets to their fair value less costs of disposal. Fair value has been valued using Level 2 valuation techniques, derived from a third party offer.

34. Discontinued operation continued

The business unit is reported for the full year as a discontinued operation. Financial information relating to the discontinued operation is set out below.

(a) Financial performance and cash flow information

	31 December 2019 £'000	31 December 2018 £'000
Revenue	**101,896**	112,018
Other losses (impairment)	**(907)**	(1,021)
Expenses	**(102,054)**	(104,205)
(Loss)/profit before income tax	**(1,065)**	6,792
Income tax expense	**(81)**	(525)
(Loss)/profit after income tax of discontinued operation	**(1,146)**	6,267
Loss recognised on the measurement to fair value of assets, less costs to sell	**(3,873)**	–
Income tax gain	**797**	–
(Loss)/profit from discontinued operations	**(4,222)**	6,267
Currency translation differences	**(51)**	10
Other comprehensive income from discontinued operations	**(51)**	10
Net cash inflow from operating activities	**5,053**	1,850
Net cash outflow from investing activities	**(1,364)**	(1,907)
Net cash outflow from financing activities	**(3,900)**	(2)
Net decrease in cash generated by the business unit	**(211)**	(59)

A reconciliation of the retained (loss)/profit from discontinued operations to adjusted earnings, net of taxation from discontinued operations is presented in note 13.

(b) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2019:

	31 December 2019 £'000
Other intangible assets[1]	**24,767**
Property, plant and equipment[1]	**1,020**
Right-of-use assets[1]	**11,683**
Trade and other receivables	**27,612**
Deferred tax assets	**1,983**
Cash and cash equivalents	**459**
Total assets classified as held for sale	**67,524**
Trade and other payables	**(11,179)**
Deferred tax liability	**(3,331)**
Deferred income	**(56)**
Provisions	**(860)**
Lease liabilities	**(17,698)**
Total liabilities associated with assets classified as held for sale	**(33,124)**
Net assets of disposal group	**34,400**

1. Net of loss recognised on the measurement to fair value of assets, less costs to sell.

Notes to the financial statements
continued

34. Discontinued operation continued

(c) Disposal group previously classified as held for sale

The assets and related liabilities classified as held for sale as at 30 June 2019, but not deemed to be discontinued operations, were a separate disposal group which is no longer classified as held for sale as the proposed sale did not proceed. No significant adjustments were made to the carrying value of the assets or liabilities when classified or declassified as held for sale.

35. Contingent liabilities

The Group has contingent liabilities of £9.0 million at 31 December 2019 in respect of three letters of credit. Two of these, amounting to £4.5 million, are supported by cash deposits held by HSBC who have charges over those accounts (see note 19). The remaining letter of credit of £4.5 million is not cash backed.

36. Events after the balance sheet date

Deferred share capital cancellation

In March 2020, the Company cancelled all deferred shares in issue (as described in note 26) and transferred the nominal value of the deferred shares, amounting to £16,085,000, from share capital to a capital redemption reserve.

Revolving credit facility amendments

The Group meets its working capital and funding requirements through a revolving credit facility of £125 million which matures in September 2022. The Group benefits from a supportive lender group of six lenders, most of whom have provided borrowing facilities since March 2013. In April 2020, the lenders agreed to provide an additional £20 million facility for an 18 month period, with £10 million available from 1 May 2020 and £10 million available from April 2021. In view of the uncertainty arising as a result of COVID-19, the lenders also agreed to waive the Group's debt covenants for the March 2020 covenant tests, and to amend the monitoring going forward in the short term to be based on maintaining liquidity headroom.

COVID-19

The outbreak of COVID-19 in 2020 is considered to be a non-adjusting post balance sheet event for these financial statements for the year ended 31 December 2019.

Any assessment of the estimated financial impact of COVID-19 is inherently difficult currently given the uncertainties about the extent and duration of social distancing measures and the impact on the economy. The Board has considered the potential impact of these matters on the liquidity of the Group, paying attention to current and potential cash resources, extending existing revolving facilities and exploration of the availability of funding available to large business under the Coronavirus Large Business Interruption Loan Scheme. Details of these considerations are provided in respect of going concern in note 2(b) of the consolidated financial statements and the viability statement on page 47. In addition, there will be other financial impacts to consider, including the potential impairment of goodwill and other non-current assets (see note 14(c)) and potential impairments of trade and other receivables which will be considered as part of our half year reporting cycle.

Company balance sheet

As at 31 December 2019

	Note	2019 £'000	Restated[1] 2018 £'000
Non-current assets			
Investments	5	**118,219**	206,607
Current assets			
Trade and other receivables (including £1,312,000 receivable after one year (2018: £1,251,000)	6	**167,938**	198,322
Cash at bank and in hand		**21**	99
		167,959	198,421
Creditors: amounts falling due within one year	7	**(2,933)**	(387)
Net current assets		**165,026**	198,034
Total assets less current liabilities		**283,245**	404,641
Creditors: amounts falling due after more than one year	8	**(97,525)**	(83,034)
Net assets		**185,720**	321,607
Capital and reserves			
Called up share capital	10	**16,413**	16,413
Share premium account	10	**–**	329,357
Treasury share reserve		**(17,936)**	(17,942)
Profit and loss account		**187,243**	(6,221)
Total shareholders' funds		**185,720**	321,607

1. Restated for prior year error correction (see note 1(l)).

The notes on pages 179 to 187 form an integral part of the Company (registration number: 08340090) financial statements.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The total comprehensive expense was £138,361,000 (2018: £212,259,000).

These financial statements on pages 177 to 187 were approved by the Board of directors and signed on its behalf by:

Himanshu Raja
Chief financial officer

21 May 2020

Company statement of changes in equity

For the year ended 31 December 2019

	Note	Share capital £'000	Share premium £'000	Hedging reserve £'000	Treasury share reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2018, as previously stated		2,413	211,838	(274)	(17,492)	207,376	403,861
Impact of prior year error correction[1]		–	–	–	–	(3,177)	(3,177)
Restated balance at 1 January 2018[1]		2,413	211,838	(274)	(17,492)	204,199	400,684
Loss for the year, as restated[1]		–	–	–	–	(212,259)	(212,259)
Other comprehensive income/(expense)							
Cash flow hedge: fair value gain		–	–	337	–	–	337
Cash flow hedge: deferred tax on gain	9	–	–	(63)	–	–	(63)
Total other comprehensive income		–	–	274	–	–	274
Total comprehensive income/(expense)		–	–	274	–	(212,259)	(211,985)
Transactions with owners							
Issue of share capital	10	14,000	126,000	–	–	–	140,000
Transactional costs of shares issued	10	–	(8,481)	–	–	–	(8,481)
Share-based payment transactions		–	–	–	–	1,888	1,888
Purchase of treasury shares		–	–	–	(499)	–	(499)
Utilisation of treasury shares for DSBP options		–	–	–	49	(49)	–
Transactions with owners		14,000	117,519	–	(450)	1,839	132,908
Balance at 31 December 2018, as restated		16,413	329,357	–	(17,942)	(6,221)	321,607
Loss for the year		–	–	–	–	(138,361)	(138,361)
Total comprehensive expense		–	–	–	–	(138,361)	(138,361)
Transactions with owners							
Reclassification of share premium		–	(329,357)	–	–	329,357	–
Share-based payment transactions			–	–	–	2,474	2,474
Utilisation of treasury shares for DSBP options		–	–	–	6	(6)	–
Transactions with owners		–	(329,357)	–	6	331,825	2,474
Balance at 31 December 2019		**16,413**	**–**	**–**	**(17,936)**	**187,243**	**185,720**

1. Restated for prior year error correction (see note 1(l)).

Notes to the Company financial statements

1. General information and accounting policies

Countrywide plc ('the Company') is a holding company of subsidiaries of the Group. 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 Greenwood House, 1st Floor, 91-99 New London Road, Chelmsford, Essex, CM2 0PP.

(a) Basis of preparation

The separate financial statements of Countrywide plc ('the Company') have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006 ('the Act').

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2. The principal accounting policies are set out below and have been applied consistently throughout the year.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods and services received was determined);
- IFRS 7 'Financial instruments: Disclosures';
- paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The following paragraphs of IAS 1 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures);
- IAS 7 'Statement of cash flows';
- paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- paragraph 17 of IAS 24 'Related party disclosures' (key management compensation); and
- the requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted by the parent Company

There are no new standards effective for the first time for the financial year beginning on or after 1 January 2019 which have had a material impact on the Company.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the parent Company. None of these new standards or interpretations is expected to have a material impact on the consolidated financial statements of the Company.

Other standards, amendments and interpretations not yet effective and not discussed above are not relevant or considered significant to the Company.

(b) Going concern

Please refer to note 2(b) of the consolidated 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.

Notes to the Company financial statements

1. General information and accounting policies continued

(d) Financial assets

Classification

The Company classifies its financial assets as financial assets at amortised cost and financial assets at fair value through profit or loss. The classification depends on the purpose and business model for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of intra-group funding. 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 12 months after the end of the reporting period. Financial assets at amortised cost comprise mainly cash and cash equivalents and intercompany receivables.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date: the date on which the Company 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 Company has transferred substantially all risks and rewards of ownership.

Impairment

The Company applies the IFRS 9 simplified approach to measuring expected credit losses. In determining the expected credit losses for the intercompany receivables, the Company has taken into account the financial position of the counterparty, and the likely timing of receipts against balances that are technically repayable on demand, in estimating the discounting across these financial assets occurring within their repayment assessment time horizon.

(e) 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.

(f) Income tax

Income tax on the profit or loss for the year 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 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 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 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.

(g) Share-based payments

The cost of granting share options and other share-based remuneration to employees and directors is recognised through the income statement. 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 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.

1. General information and accounting policies continued

(h) Dividend income

Dividend income from subsidiary undertakings is recognised at the point the dividend has been declared.

(i) 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.

(j) 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.

(k) 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.

Deferred shares, arising from the share consolidation on 30 December 2019, are classified as equity. The deferred shares have no rights to dividends and have been cancelled in full during March 2020, with their associated nominal value transferred from share capital to a capital redemption reserve.

(l) Prior period error correction

On adoption of IFRS 9 'Financial instruments' on 1 January 2018, the Company recorded an impairment against a loan receivable from its subsidiary and recognised a deferred tax asset on the impairment of £3,177,000. During the year ended 31 December 2018, a further impairment of the receivable was recorded and the Company recorded an additional deferred tax asset of £3,161,000. The impairment of the loan receivable does not create a taxable timing difference; therefore no deferred tax asset should have been recognised.

The following table summarises the corrections made to the Company balance sheet as at 1 January 2018 and 31 December 2018 and the effect on the Company income statement for the year ended 31 December 2018. The corrections do not impact the consolidated financial statements of the Group as the intercompany receivables and the related impairment and deferred tax asset were eliminated on consolidation.

	Deferred tax asset £'000	Retained earnings £'000
Balances at 1 January 2018, as previously reported	3,397	207,376
Impact of the prior year error correction	(3,177)	(3,177)
Restated balances at 1 January 2018	220	204,199

	Deferred tax asset £'000	Retained earnings £'000
Balances at 31 December 2018, as previously reported	7,589	117
Impact of the prior year error correction at 1 January 2018	(3,177)	(3,177)
Impact of the prior year error correction during 2018	(3,161)	(3,161)
Restated balances at 1 January 2019	1,251	(6,221)

The effects on the income statement were as follows:

	2018 £'000
Increase in tax expense	3,161
Decrease in profit for the year	3,161

Notes to the Company financial statements continued

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements 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 expectation 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.

Critical judgements in applying the Company's accounting policies

The directors consider that there are no critical judgements, apart from those involving estimations (which are dealt with separately below), that are likely to have a significant effect on the amounts recognised in the Company's financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investments in subsidiaries and intercompany receivables

The directors periodically review investments in subsidiaries and intercompany receivables for possible impairment when events or changes in circumstances indicate, in management's judgement, that the carrying value of an asset may not be recoverable. Such indicating events would include a significant change in market conditions or future operating cash flows. The Company recorded impairment charges during the years ended 31 December 2018 and 2019 against both intercompany receivables and investments in subsidiaries, the former using expected credit loss methodology under IFRS 9 and the latter using impairment assessments undertaken in respect of IAS 36 (see notes 5 and 6 respectively).

Intercompany receivables

The Group value in use (VIU) model of discounted cash flows, as used within the year end loss provision assessment undertaken in the consolidated financial statements, as further adjusted for the fair value of £2.2 million in respect of external debt repayable by the subsidiaries within the expected recovery period, was used to determine the recoverability of intercompany balances and the level of discounting required to reflect the likely timing of future receipts against balances that are technically repayable on demand (in line with IFRS 9 expected credit loss methodology). Impairments against intercompany receivables charged to the income statement during the year amounted to £45.2 million (2018: £18.9 million).

Investment in subsidiaries

As at 31 December 2019, the Company's investment in subsidiaries exceeded the Group's market capitalisation of £113 million, which, in addition to the impairment of non-current assets in Group companies within the consolidated financial statements, indicated an impairment review was required and therefore a detailed value in use (VIU) assessment has been undertaken.

In accordance with IAS 36, management compared the carrying value of the investment in subsidiaries with their recoverable value using the same discounted cash flow forecasts used in the impairment test of goodwill. The excess of carrying value beyond this recoverable value was then recorded as the impairment against investment in subsidiaries. Impairments against investments charged to the income statement during the year amounted to £88.4 million (2018: £179.8 million).

The directors concluded that the carrying value of investments in subsidiaries was recoverable based on this VIU calculation even though it was greater than the market capitalisation of the Group, as the market value did not fully price in the turnaround strategy and results to date.

We note that the Company investment carrying value and recoverable amount are therefore equal following the impairment undertaken and there is therefore no remaining headroom, such that any alternative assumptions and estimates would lead to further impairment.

There is therefore a potential material impairment to the carrying value of the investment arising from the sensitivity of reasonably possible changes to key assumptions (further detail of which are found in the consolidated financial statements note 14(c)) as follows:

- 10% reduction in adjusted EBITDA — £57.7 million
- 10% increase in pre-tax discount rate — £28.7 million
- Terminal growth rate of 0% into perpetuity — £20.1 million

3. 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 on page 87 and are summarised below.

	2019 £'000	2018 £'000
Wages and salaries	**2,112**	1,387
Share-based payments	**119**	(95)
Social security costs	**320**	206
Post-employment benefits – salary supplement	**129**	99
	2,680	1,597

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.

Details of the highest paid director's aggregate emoluments, amounts receivable under long term incentive schemes and payments in lieu of pension entitlements are disclosed within the directors' remuneration report on page 87.

4. Dividends

	2019 £'000	2018 £'000
Dividends (interim and final)	**–**	–

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2019.

5. Investments in subsidiaries

	2019 £'000
Cost	
At 1 January 2019 and 31 December 2019	**386,372**
Accumulated impairment	
At 1 January 2019	**(179,765)**
Impairment charge during the year	**(88,388)**
At 31 December 2019	**(268,153)**
Net book amount	**118,219**

Impairments arising during the year align to the wider assessment of the Group discounted cash flows, resulting in impairments undertaken at the half year against assets in the consolidated financial statements and revisited at the year end.

At 31 December 2019, 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.

6. Trade and other receivables

	2019 £'000	Restated 2018[1] £'000
Amounts falling due within one year		
Amounts owed by Group undertakings	**162,226**	195,299
Group relief receivable	**2,207**	1,464
Deferred tax asset (receivable after one year, note 9)	**1,312**	1,251
Prepayments and accrued income	**264**	31
Other debtors	**1,929**	277
	167,938	198,322

1. Restated for prior year error correction (see note 1(l)).

Notes to the Company financial statements continued

6. Trade and other receivables continued

Amounts owed by subsidiary undertakings are unsecured and payable on demand. Interest is received at base rate plus a margin of 2.25% per annum.

Amounts owed by Group undertakings are stated net of a £82,429,000 loss provision, an increase of £45,161,000 over the 2018 £37,268,000 loss provision, which reflects the expected credit loss arising from the estimated discounting in respect of the likely timing of future receipts against balances that are technically repayable on demand.

7. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	**42**	35
Other creditors	**2,891**	352
	2,933	387

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

	2019 £'000	2018 £'000
Bank borrowings	**100,000**	85,000
Capitalised banking fees	**(2,475)**	(1,966)
	97,525	83,034

At the year end, the facility was a £125 million revolving credit facility (RCF), with any outstanding balance repayable in full on 30 September 2022. Interest was payable based on LIBOR plus a margin of 3.75%. The margin is linked to the leverage ratio of the Group and the margin rate is reviewed four times a year (and can vary between 1.75% and 6.0%). The RCF is available for utilisation subject to satisfying fixed charge, interest cover and leverage covenants. The borrowings are secured by way of various fixed and floating charges over various of the Group's assets (as detailed with the debenture dated 2 August 2018 filed as a charge at Companies House).

In July and November 2019, in view of the continuing and challenging market for residential and commercial property transactions in the UK, the Group's lenders agreed to a new covenant package including an expansion of the leverage covenants and various changes to its information covenants. The Group's covenants are measured on a "frozen GAAP" basis before the effects of IFRS 16 for the full term of the facility.

The Group was in compliance with these covenants at year end, and the relevant ratios at 31 December 2019 were: leverage ratio 4.25x; and interest cover 4.00x.

The leverage ratio (Covenant net debt to Covenant Adjusted EBITDA) and interest cover (Covenant Adjusted EBITDA to net interest payable) financial covenants contained in the Amended Credit Facility Agreement are as follows:

Test date	Leverage ratio – maximum (after 26 July 2019)	Leverage ratio – maximum (following net disposal proceeds arising from the sale of Lambert Smith Hampton)	Interest cover – minimum (before completion of the sale of Lambert Smith Hampton)	Interest cover – minimum (following net disposal proceeds arising from the sale of Lambert Smith Hampton)
30 June 2019	6.00x	6.00x	2.75x	2.75x
30 September 2019	4.75x	4.75x	3.50x	3.50x
31 December 2019	4.25x	4.25x	4.00x	4.00x
31 March 2020	4.25x	4.00x	4.50x	4.50x
30 June 2020	4.00x	5.25x	5.00x	4.00x
30 September 2020	4.00x	5.25x	5.00x	3.75x
31 December 2020	3.75x	5.25x	5.00x	3.75x
31 March 2021	3.75x	5.25x	5.00x	3.75x
30 June 2021	3.75x	5.25x	5.00x	3.25x
Test dates on and after 30 September 2021	2.50x	2.50x	5.00x	5.00x

These financial covenants are tested quarterly until the Group has had a leverage ratio of less than 2.50x on two consecutive test dates. Subsequent to this, the financial covenants will be tested semi-annually on 30 June and 31 December.

8. Creditors: amounts falling due after more than one year continued

The obligations of the Group under the Amended Credit Facility are secured. The lenders have the benefit of an all asset English law debenture in respect of the assets of each Obligor (of which the Company is one) which includes a fixed charge in respect of the shares owned by each Guarantor. The lenders also have the benefit of guarantees from the Obligors.

Further details of the amended credit facility, as revised in November 2019 are available on pages 44 to 47 of the Circular to Shareholders in respect of the 'Proposed sale of Lambert Smith Hampton and 50 for 1 share consolidation' available on our website: https://www.countrywide.co.uk/corporate/investor-relations/investing-in-countrywide/announcement-q4-2019/countrywide-circular-2019.pdf/. For details of changes to the RCF, and related covenants, arising after the year end, please refer to note 12.

The following Group entities are obligors under the facility: Countrywide PLC; Countrywide Group PLC; Balanus Limited; Countrywide Estate Agents; Countrywide Surveyors Limited; Countrywide Property Lawyers Limited; Countrywide Principal Services Limited (regulated by FCA); Lambert Smith Hampton Limited; Lambert Smith Hampton Group Limited; Lambert Smith Hampton (NIreland) Limited; Mortgage Intelligence Holdings Limited; Mortgage Next Limited; Slater Hogg Mortgages Limited; and Title Absolute Limited.

Capitalised banking fees are being amortised over the duration of the RCF, until September 2022.

9. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17%-19% (2018: 17%-19%). The movement on the deferred tax account is shown below:

	2019 £'000	Restated 2018[1] £'000
Restated deferred tax asset at 1 January	**1,251**	220
Credited to income statement	**61**	1,094
Charged to comprehensive income	**–**	(63)
Deferred tax asset at 31 December	**1,312**	1,251
Deferred tax asset expected to unwind after one year	**1,312**	1,251
	1,312	1,251

1. Restated following prior year error correction (see note 1(l)).

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.

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.

	2019	
	Asset £'000	**Charged to income £'000**
Origination and reversal of temporary differences		
Share-based payments	**2**	**(83)**
Other timing differences	**1,310**	**144**
	1,312	**61**

	Restated 2018[1]		
	Asset £'000	(Charged)/ credited to income £'000	Charged to other comprehensive income/equity £'000
Origination and reversal of temporary differences			
Share-based payments	85	(72)	–
Cash flow hedge	–	–	(63)
Other timing differences	1,166	1,166	–
	1,251	1,094	(63)

1. Restated following prior year error correction (see note 1(l)).

Notes to the Company financial statements continued

9. Deferred tax continued

Deferred tax assets have not been recognised in respect of trading losses of £nil (2018: £nil). There is no expiry date attributable to these unrecognised deferred tax assets, but no assets have been recognised as the recovery extends beyond the Group's forecasting period.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to decrease the tax expense for the period by £154,000 and to increase the deferred tax asset by £154,000.

10. Called up share capital

Called up issued and fully paid share capital

	Number of shares	Share capital £'000	Share premium £'000	Total £'000
Ordinary shares of 1 pence each				
At 1 January 2019	1,641,303,439	16,413	329,357	345,770
Reclassification of share premium to retained earnings	–	–	(329,357)	(329,357)
Share consolidation on 30 December 2019	(1,608,477,371)	(16,085)	–	(16,085)
At 31 December 2019	**32,826,068**	**328**	**–**	**328**
Deferred shares of 1 pence each				
At 1 January 2019	**–**	**–**	**–**	**–**
Share consolidation on 30 December 2019	**1,608,477,371**	**16,085**	**–**	**16,085**
At 31 December 2019	**1,608,477,371**	**16,085**	**–**	**16,085**
Total at 31 December 2019	**1,641,303,439**	**16,413**	**–**	**16,413**

Following the August 2018 firm placing, and the placing and open offer, Countrywide had 1,641,303,439 ordinary shares in issue each with a nominal value of £0.01, a significant number of shares for a Company with our market capitalisation. The Board believed that as a result of the large number of ordinary shares in issue, the Group's low share price was affecting investor perception in Countrywide. Share trades could result in disproportionately large percentage movements in the market share price causing considerable share price volatility, and the bid-offer spread on the price of the ordinary shares was disproportionate to the market share price.

To address this, we implemented a consolidation of ordinary shares on the basis of 1 ordinary share of £0.50 for every 50 existing ordinary shares of £0.01 which decreased the number of Countrywide ordinary shares in issue by a factor of 50 while increasing the trading price of each new ordinary share by a factor of 50. Shareholder approval for the restructuring of the Group's share capital was required and granted with 99.97% voting in favour of the consolidation at the General Meeting held on 27 December 2019. Trading in the new ordinary shares commenced on 30 December 2019.

The share consolidation involved the following steps:

- each 50 qualifying ordinary shares held were consolidated into one consolidated ordinary share of £0.50; and
- each such consolidated ordinary share of £0.50 was then immediately subdivided and re-designated into one new ordinary share of £0.01 and 49 deferred shares of £0.01.

Through the issuance of the deferred shares, Countrywide maintained a lower nominal value for the new ordinary shares than would otherwise be the case. The creation of a class of deferred shares ensured that the reduction in the nominal value of the ordinary shares effected by the share consolidation did not result in an unlawful reduction in Countrywide's share capital.

The deferred shares created have no rights to dividends and have been cancelled in full in March 2020, with their associated nominal value transferred from share capital to a capital redemption reserve.

At 31 December 2019, 63,049 (post consolidation) (2018: 65,472 (post consolidation) 3,273,590 (pre-consolidation)) of the ordinary shares disclosed above have been subject to share buy-back and were held in treasury).

10. Called up share capital continued

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, 35,628 shares (post consolidation) (2018: 38,781 (post-consolidation) 1,939,064 (pre-consolidation) shares) were held in relation to matching shares of the SIP scheme.

At the Annual General Meeting of the Company held on 30 April 2019, a resolution was passed that, subject to the approval of the High Court of England and Wales, the amount of £329,357,899 being the entire amount standing to the credit of the Company's share premium account be cancelled and that the resulting sum be credited to the distributable reserves of the Company.

The cancellation of the Company's share premium account (the Reduction of Capital) was concluded in September 2019 with the purpose to create distributable reserves, which will give the Company the flexibility to make future distributions, including the payment of dividends, and for other corporate purposes.

11. Auditors' remuneration

The auditors' remuneration for the audit of the Company is disclosed in note 7 to the consolidated financial statements. Fees paid to the auditors 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. Events after the balance sheet date

Deferred share capital cancellation

In March 2020, the Company cancelled all deferred shares in issue (as described in note 26) and transferred the nominal value of the deferred shares, amounting to £16,085,000, from share capital to a capital redemption reserve.

Revolving credit facility amendments

The Group meets its working capital and funding requirements through a revolving credit facility of £125 million which matures in September 2022. The Group benefits from a supportive lender group of six lenders, most of whom have provided borrowing facilities since March 2013. In April 2020, the lenders agreed to provide an additional £20 million facility for an 18 month period, with £10 million available from 1 May 2020 and £10 million available from April 2021. In view of the uncertainty arising as a result of COVID-19, the lenders also agreed to waive the Group's debt covenants for the March 2020 covenant tests, and to amend the monitoring going forward in the short term to be based on maintaining liquidity headroom.

COVID-19

The outbreak of COVID-19 in 2020 is considered to be a non-adjusting post balance sheet event for these financial statements for the year ended 31 December 2019.

Any assessment of the estimated financial impact of COVID-19 is inherently difficult currently given the uncertainties about the extent and duration of social distancing measures and the impact on the economy. The Board has considered the potential impact of these matters on the liquidity of the Group, paying attention to current and potential cash resources, extending existing revolving facilities and exploration of the availability of funding available to large business under the Coronavirus Large Business Interruption Loan Scheme. Details of these considerations are provided in respect of going concern in note 2(b) of the consolidated financial statements and the viability statement on page 47. In addition, there will be other financial impacts to consider, including the potential impairment of non-current assets and potential impairments of intercompany and other receivables which will be considered as part of our half year reporting cycle.

Appendix continued

Related undertakings of the Group as at 31 December 2019

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
Countrywide Group plc	1	UK	100%	Direct
A3 Countrywide Limited	2	UK	100%	Indirect
Abbotts Estate Agents Ltd	2	UK	100%	Indirect
Accord Properties Limited	2	UK	100%	Indirect
Acornsrl Limited	2	UK	100%	Indirect
Aeromind Limited	2	UK	100%	Indirect
AgencyPro Limited	4	UK	100%	Indirect
Alan de Maid Limited	2	UK	100%	Indirect
Alan Harvey Property Services Limited	2	UK	100%	Indirect
Anderson Estate Agents Limited	2	UK	100%	Indirect
APW Holdings Limited	2	UK	100%	Indirect
APW Management (Cobham) Limited	2	UK	100%	Indirect
APW Management (Esher) Limited	2	UK	100%	Indirect
APW Management (Sunninghill) Limited	2	UK	100%	Indirect
APW Management (Weybridge) Limited	2	UK	100%	Indirect
APW Management Services Limited	2	UK	100%	Indirect
Ashton Burkinshaw (Franchising) Limited	2	UK	100%	Indirect
Ashton Burkinshaw Limited	2	UK	100%	Indirect
Associated Employers Limited	3	UK	100%	Indirect
Austin & Wyatt Limited	2	UK	100%	Indirect
Avon Property (Wilts) Limited	2	UK	100%	Indirect
Bairstow Eves Countrywide Limited	2	UK	100%	Indirect
Bairstow Eves Limited	2	UK	100%	Indirect
Baker Harris Saunders Group Limited	2	UK	100%	Indirect
Balanus Limited	1	UK	100%	Indirect
Barrys (Surrey) Limited	2	UK	100%	Indirect
Beresford Adams Limited	2	UK	100%	Indirect
Berkeley Private Capital Ltd	2	UK	100%	Indirect
Blundells Property Services Limited	2	UK	100%	Indirect
Bridgfords Countrywide Limited	2	UK	100%	Indirect
Bridgfords Limited	2	UK	100%	Indirect
Buckell & Ballard Limited	2	UK	100%	Indirect
Bullock and Lees (Christchurch) Limited	2	UK	100%	Indirect
Bureau Properties Limited	1	UK	100%	Indirect
Buy to Let Club Limited	2	UK	100%	Indirect
CAG Overseas Investments Limited	2	UK	100%	Indirect
Capital Fine Homes Limited	2	UK	100%	Indirect
Capital Private Finance Limited	5	UK	100%	Indirect
Cardinal Mortgage Service Limited (The)	2	UK	100%	Indirect
Carol Whyte Property Management Limited	6	UK	100%	Indirect
Carson & Company Estate Agents Limited	2	UK	100%	Indirect
Castle Moat at Taunton Limited	2	UK	100%	Indirect
CEA Holdings Limited	2	UK	100%	Indirect
Chamberlains Lettings Limited	2	UK	100%	Indirect
Chamberlains SGS Holdings Limited	2	UK	100%	Indirect
Chappell & Matthews Limited	2	UK	100%	Indirect
Chattings Limited	2	UK	100%	Indirect

Related undertakings of the Group as at 31 December 2019 continued

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
CHK (Cobham) Ltd	2	UK	100%	Indirect
CHK (Esher) Limited	2	UK	100%	Indirect
Cliftons International Ltd	2	UK	100%	Indirect
Connell Wilson Limited	2	UK	100%	Indirect
Copleys of York Limited	2	UK	100%	Indirect
Cosec Management Services Limited	7	UK	100%	Indirect
Countrywide Conveyancing Limited	2	UK	100%	Indirect
Countrywide Corporate Property Services Limited	8	UK	100%	Indirect
Countrywide Estate Agents	1	UK	100%	Indirect
Countrywide Estate Agents (South) Limited	1	UK	100%	Indirect
Countrywide Estate Agents FS Limited	2	UK	100%	Indirect
Countrywide Estate Agents Nominees Limited	2	UK	100%	Indirect
Countrywide Financial Services (South) Limited	2	UK	100%	Indirect
Countrywide Home Movers Services Limited	2	UK	100%	Indirect
Countrywide Mortgage Services Limited	2	UK	100%	Indirect
Countrywide North Limited	2	UK	100%	Indirect
Countrywide Part Exchange Solutions Limited	2	UK	100%	Indirect
Countrywide Principal Services Limited	5	UK	100%	Indirect
Countrywide Property Auctions Limited	1	UK	100%	Indirect
Countrywide Property Care Solutions Limited	2	UK	100%	Indirect
Countrywide Property Lawyers Limited	9	UK	100%	Indirect
Countrywide Relocation Solutions Limited	2	UK	100%	Indirect
Countrywide Repossession Solutions Limited	2	UK	100%	Indirect
Countrywide Residential Investments Limited	2	UK	100%	Indirect
Countrywide Residential Lettings Limited	1	UK	100%	Indirect
Countrywide Residential Lettings Nominees Limited	1	UK	100%	Indirect
Countrywide Surveyors Limited	1	UK	100%	Indirect
Countrywide UK Limited	2	UK	100%	Indirect
CRL Company Directors Limited	7	UK	100%	Indirect
CRL Company Secretaries Limited	7	UK	100%	Indirect
Curtis and Bains Limited	2	UK	100%	Indirect
Dickinson Harrison Limited	2	UK	100%	Indirect
Duck & Hedges Group Ltd	2	UK	100%	Indirect
Duck & Hedges Limited	2	UK	100%	Indirect
Edinburgh Property Letting Limited	6	UK	100%	Indirect
Entwistle Green Limited	2	UK	100%	Indirect
Executive Property Services Residential Ltd	2	UK	100%	Indirect
Faron Sutaria & Company Limited	2	UK	100%	Indirect
Finders Keepers Limited	2	UK	100%	Indirect
Fitz-Gibbon Limited	2	UK	100%	Indirect
Ford Property Services Limited	2	UK	100%	Indirect
Frank Innes Countrywide Limited	2	UK	100%	Indirect
Freeman Forman Letting Limited	2	UK	100%	Indirect
Freeman Forman Limited	2	UK	100%	Indirect
Fulfords Estate Agents Limited	2	UK	100%	Indirect
Gascoigne Pees Estate Agents Limited	2	UK	100%	Indirect

Appendix continued

Related undertakings of the Group as at 31 December 2019 continued

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
Gertingpet Limited	2	UK	100%	Indirect
Gilpro Management Limited	6	UK	100%	Indirect
Greene & Co Maintenance Limited	2	UK	100%	Indirect
Grosvenor Private Clients Limited	2	UK	100%	Indirect
Hamptons Estates Limited	1	UK	100%	Indirect
Hamptons Group Limited	2	UK	100%	Indirect
Hamptons International (Hong Kong) Limited	10	Hong Kong	100%	Indirect
Hamptons International (India) Private Limited	11	India	100%	Indirect
Hamptons International Mortgages Limited	2	UK	100%	Indirect
Hamptons Property Consultancy Limited	20	Barbados	100%	Indirect
Harecastle Limited	7	UK	100%	Indirect
Harrisons Estate Agents Limited	2	UK	100%	Indirect
Harvey Donaldson & Gibson Limited	12	UK	100%	Indirect
HCW Estate Agents Limited	2	UK	100%	Indirect
HCW Group Limited	2	UK	100%	Indirect
HCW Insurance Services Limited	2	UK	100%	Indirect
Herring Baker Harris East Anglia Ltd	2	UK	100%	Indirect
Herring Baker Harris Europe Ltd	2	UK	100%	Indirect
Herring Baker Harris Nominees Limited	2	UK	100%	Indirect
Hetheringtons	2	UK	100%	Indirect
Hetheringtons Estate Agents Limited	1	UK	100%	Indirect
Holland Mitchell Limited	2	UK	100%	Indirect
Home From Home Limited	2	UK	100%	Indirect
Housemans Management Company Limited	7	UK	100%	Indirect
Housemans Management Secretarial Limited	7	UK	100%	Indirect
Howunalis Limited	2	UK	100%	Indirect
Howuncea	2	UK	100%	Indirect
Howunsay	2	UK	100%	Indirect
Hurst Independent Financial Services Limited	2	UK	100%	Indirect
Ian Peat Property Management Limited	2	UK	100%	Indirect
Ikon Consultancy Limited	2	UK	100%	Indirect
Interlet Property Management Limited	2	UK	100%	Indirect
Isite.UK.Com Limited	2	UK	100%	Indirect
JP & Brimelow (Lettings and Property Management) Limited	2	UK	100%	Indirect
JAM Advisors Limited	13	UK	100%	Indirect
JK Lettings Limited	2	UK	100%	Indirect
John Curtis Lettings & Management Limited	2	UK	100%	Indirect
John Curtis Limited	2	UK	100%	Indirect
John D Wood & Co. (Residential & Agricultural) Limited	21	UK	100%	Indirect
John D Wood & Co. Plc	2	UK	100%	Indirect
John Frances Limited	2	UK	100%	Indirect
John Francis (Wales) Limited	2	UK	100%	Indirect
Kean Kennedy Ltd	12	UK	100%	Indirect

Related undertakings of the Group as at 31 December 2019 continued

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
Kilroy Estate Agents Limited	2	UK	100%	Indirect
King & Chasemore Limited	2	UK	100%	Indirect
Knights of Bath Limited	2	UK	100%	Indirect
Knightsbridge Estate Agents and Valuers Limited	2	UK	100%	Indirect
Labyrinth Management Limited	7	UK	100%	Indirect
Lambert Smith Hampton (City) Limited	2	UK	100%	Indirect
Lambert Smith Hampton (NIreland) Limited	3	UK	100%	Indirect
Lambert Smith Hampton Group (Overseas) Limited	2	UK	100%	Indirect
Lambert Smith Hampton Group Limited	3	UK	100%	Indirect
Lambert Smith Hampton Investment Management Limited	3	UK	100%	Indirect
Lambert Smith Hampton Limited	3	UK	100%	Indirect
Lambert Smith Hampton Limited (Ireland)	19	Ireland	100%	Indirect
Lampons Residential Limited	2	UK	100%	Indirect
Land and New Homes Countrywide Limited	2	UK	100%	Indirect
Lanes Land Limited	2	UK	100%	Indirect
Lanes Property Agents (Cheshunt) Limited	2	UK	100%	Indirect
Leasehold Legal Services Limited	2	UK	100%	Indirect
Leasemanco Limited	7	UK	100%	Indirect
Let Lucas Rental Specialists Limited	2	UK	100%	Indirect
Let Verde Limited	2	UK	100%	Indirect
Letmore Group Ltd	2	UK	100%	Indirect
Letmore Lettings Ltd	2	UK	100%	Indirect
Lets – Cover Limited	2	UK	100%	Indirect
Letters of Distinction Limited	2	UK	100%	Indirect
Life and Easy Limited	14	UK	100%	Indirect
Lifestyle Management (York) Co. Limited	2	UK	100%	Indirect
Lighthouse Property Services Ltd	2	UK	100%	Indirect
London & Country Property Auctions Limited	1	UK	100%	Indirect
LS1 Limited	2	UK	100%	Indirect
Maitland Lettings Limited	2	UK	100%	Indirect
Mann & Co. (Kent) Limited	2	UK	100%	Indirect
Mann & Co. Limited	2	UK	100%	Indirect
Mann Countrywide Limited	2	UK	100%	Indirect
Merchant Executive Properties Limited	6	UK	100%	Indirect
Merchant Lettings (Ayrshire) Limited	6	UK	100%	Indirect
Merchant Lettings (Edinburgh) Limited	6	UK	100%	Indirect
Merchant Lettings (Paisley) Limited	6	UK	100%	Indirect
Merchant Lettings Limited	6	UK	100%	Indirect
Merchant Maintenance Limited	6	UK	100%	Indirect
Michael Rhodes Property Management Limited	2	UK	100%	Indirect
Mid Cornwall Letting Limited	2	UK	100%	Indirect
Miller Estate Agents Limited	2	UK	100%	Indirect
Modernmode Limited	2	UK	100%	Indirect
Morris Dibben Limited	2	UK	100%	Indirect

Appendix continued

Related undertakings of the Group as at 31 December 2019 continued

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
Mortgage Intelligence Holdings Limited	14	UK	100%	Indirect
Mortgage Intelligence Limited	14	UK	100%	Indirect
Mortgage Next Limited	14	UK	100%	Indirect
Mortgage Next Network Limited	14	UK	100%	Indirect
Mortgage Next Packaging Limited	2	UK	100%	Indirect
Mountford Limited	2	UK	100%	Indirect
Nest Lettings & Management Limited	2	UK	100%	Indirect
New Homes Mortgage Solutions Limited	2	UK	100%	Indirect
New Space (Derby) Limited	2	UK	100%	Indirect
New Space Margate Ltd	2	UK	100%	Indirect
Ohmes Limited	2	UK	100%	Indirect
Palmer Snell Limited	2	UK	100%	Indirect
Patterson Bowe Ltd	2	UK	100%	Indirect
Pebble Property Management and Lettings Limited	2	UK	100%	Indirect
Personal Homefinders Limited	2	UK	100%	Indirect
Phillips Brown Limited	2	UK	100%	Indirect
PKL Group Limited	2	UK	100%	Indirect
PKL Limited	2	UK	100%	Indirect
PKL Management Limited	2	UK	100%	Indirect
Plaza Letting Agents Limited	2	UK	100%	Indirect
Poolman Harlow Limited	2	UK	100%	Indirect
Portfolio Letting Agents & Consultants Ltd	6	UK	100%	Indirect
Potteries Property Services Limited	2	UK	100%	Indirect
Preston Bennett Holdings Limited	2	UK	100%	Indirect
Preston Bennett Limited	2	UK	100%	Indirect
Property Management (North East) Limited	2	UK	100%	Indirect
Propertywide Limited	1	UK	100%	Indirect
R.A. Bennett & Partners Ltd	2	UK	100%	Indirect
Regal Lettings and Property Management Kent Limited	2	UK	100%	Indirect
Relocation Solutions Countrywide Limited	2	UK	100%	Indirect
Rentons Estate Agents Limited	1	UK	100%	Indirect
Resi Capital Limited	1	UK	100%	Indirect
Resi Capital Member Limited	1	UK	100%	Indirect
Richard Dolton Limited	2	UK	100%	Indirect
RPT Management Services Plc	2	UK	100%	Indirect
Russells Lettings Limited	2	UK	100%	Indirect
Saville Home Management Limited	2	UK	100%	Indirect
Securemove Property Services 2005 Limited	2	UK	100%	Indirect
Securemove Property Services Limited	2	UK	100%	Indirect
ServPro Limited	1	UK	100%	Indirect
Slater Hogg & Howison Limited	2	UK	100%	Indirect
Slater Hogg Mortgages Limited	5	UK	100%	Indirect

Related undertakings of the Group as at 31 December 2019 continued

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
Snape Lettings Ltd	2	UK	100%	Indirect
Spencers Estate Agents Limited	2	UK	100%	Indirect
Spencers Surveyors Limited	2	UK	100%	Indirect
Sprint Property Acquisitions Ltd	2	UK	100%	Indirect
Statehold Limited	2	UK	100%	Indirect
Stratton Creber Limited	2	UK	100%	Indirect
Sundale Properties Limited	2	UK	100%	Indirect
SurveyingPro.co.uk Limited	2	UK	100%	Indirect
Sutton Kersh Auctions & Sales Ltd	2	UK	100%	Indirect
Sutton Kersh Holdings Ltd	2	UK	100%	Indirect
Tablesign Limited	2	UK	100%	Indirect
Taylors Estate Agents Ltd	2	UK	100%	Indirect
The Butler Club Limited	2	UK	100%	Indirect
The Buy To Let Business Limited	5	UK	51%	Indirect
The Buy To Let Group Limited	5	UK	51%	Indirect
The Flat Managers Limited	2	UK	100%	Indirect
The Good Mortgage Company Ltd	2	UK	100%	Indirect
The Greene Corporation Limited	2	UK	100%	Indirect
The London Residential Agency Limited	2	UK	100%	Indirect
Thomas James Lettings Limited	2	UK	100%	Indirect
Thomson & Moulton Limited	2	UK	100%	Indirect
Tingleys Lettings Limited	2	UK	100%	Indirect
TitleAbsolute Limited	15	UK	100%	Indirect
TM Group (UK) Limited	16	UK	33%	Indirect
Town & County Residential Limited	2	UK	100%	Indirect
Tucker Gardner Residential Limited	2	UK	100%	Indirect
Umberman Limited	2	UK	100%	Indirect
United Surveyors Limited	2	UK	100%	Indirect
Vanet Property Asset Management Limited	2	UK	100%	Indirect
Waferprime Limited	2	UK	100%	Indirect
Wallhead Gray & Coates	2	UK	100%	Indirect
Watson Bull & Porter Limited	2	UK	100%	Indirect
Westcountry Property Auctions Limited	1	UK	100%	Indirect
Wilson Peacock Estate Agents Limited	2	UK	100%	Indirect
Woods Block Management Limited	7	UK	100%	Indirect
WSB Property Management Limited	2	UK	100%	Indirect
Wyse Lettings Limited	2	UK	100%	Indirect
Young & Butt Limited	2	UK	100%	Indirect
Young Lettings Limited	2	UK	100%	Indirect

Appendix continued

Registered offices:

1. Greenwood House, 1st Floor, 91-99 New London Road, Chelmsford, Essex, CM2 0PP
2. 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT, United Kingdom
3. 5th Floor, United Kingdom House, 180 Oxford Street, London, W1D 1NN, United Kingdom
4. 17 Duke Street, Chelmsford, Essex, CM1 1HP, United Kingdom
5. 6 Caldecotte Lake Business Park, Caldecotte Lake Drive, Caldecotte, Milton Keynes, Buckinghamshire, MK7 8JT, United Kingdom
6. c/o Countrywide Lettings Ltd, 71 Candleriggs, Glasgow, Lanarkshire, G1 1NP, United Kingdom
7. North Point, Stafford Drive, Battlefield Enterprise Park, Shrewsbury, SY1 3BF, United Kingdom
8. The Capitol Building, Oldbury, Bracknell, RG12 8FZ, United Kingdom
9. Lee House, 90 Great Bridgewater Street, Manchester, M1 5RR, United Kingdom
10. Unit 1001B, 10th Floor, Kinwick Center, 32 Hollywood Road, Central, Hong Kong
11. F-509, 5th Floor, Ashish Corporate Tower, Plot No. 18, Karkardooma Community Centre, New Delhi, India
12. Suite 3.7, 3rd Floor, Standard Buildings, 94 Hope Street, Glasgow, G2 6PH, United Kingdom
13. Suite 2A, St Davids Court, Union Street, Wolverhampton, WV1 3JE, United Kingdom
14. Roddis House, 4th Floor, 4-12 Old Christchurch Road, Bournemouth, Dorset, BH1 1LG, United Kingdom
15. Churchgate House, 2nd Floor, 56 Oxford Street, Manchester, M1 6EU, United Kingdom
16. 1200 Delta Business Park, Swindon, Wiltshire, SN5 7XZ, United Kingdom
17. Sixth Floor, 150 Cheapside, London, EC2V 6ET, United Kingdom
18. 15 Atholl Crescent, Edinburgh, EH3 8HA, United Kingdom
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21. 48 Elizabeth Street, London, SW1W 9PA, United Kingdom

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Gareth Williams

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Beckenham
Kent BR3 4TU

Corporate advisors

Independent auditors
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Bankers
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HSBC Bank plc
Abbey National Treasury Services plc
Barclays Bank plc
AIB Group (UK) plc

Brokers
Jefferies Hoare Govett

Barclays Bank plc, acting through its investment bank

Solicitors
Slaughter and May

*Shareholder enquiries

The Company's registrar is Link 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.

Link Asset Services is a trading name of Link Market Services Limited.

Link shareholder helpline:

0371 664 0300	Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales

Email: enquiries@linkgroup.co.uk

Share portal: www.countrywide-shares.co.uk

Shareholders are able to manage their shareholding online and facilities include electronic communications, account enquiries, amendment of address and dividend mandate instructions.

Forward-looking statements

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 macroeconomic 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.

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