Your trusted property partner

COUNTRYWIDE PLC ANNUAL REPORT 2013

Trusted
Integrated
Growing

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

Countrywide offers a comprehensive range of property-related solutions to local markets across the UK through an extensive high street branch network.

These branches include some of the UK's best known brands such as: Hamptons International, John D Wood & Co., Bairstow Eves and Bridgfords.

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

1,344
estate agency and lettings offices

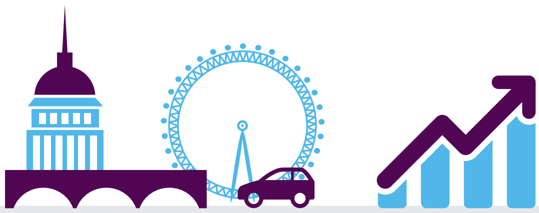
46
local high street brands

26
commercial offices

Read about our strengths and how they set us apart on p12

Learn more about our service offering on p4

See how we plan to grow further in the next two years on p14



Introduction

Strategic report

Corporate governance

Financials

Shareholder information

Sign up for email alerts to keep up-to-date on investor information at **www.countrywide.co.uk**

Chairman's statement

Delivering results, developing innovative products, and capitalising on our unique proposition

2013 has been a seminal year for Countrywide: the housing market recovery is underway, increasing business activity across the Group; the successful IPO in March and subsequent debt repayment; and £50.4 million has been invested in strategic acquisitions, strengthening our services and geographical footprint. I am therefore delighted to report a positive set of results for 2013. Total income increased by 11% to £584.8 million and EBITDA increased by 37% to £86.6 million, which is reflected in adjusted earnings per share of 24.4 pence.

On the basis of these results, the Board has recommended a final dividend of 6.0 pence (net) per share, giving a total 2013 dividend of 8.0 pence (net) per share. Subject to approval at the AGM, to be held on 30 April 2014, the dividend will be paid on 7 May 2014 to shareholders on the register at 28 March 2014.

Capital structure

After an absence of six years, Countrywide was re-listed on the London Stock Exchange raising £220 million in new share capital. At the same time we secured a new £100 million banking facility with a syndicate of six banks. These funds were used to redeem the £250 million of 10% fixed interest debt in May. No shares were sold at IPO by directors or our three sponsors, who retained their interests in the shares post floatation. Subsequently, Apollo and Alchemy divested their holdings in full. Oaktree sold 9.3% of their 36.9% holding and remain as the largest single investor with a 27.6% holding, with management holding 4.3%, and the remaining 68.1% of shares being freely traded and held largely by an encouragingly broad range of long term institutional investors.

Net debt (excluding finance leases) at the year end was £37.7 million (2012: £203.2 million) and the Group had a further £25.0 million in undrawn facilities.

In February 2014 we increased our banking facilities by £50 million and at the same time reduced the margin we pay. The additional funds will be used to invest in further strategic opportunities when appropriate.

Board update

As the Company moved towards IPO, Robert Davies, Sandra Turner and Neville Richardson were appointed as the initial independent non-executive directors. Cathy Turner and I were appointed shortly after the IPO to complement the Board composition and to achieve Code compliance. Unforeseen circumstances led to the early resignations of Robert Davies and Neville Richardson and the Board will be looking to make further appointments in the first half of 2014 to fill the vacancies this created. Following the disposal by Apollo-Affiliated Fund of part of their respective shareholdings in the Company, their aggregate shareholdings were reduced and to reflect the reduced size of their shareholding, Sanjay Patel, the director of the Company appointed by them stepped down with immediate effect in August 2013. In addition, CEO Grenville Turner has indicated his desire to step down as CEO during the course of 2014. A search for his successor, both from within and outside the Company, has therefore been initiated. Given his extensive and unparalleled experience in the sector, the Board has asked him to take over as non-executive Chairman and Grenville has agreed to do so once a new CEO is in place. I will then become Deputy Chairman and Senior Independent Director. The decision to appoint Grenville as Chairman has been discussed with a number of the Company's major shareholders, as was the Board's desire to maintain the continuity and success of the senior management team that has overseen Countrywide's successful return to the public markets. The Board is continuing to make progress in appointing two new independent directors to return to full code compliance and further announcements will be made in due course.

Markets

As we noted in our January 2014 Trading Update, the recovery of the housing market is still at an early stage. The key to a lasting recovery is assisting first time buyers and the general housing market outside of London and the South East. We remain supportive of the Government's policies to achieve this and are wary of London centric market commentators' views that the whole UK housing market is overheated. As we comment elsewhere in this report, Help to Buy seems to be addressing the

Highlights of our year

Significant financial progress through the year as the recovery within the housing market broadens

Government's intended audience. Nevertheless there remains a significant imbalance between supply and demand for housing stock in the South East and Government and Local Authority policies will remain important in helping to bring these forces into a better sense of balance.

Outlook

The positive market trends which began in 2013 have continued into 2014. In January 2014, total income for the Group of £50.1 million was the highest ever level recorded for the month of January, and furthermore profitability was at the highest level since January 2007. With more lenders now supporting Help to Buy, macro-economic indicators forecasting growth in the UK economy and consumer confidence indices improving, we fully expect the UK housing recovery to continue and anticipate that we can deliver the highest ever levels of Group profitability in 2014.

Finally, on behalf of the Board, I would like to thank everyone across the Group for their commitment and passion during a year that, whilst being undoubtedly challenging, marks a major step in the transformation of the Group.

David R Watson

David Watson
Interim Chairman
27 February 2014

Read more about how we have performed on **p26**

Operational highlights

- Strong financial result driven by core business augmented by value-creating acquisitions
- Underlying financial momentum across all divisions, with strong conversion of revenue to profit
- Group adjusted EBITDA margin now 15% (2012: 12%): best ever margin 17% in 2006
- Appropriate capital structure in place to maximise future opportunities with bank facilities increased to £150m in February 2014
- Net debt (excluding finance lease obligations) £37.7m (2012: £203.2m) and access to additional funding if required (undrawn £25m revolving credit facility)
- £20m seed capital earmarked for investment in new residential property investment vehicle
- Final dividend proposed of 6.0p (net) per share payable on 7 May 2014 (total dividend 8.0p (net) per share)

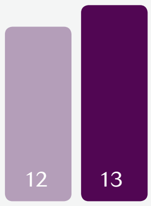
* Restatement arising from adoption of agent, rather than principal, accounting for panel fees (see Note 2 to financial statements) and creation of new London & Premier segment (see note 4): both amendments have £Nil impact on the income statement and balance sheet.

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

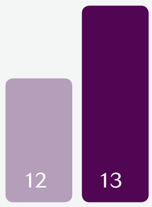
2 Adjusted earnings is calculated on profit for the year before exceptional items, amortisation of acquired intangibles and share-based payments (net of taxation impact).

Financial highlights

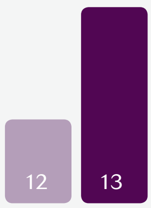
Total income (£m)
584.8
+11%
2012* 524.7



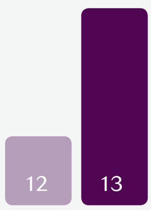
Adjusted EBITDA[1] (£m)
86.6
+37%
2012 63.0



Operating profit (£m)
56.0
+234%
2012 16.8



Adjusted EPS[2] (p)
24.36
+65%
2012 14.77



About Countrywide

A leading and integrated approach to property services

We are the UK's leading provider of integrated property services. Our UK network of local estate agency and lettings brands provide our corporate clients and home movers with a comprehensive range of property-related solutions that meet their needs, delivered with valuable local expertise.

We cover all areas of the property market

- Surveying
- Conveyancing
- Asset management
- Land & New Homes
- Estate Agency
- Mortgages and insurance
- Lettings
- Financial Services
- Commercial

Read more about our services
www.countrywide.co.uk

Our business divisions

We operate through seven complementary divisions and, through the breadth of our product offerings and effective cross-referral between these divisions, seek to provide integrated property solutions to both corporate clients and residential customers. We can service all stages of residential property sale or rental, from listing to completion or letting.

Estate Agency

As the UK's largest estate agency regional network, we are accessible to all UK home movers and operate regional property auctioneers using our local knowledge. Land & New Homes (L&NH) offers local, regional and national developers improved access to land and sales introductions.

Read more on p16

London & Premier

Offering tailored services to buyers investing in prime real estate, primarily in London and the South East, we offer estate agency and lettings services through prestige brands. Our Residential Development and Investment (RDI) team offers developers access to targeted introductions.

Read more on p18

Lettings

In addition to our national Lettings branch network, we offer estate management services to provide block management and multiple units on behalf of corporate clients. Other specialist services include leasehold and commercial management and emergency or executive relocation services.

Read more on p20

Financial Services

Our Financial Services division includes the UK's largest single mortgage brokerage, with over 600 consultants. Together with our network, Mortgage Intelligence, we offer expert advice on life and general insurance along with access to quality financial products.

Read more on p22

Surveying Services

Countrywide Surveying Services (CSS) is one of the leading suppliers of valuation panel management services, residential valuations and surveys in the UK. We panel manage and undertake valuations for the UK's mortgage lenders.

Read more on p23

Conveyancing Services

Countrywide Conveyancing Services (CCS) provides legal conveyancing services to our clients, focusing on accessibility and quality of service.

Read more on p24

Lambert Smith Hampton

Providing commercial consultancy at every stage of the property development cycle, our services include: acquisitions, disposals and lettings; lease advisory; legal support; planning and development consultancy; property management; and valuation services.

Read more on p25

Chief executive's review

An encouraging performance

I am proud to say that 2013 has been a momentous year, in which we successfully returned to the public market and delivered strong financial results driven by our core business and augmented by value creating acquisitions.

In addition, the early stages of the market recovery evident in 2013 have also provided the platform for growth across our business. The recovery will also generate increased competition with new entrants to the market, but our management team remain focused on delivering optimal results and innovating to continue to ensure the business is dynamic and productive.

Over the past six years, the management team has worked together through a sustained period of difficulty in the property market, to transform Countrywide into a leaner and more efficient organisation with a greater proportion of sustainable revenue. The successful completion of the IPO in March was testament to the fact that investors recognised this transformation. Post IPO, the significantly reduced capital gearing provides a solid basis for further investment in strategic opportunities.

Government backed initiatives announced in Q1 2013 have supported the recovery in the housing market. The Help to Buy and Funding for Lending schemes have incentivised lenders to increase the availability of higher loan to value mortgages. These initiatives have contributed to the increase in the number of first time buyers and new build purchasers who are both seen as key drivers of the housing market recovery.

Building a business in a rising market can often be as difficult as managing through a recession. Maintaining cost control discipline has to remain a focus as we seek to capitalise on volume growth. While we removed a significant amount of cost over the past six years, some of those costs have returned, for example commissions, but we recognise that headcount, together with marketing expenditure, will need to increase if we are to maintain service levels and protect and develop market share in a sustainably rising market.

We remain focused on executing our strategy for market leadership and profitable growth across each of our divisions, creating opportunities to provide more complementary service offerings across all target markets. This will be underpinned by continued investment in those areas that support scalable and efficient delivery of service to customers.

Having dealt with several years of professional indemnity claims and significant exceptional charges to the income statement, we are confident that we have passed the worst. As we anticipated, the number of claims received in 2013 fell significantly and average losses were in line with expectation. Therefore, barring any unexpected change in trends, we believe that amounts previously provided are sufficient to meet our liabilities.

Customers

Our customers are at the heart of the services we provide and our focus on them ensures our products and services both meet and exceed their expectations. I am delighted to announce that we have retained key commercial contracts and entered into two significant corporate relationships. Additionally, for the fifth year in a row our customers have voted for us to win the coveted Gold prize for Best Large Chain – National Category, at the Estate & Letting Agent Awards (ESTAs). The ESTAs recognise and reward high standards of customer service and are unique in being the only awards in the industry to be based purely on the votes of vendors and buyers. Our own customer feedback surveys confirm that nine out of ten Hamptons International customers would use us again and nine out of ten of our conveyancing customers would recommend us to family and friends. However, we must not nor would we be complacent about our success. We are reinforcing this focus on customer service being at the heart of our operations through our internal 'Hearts & Minds' programme for Estate Agency employees. This programme is a peer to peer initiative and the themes for the programme include language, positive first responses and massive action for massive results.

Employees

The dedication and hard work demonstrated by our employees is key to the success of Countrywide. Developing the current teams and future employees is central to our strategy for market leadership and profitable growth across each of our divisions. I am pleased to report that we have around 200 graduates, apprentices and trainees throughout our Estate Agency, Lettings, Surveying and Conveyancing divisions. As CEO I am always keen to hear how our employees feel about Countrywide. With that in mind we engaged an independent consultancy to run our first confidential employee engagement survey. The results have been analysed and my executive team will be focused on addressing the key themes from the feedback.

IT transformation

We are now two thirds of the way through our IT transformation with a significant investment programme in new hardware and systems. We are working with our strategic partner, CGI, to complete the transformation and roll out in 2014 giving the Group a robust infrastructure to recognise benefits from 2015 onwards.

Strategic investment

Growth continues with the acquisition of 28 Lettings businesses in 2013 including Portfolio Lettings, Avon Lettings, Knights of Bath and

> I am proud to say that 2013 has been a momentous year, in which we successfully returned to the public market and delivered strong financial results as a plc.

Flats in Leeds. In addition, the acquisition of Lambert Smith Hampton (LSH) gives us a significant foothold in the commercial property market, driving more opportunities to our teams operating our core Land & New Homes, and Residential Development & Investment businesses as well as extending our relationship with key corporate partners.

We are committed to a targeted acquisition programme and already in 2014 we have invested £15.1 million in 6 businesses, including Tucker Gardner Residential, Curtis and Bains and Preston Bennett Holdings.

We are pleased to announce that we have also spent £7 million acquiring our first rental property investment. In comparison to other countries, investment by financial institutions in UK residential property has been relatively limited. With market conditions improving and the UK Government encouraging investment in residential property, that situation is changing. As the market leader in UK residential property services, we believe Countrywide is uniquely placed to play a major role in the growth of this developing sector through providing access to unparalleled market insight and a service platform to operate at scale across the UK. We are currently exploring options to partner with institutional investors or a fund manager to establish a large residential property investment vehicle with a target size of £1 billion invested over the next five years. We have committed £20 million of our own capital to the project to acquire a seed portfolio and a future pipeline of suitable, privately rented, residential assets.

Award winning performance

We have had another year of award winning performances with the Group and divisions winning 20 awards this year, which makes 152 awards won since 2008. These fantastic achievements are testimony to the hard work and dedication of all our employees.

Grenville Turner

Grenville Turner
Chief executive officer
27 February 2014

The Group's strategy

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

1 **Building on our physical and online distribution capability**
in order to optimise market share and maximise profitability while ensuring that our cost base remains flexible

2 **Providing our customers with market-leading products and services**
designed to meet their expectations and optimising profitability for the Group

3 **Recruiting, developing and retaining**
the most dynamic, talented and professional people in the industry

4 **Ensuring our people have access**
to a reliable, economic and scalable infrastructure enabling delivery of shared services to support all Group businesses

Read more about our strategy on **p14**

Our markets in depth

2013: A year of rebalancing

Volumes of house sales have risen an estimated 13% during 2013 across the UK to reach the highest level since late 2007. Rising sales have been matched by rising prices across some areas of the country with the Land Registry reporting prices in England up by 4.4%, while in London prices rose 11.2%. However, excluding London, average prices rose just 1.9% across the rest of England, well below the rate of inflation.

During the recent recession the London housing market suffered less than the rest of the UK. In London house prices are rising quickly and are now 15.7% higher than in December 2007, being the only region to recover to 2007 levels. However, London only accounts for 12-13% of market transactions and house prices across the rest of the UK are still below levels reached in 2007. In areas of the Midlands and the North a substantial proportion of properties bought between six and eight years ago are still worth less than buyers paid. House price growth is spreading from the South East increasing the equity of homeowners in parts of the Midlands, and reducing significantly the number of households in negative equity.

Where households have seen their financial circumstances improve over the year and find themselves recently out of negative equity, rising house prices alongside the mortgage repayments will have provided a deposit for those households looking to move. Larger towns and cities outside London, where house prices fell furthest after 2007, saw transaction levels grow particularly quickly during 2013. In Leicester, Cardiff, Liverpool and Manchester, transactions grew at rates above the UK average.

2013 can be summarised as a year of rebalancing in the housing market. Between 2008 and 2012 transaction levels in London and the South East rebounded more strongly than those in the North. Transaction volumes in a number of Central and West London Boroughs are back at 70-80% of pre-crash levels. 2013 was the year that the rest of the UK began to catch up. While transaction levels have grown across the whole country, the Midlands, North and Scotland saw the fastest growth. In many cases this has been driven by households finding themselves financially in a position to move for the first time in five or six years.

There is a risk that the recovery in the UK housing market is weakened as London-centric commentators raise the fear of a house price bubble stimulating a change of policy by the Bank of England or Government. The UK housing market is a key driver of the UK economy. House purchases are often the trigger for consumer purchases (white goods, furniture, DIY, etc.) therefore we need to retain a balanced perspective on the housing market in order that a steady and broad recovery is sustained through 2014 and beyond.

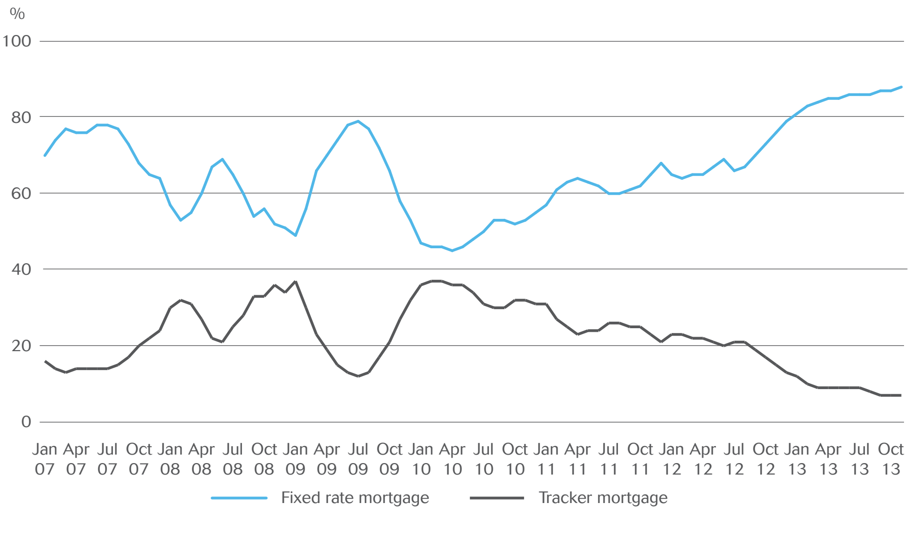
While national transaction volumes increased by 13%, exchanges through our core Estate Agency branches grew by 8%. Excluding the impact of a significant drop in the repossessions market, our underlying volumes rose by 12% which compares to the market growth in houses valued below £250,000 (our core market) of 9%.

Exchanges in our London & Premier division grew by 15%, comparing favourable with increased transactions in London as reported by the Land Registry.

As consumer confidence returns, financial institutions are lending more money and offering increasingly competitive products. Mortgage lending increased in 2013 both for new house purchase (+20.0%) and remortgages (+15.5%.) 2013 saw a substantial increase in mortgage lending to existing homeowners, but it has been the growth in lending to first-time buyers which has been particularly notable. Lending to first-time buyers increased by 40% to reach the highest level since Q4 2007. Comparatively, lending to existing homeowners rose by 19%.

While the Bank of England base rate has remained at 0.5%, throughout 2013 the expectation of a rate rise in 2014 or 2015 has begun to grow. 2013 also saw a record number of borrowers opt for a fixed rate mortgage. 95% of all mortgages in 2013 brokered through Countrywide plc were on fixed rate basis. This compared to 87% in 2012, while prior to 2007 fixed rate products accounted for a steady 75-80% of the market.

Mortgage lending



> Countrywide's core divisions are all related to the UK housing market. After several years of sluggish transaction volumes in the UK, 2013 saw buyers and sellers return to the market in increasing numbers.

With unemployment edging towards 7%, the threshold at which the Bank of England initially said it would consider raising interest rates, borrowers are increasingly judging the premium they pay for security against a rate rise to be good value.

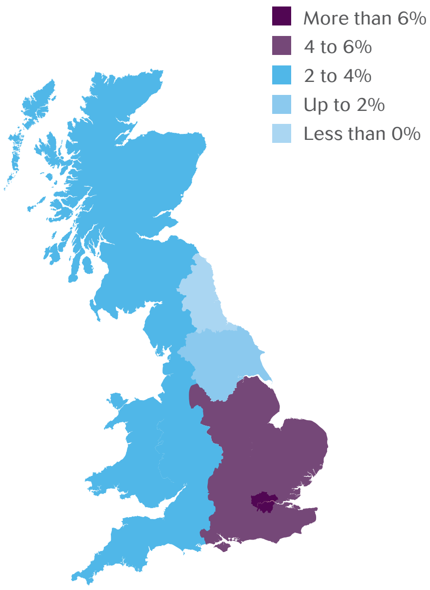
The 'Help to Buy' mortgage guarantee has received lots of attention and ill-informed speculation that it is driving the house price boom. However, putting the scheme in perspective, Q3 2013 volumes only accounted for 2.2% of mortgage approvals. Furthermore, the volume of applicants in London was only 5.5% of all 'Help To Buy' mortgages. Nevertheless the scheme is supporting consumer confidence and assisting first-time buyers and house purchasers in lower value areas.

Even though housing market transactions are increasing, demand for rental property remains strong, particularly across the North of England where rentals and rents grew most in 2013. Outer areas of London proved to be the exception to the rule in the South with average rents rising 3.4% in line with increases seen across Scotland and Northern England. 2013 also saw wages and rents grow at the closest rate for four years. Average rents grew 2.0% across the UK while full time earnings rose 1.9%. Across parts of the South East, South West and Midlands wages increased twice as quickly as rents.

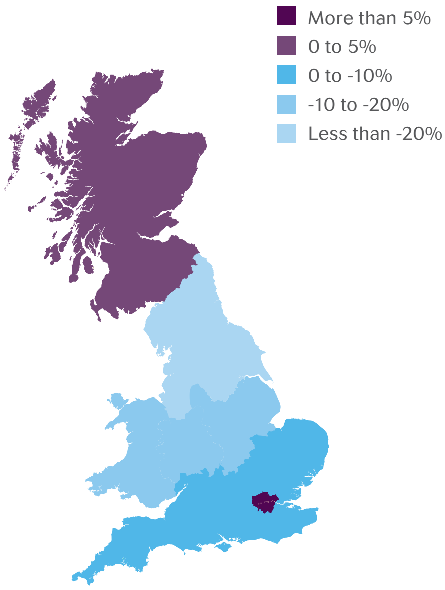
With job creation beginning to take hold outside London and the South East, demand in the rental market in 2013 has been driven by those finding new employment. In the last twelve months the number of people in employment grew 1.1% across London and the South East. However, this was surpassed by growth of 1.8% across the North. Growth in rents has been a product of an improving employment situation, with workers starting new jobs in another city or country looking for accommodation.

The continuing strength of the Lettings market underpins our strategy to increase our penetration. During 2013 we acquired 28 lettings businesses and plan continued investment in 2014.

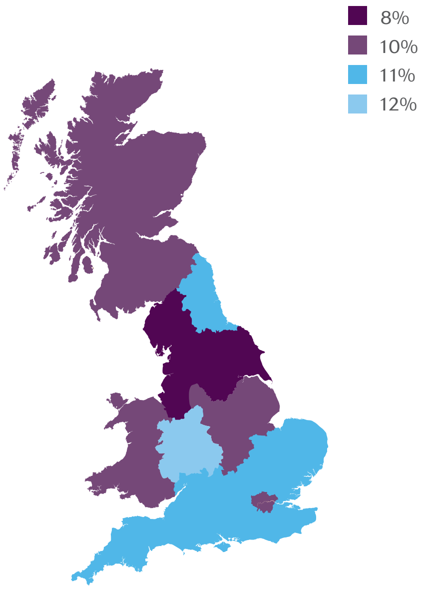
Changes in house prices 2013



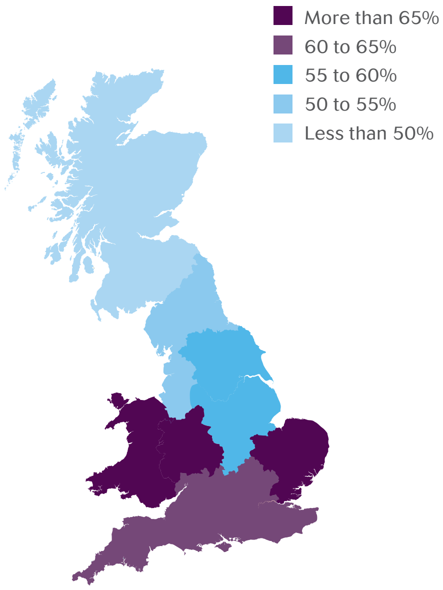
Changes in house prices since 2007



Transaction growth 2013



Transactions as percentage of 2007 Peak



Our business model

Built on solid foundations

We create value from a scalable, diversified and risk-mitigated business with significant recurring revenue streams which capitalise on our integrated services and product offering. We aim to create continuous relationships with our clients while maximising value from each transaction.

Utilising our integrated services for the benefit of our clients

Complementary products

Our B2C clients including vendors, purchasers and landlords access our complementary suite of services through our branches. We optimise revenue streams through appropriate cross-divisional referral of services. We underpin our products with a client focused approach to service

Strategic partnerships

Our B2B clients including financial institutions and national developers benefit from our scale and view our extensive network as an attractive route to market for their products. In return, we have access to exclusive deals and competitive rates; a mutually beneficial arrangement for all partners

Capitalising on our distribution channels and product offering

Branches

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

Brands

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

Online

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

Optimising our resources

People

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

Market insight and leadership

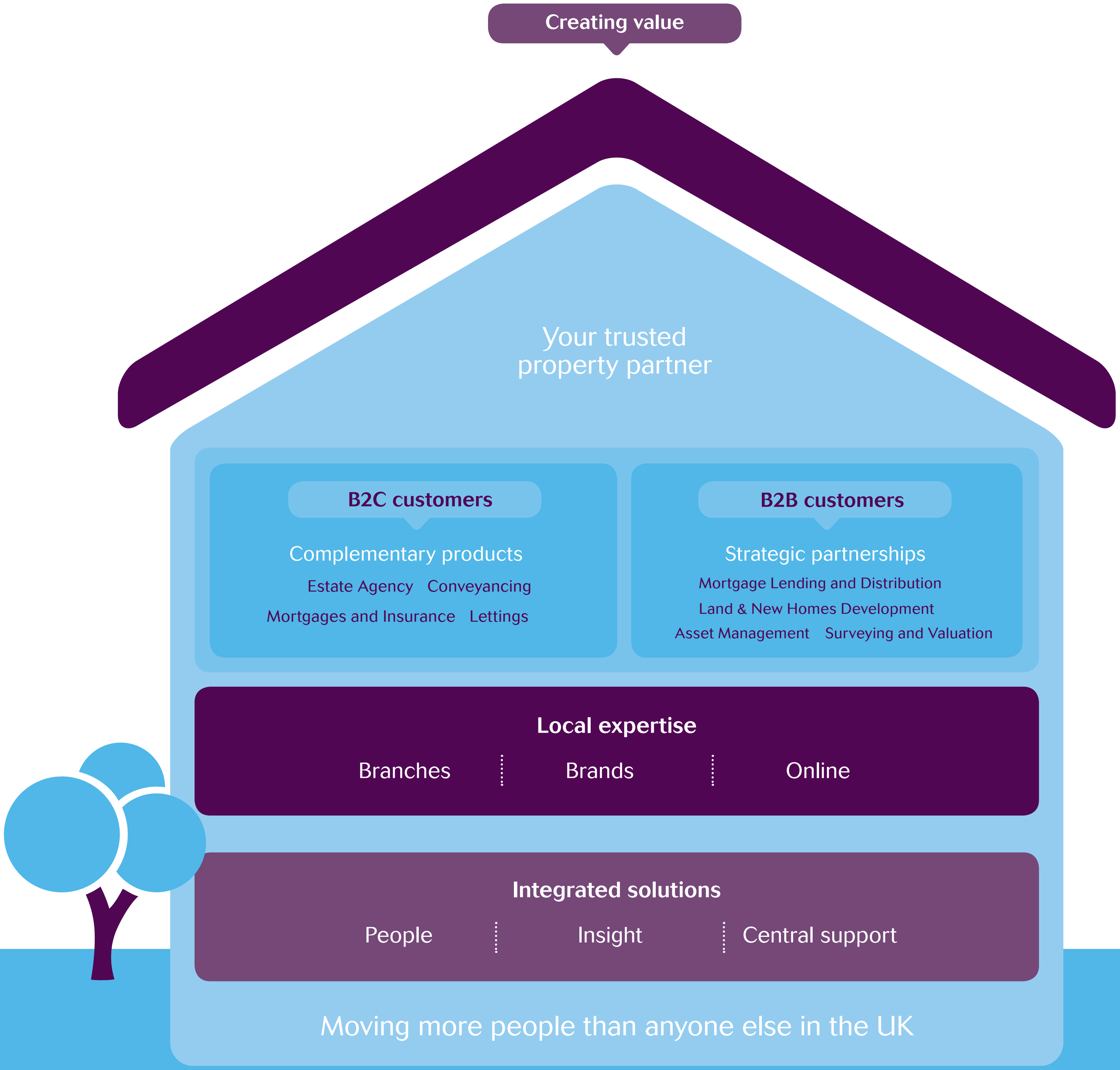
Access to and analysis of data leads to the development of products and services to meet our clients' needs and provides a basis for commentary on the market

Centralised support services

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

What makes us different?

Quality, full service provision creating continuous customer relationships while optimising value from each transaction.



What sets us apart

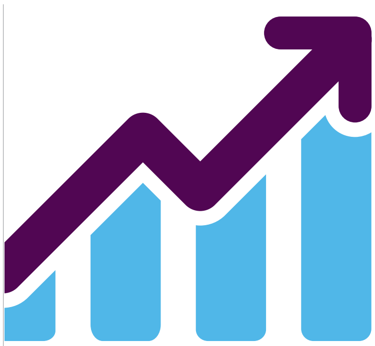
Multi-brand approach and national representation

Scale and coverage

Local expertise connected to national presence and leverage

We operate across the UK residential property market and focus on having the right brand in the right location to target customers across all price bands. Our depth and breadth of coverage allow faster response to changing market dynamics. Our scale provides us with significant leverage to negotiate exclusive product arrangements with providers and reduce costs on procurement.

- We have a national network comprising 804 Estate Agency branches, 126 London & Premier branches and 414 Lettings branches
- Our 46 core brands range from local or national market presence to internationally recognised brands such as Hamptons International, John D Wood & Co., Bairstow Eves and Bridgfords



Strong growth

Achieved by organic growth and targeted acquisitions

We have developed significant experience in acquiring businesses and a proven track record in identifying acquisitions for their strong strategic fit and ability to address gaps in market coverage, whilst also delivering accelerated profit growth by achieving higher returns in our existing businesses.

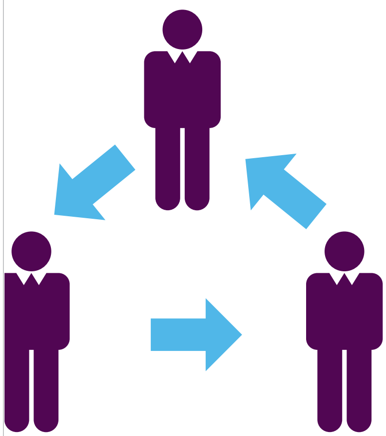
- Continued expansion of lettings network through 28 acquisitions during 2013 and pipeline for 2014
- Acquisition of Lambert Smith Hampton to build commercial property expertise

Experienced management team

Delivering transformation and innovation

Our success is built around recruiting, incentivising and retaining talented managers drawn both from within the Group and from leading businesses in related sectors. Delayering the management structure ensures the senior team remain close to customers and colleagues.

- Integrated functions allow recruitment of specialists who are delivering transformational initiatives
- Proactive focus on development, succession planning and broadening experience of senior management



> Our multi-brand approach and national representation are supported by scalable infrastructure and expertise designed to deliver complementary property services to both retail customers and corporate clients.

Leading technology

Ongoing investment in technology and remote solutions

We continue to invest significantly in technology to implement innovation in a cost effective way. Transformational infrastructure initiatives delivered through our partnership with CGI are the backdrop to internal projects such as the creation of online training systems or continued evolution of real-time management information.

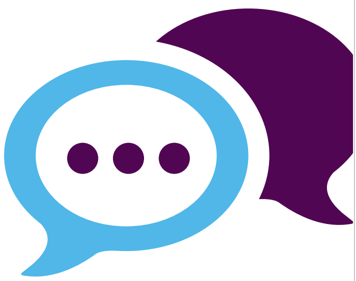
- Pioneering use of tablet technology for 'door step' sign-off of valuation reports and during market appraisals
- Focused online development ensures highest proportion of leads are now generated by our own websites

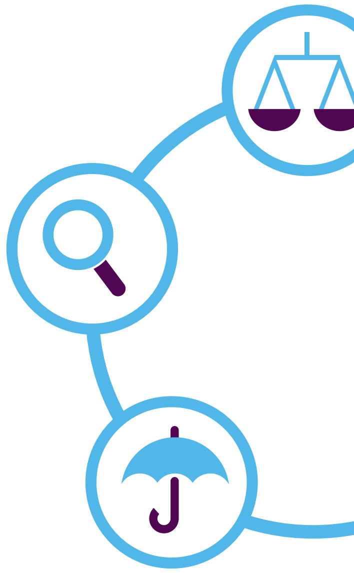
Strong relationships

Trusted partner to customers and corporates

Buying a property is the most expensive transaction most people ever undertake. Our integrated offering and customer-centric approach help us create more enduring relationships with our customers than is typical in the housing market where one-off transactions are more common. Our approach and integrity also ensures that we win and keep strategic partnerships with key corporate customers and partners.

- 9% increase to £73.6 million in value generated from our corporate partner relationships





Integrated solutions

Optimising revenue streams

We offer complementary services from across divisions including mortgages, insurance, surveying, lettings and legal services to our customers or landlords, increasing penetration and loyalty. Our integrated approach and expansion into activity such as the London prime, lettings and financial services markets, provide less sensitivity to housing transactions volumes.

- We generate revenue through inter-divisional leads and referrals, with cross sales running at 54% in 2013
- The acquisition of LSH allows us to leverage their commercial experience in mixed-use developments and cross-refer activity to L&NH and the core Estate Agency business

Our strategic objectives

Transforming our business

The directors believe that the significant investment that has been made while in private ownership has strongly positioned the Group for future growth across all its core markets.

Our strategic objectives for the three years 2014 to 2016 are as follows:

1 Distribution channels

Building on our physical and online distribution capability in order to optimise market share.

Over the past five years we have invested significantly in Lettings businesses through acquisitions and the new starts programme to build a stable, scalable business with sustainable revenue streams, other major acquisitions include the purchase of Hamptons International (2010) and Lambert Smith Hampton (2013). Additionally, we have increased our influence in the financial intermediary market with the acquisition of independent financial advisor networks. We augment the branch network through targeted purchases.

Marketing is a key area for us and we are consolidating the marketing resource recognising the B2B and B2C marketing teams. We are evolving our online solutions for Group products and services.

Performance in 2013

- 28 Lettings acquisitions strengthen our share of the lettings market
- Marketing strategy and planning was centralised at the beginning of 2013 and marketing costs as a percentage of revenue decreased by 8%
- Surveying Services secured major contracts, strengthening its position in the market

Going forward

- Continue targeted strategic acquisitions. £20 million has been set aside by the Board
- Develop a residential property investment vehicle. £20 million seed capital has been approved
- Continue to develop the Lettings' New Starts programme

Branches (Estate Agency and Lettings) (number)

1,344

+3.3%

2013	1,344
2012	1,301

2 Products and services

Providing customers with market-leading products and services designed to meet their expectations.

Tailoring our products and services to our local customers is key to meeting their needs. Recognising this, we created the London & Premier division which enables management to focus on the London and high net worth clients, sharing skills and market knowledge.

With the shortage of new housing in the UK being a key issue facing the country, over the past two years we have built a strong Land & New Homes team to service and advise developers and house builders. Acquiring Lambert Smith Hampton enhances ability to offer the complete residential and commercial package.

Performance in 2013

- Land & New Homes sales increased 30% in 2013
- Sales by Capital Private Finance, the specialist IFA set up in 2011 to offer Hamptons' clients financial services products, grew 44% to £1.5 million in 2013
- Acquisition of Lambert Smith Hampton in October 2013 in order to expand our commercial property offering

Going forward

- Continue focus on referrals to drive additional revenue
- Build the combined Countrywide and Lambert Smith Hampton land development offer
- Developing products with strategic partners aimed at specific market sectors, e.g. first-time buyers

Core Estate Agency penetration of house exchanges (%)

Mortgages		Conveyances	
2013	58	2013	51
2012	60	2012	50

3 People

Recruiting, developing and retaining the most dynamic, talented and professional people in the industry.

Our employees are our key resource. We are a people business and high levels of customer service are delivered by a motivated and talented team. Common to the industry we face high levels of employee turnover, reducing attrition levels will improve profits, efficiency and service standards.

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

Performance in 2013

- Engaged with all employees through first employee engagement survey 'MyCountrywide' and launched Inside Countrywide, employee magazine
- Introduced graduate and apprenticeship training programmes to develop our future professional teams. 90 graduate surveyors and 20 trainees lawyers
- Launched the first all employee share incentive plan in five years

Going forward

- Build on the key themes arising from MyCountrywide
- Improve the recruitment process and reduce attrition rates through new induction training and 'on-boarding' framework
- Roll out HR engagement and reporting systems

Employee turnover (%)

36

-12.2%

2013	36
2012	41

4 Infrastructure

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

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

Underpinning this strategy is the enormous task of transforming our IT Infrastructure, which evolved over the years through bolt on acquisitions and local development. We are now two-thirds of the way through our transformation programme.

Performance in 2013

- The centralised Estate Agency support centre in Cheadle became fully operational in early 2013, increasing standardisation, quality control and audit and co-ordinating newspaper advertising
- Centralisation of branch re-fit teams reduces cost, maintains standard and consistency of branch refurbishment
- Mobile technology implemented in Surveying Services

Going forward

- Complete the development of the IT infrastructure and roll out across the Group
- Plan, develop and begin to implement a Group-wide finance system to reduce waste, increase visibility and provide a platform for synergistic savings

Fixed cost ratio (%)

63

-4.5%

2013	63
2012	66

Segmental review

Estate Agency

804 branches throughout the UK

The Estate Agency division is the UK's largest by market share, with 804 branches operating nationwide from Penzance to Stirling. As well as estate agency services, it plays a key role in driving revenue of the other Countrywide divisions.

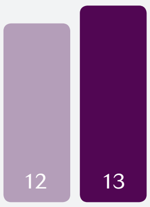
KPIs

Total income (£m)

193.0

+5%

2013	193.0
2012	184.6

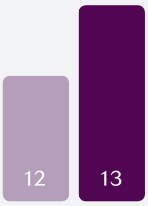


EBITDA (£m)

16.1

+56%

2013	16.1
2012	10.3

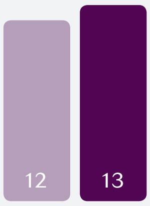


House exchanges (number)

59,471

+9%

2013	59,471
2012	54,828

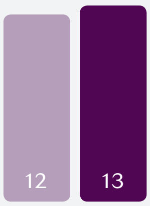


Average house price

186,100

+5%

2013	186,100
2012	177,600



Highlights

- **EBITDA growth 56%**
- **Year-end pipeline 25% higher**
- **5% increase in average house prices**
- **Unprecedented growth in our award winning Land & New Homes business**
- **Significant operational change delivered leading to improved service levels and lower cost base in the future**

Operating review

The Estate Agency division saw a 56% increase in EBITDA to £16.1 million. This was achieved from a higher income figure of £193 million and a cost base largely unchanged from the previous year.

2013 saw an upturn in market volumes with Estate Agency increasing house exchanges by 8% compared to 2012. Market conditions improved gradually throughout the year, helped by improving economic/consumer sentiment, better credit markets, and Government initiatives supporting the UK housing market including 'Help To Buy'.

Relative growth was stronger in the South of the UK, although we saw performance improve across all of our main regions. Availability and competition for new housing stock was the key challenge in the year, with the ratio of sales agreed to new listings at the highest level for some time, averaging 80%.

Of particular significance in 2013 was an improved performance on cross sales to other divisions. The biggest improvements came in introducing vendors and purchasers to the Conveyancing and Surveying divisions. Penetration rates on conveyancing increased by over 8 percentage points in the year.

Significant operational change was achieved in 2013. In October we completed the process of transferring all branch administration support to our new National Sales Support Centre in Cheadle, Greater Manchester. This has delivered quality and process improvements as well as realising significant ongoing cost savings compared to our previous model of branch-based and regionally-based administration. The Centre is also focused on projects that will improve service levels for our customers such as overflow call handing, out of hours operation and complaints handling.

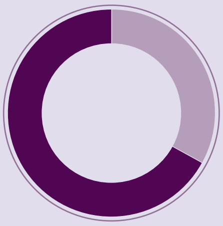
The year was relatively subdued with regards to new branch openings and acquisitions. We continued with our Yorkshire expansion programme, opening new Bridgfords and Blundells branches in West and South Yorkshire respectively, and in contrast to recent years there were few branch closures.

Market challenges

As market conditions improve they also bring challenges for the Estate Agency division; competition for scarce listings is fierce and there is pressure on fees, while an increasing number of new entrants add further competitive pressure.

Asset management

The year was a testing one for our Asset Management business with an estimated 15% decline in the UK repossession market volumes versus 2013. This is the fourth consecutive year of decline in a market where Countrywide has traditionally held a strong market share, thereby having a disproportionate impact on overall market share.



33% **Percentage of Group income**

19% of Group EBITDA

Driver through cross referrals of:

- **14%** of Surveying Services revenue
- **91%** of Financial Services revenue
- **86%** of Conveyancing Services revenue

Land & New Homes

Through strategic investment and positive market sentiment, our Land & New Homes business enjoyed significant revenue growth in 2013, up 18% in the year. While this was helped in part by the 'Help to Buy' scheme, much of the impact of this Government scheme has been seen in increased reservation numbers but has not yet translated into house sales.

The Land & New Homes business topped an impressive year by winning the Sunday Times New Homes agency of the year award for the second successive year.

Overseas investors

2013 saw a record year of activity within London & Premier (L&P) in terms of overseas investment into the UK. Channelled through Hamptons' Hong Kong subsidiary, 170 sales of London properties were made to overseas investors in addition to high levels of interest from overseas buyers through the L&P branch network. Hamptons' Hong Kong subsidiary not only delivered impressive leads and sales to the UK agency business, but generated significant revenues from sales of Malaysian properties to Hong Kong buyers.

Equally important to the division's international strategy is the Hamptons International website which, by mid-2014, will boast over 100,000 international properties on any UK property website. Key associations have been made with estate agents in Spain, Italy, France and the US served by over 5,000 buyer and seller leads from the L&P UK agency network in 2013.

Focus on: Land & New Homes

Building more new homes is a key long term priority for the UK Government. A number of Government initiatives have been introduced with the aim of increasing access to new homes. Countrywide identified the opportunity in the Land & New Homes (L&NH) market in 2011, taking steps to invest significantly in the L&NH business since that time.

- Countrywide is the largest provider of estate agency services for the L&NH sector in the UK
- National and international sales distribution
- Significant growth in 2013 and further growth anticipated in 2014
- Accounted for 6% of house exchanges in the Estate Agency division

Countrywide is the largest provider of Estate Agency services for the L&NH sector in the UK, dealing with 1,500 builder and development clients in the UK.

Building more homes is one of the urgent issues facing the UK Government. This was highlighted by the launch of the 'Help To Buy' Equity Loans scheme in 2013, and other commendable initiatives such as the relaxation of Planning Laws and the Build to Rent fund.

2013 was the second year of a significant investment programme in this important area, with our L&NH business adding 21 new employees in the year and delivering a 34% increase in house exchanges.

L&NH integrates with other Countrywide divisions and employs specialist teams within Conveyancing and Financial Services. The service capability was further enhanced in September with the Group's acquisition of Lambert Smith Hampton, adding significant commercial property expertise to the current residential offering.

Land & New Homes services include:

- Land sourcing
- Planning expertise
- New Homes sales
- Stock and Property Management

Segmental review

London & Premier

The London & Premier division is the foremost UK estate agency business in the over £500,000 residential market by market share and provides a compelling service proposition through a multi-brand strategy.

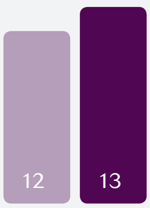
KPIs

Total income (£m)

115.6

+14%

2013	115.6
2012	101.4

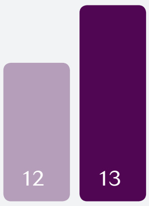


EBITDA (£m)

24.2

+42%

2013	24.2
2012	17.1

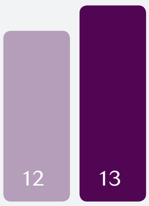


House exchanges (number)

6,338

+14%

2013	6,338
2012	5,544

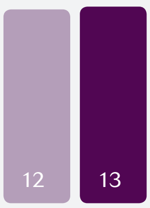


Average house price (£m)

898.5

+1%

2013	898.5
2012	891.0



Highlights

- **The London & Premier (L&P) division was created during 2013 and incorporates a number of key Countrywide brands including Hamptons International, John D Wood & Co. and Faron Sutaria**
- **The division achieved record breaking sales activity levels during 2013**
- **Income of £116 million generated an EBITDA return of £24.2 million, 42% up on 2012**
- **Hamptons International is in the process of creating the largest UK international property website, which should be complete in 2014**

Formation of London & Premier

This new division for Countrywide, consisting of 126 offices, was created by bringing together the brands that operate in the upper price segments of the UK housing market. These brands comprise:

- Hamptons International
- John D Wood & Co.
- Faron Sutaria
- UK Sotheby's International Realty
- Hetheringtons
- Alan de Maid

These brands are geographically centred around London and the South of the UK and operate in their own distinct market segments, ensuring we are present throughout the whole upper middle and top end of the market where appropriate. Hamptons International is the largest of these brands with over 70 offices covering the desired markets spreading from Bristol in the West, across the South and London and north to Oxfordshire.

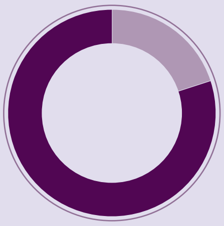
Operating review

Assisted by strategic investment and improving market conditions, the division achieved record levels of income and profitability. The L&P market remains relatively strong in comparison to the broader UK residential market, benefitting from improving financial markets, overseas investment and a lower reliance on credit to drive transaction levels.

Several new offices were opened in 2013 including Sevenoaks, Amersham, South Woodford and Canary Wharf. All are developing in line with their business plans. In addition, offices opened in recent years such as Ealing, Battersea, Balham, Southfields and Canford Cliffs, are making a growing contribution.

The formation of L&P as a new division allows us to share best practice among the brands and extract synergies by leveraging our infrastructure in areas such as IT, HR, marketing and finance. For example, our London Contact Centre, which provides support to Hamptons International in driving activity levels and handling overflow calls, has been expanded to include Faron Sutaria and further growth is planned in 2014 allowing more branches to benefit.

As we enter 2014 there continues to be a positive sentiment within the L&P markets and the division will continue to identify new office openings organically and selected acquisitions that are accretive.



20% **Percentage of Group income**

- **28%** of Group's total EBITDA

Sales

The L&P market has been characterised by strong levels of demand but a lack of supply, especially in Central London. New instructions have been difficult to win with the market suffering from a lack of available properties to sell and frustrated purchasers unable to find a property to move to. Due to these supply constraints, prime Central London has seen record property prices achieved over the course of the last year.

The lack of property has had the knock on effect of high levels of activity and greatest growth in the surrounding areas such as London Zone 2, as people move from Central London, trading a similar priced property for a much larger home. This ripple effect has continued into the locations outside London, benefitting Hamptons International, Alan de Maid and Hetheringtons, assisted by more favourable credit markets. Across L&P, sales activity levels were at record breaking levels with the conversion of instructions into exchanges at the highest level recorded.

Lettings

Hamptons' lettings in London remains strong, although there was a slow down in the outer London and country offices. Correct pricing, superior specification and presentation has been the key to attracting the best tenants this year. Value for money has been vitally important as tenants happily move if they can find a more reasonably priced home, potentially leaving landlords with an empty property.

We expect rental pricing growth across the UK to remain subdued as the sales market recovers and a number of tenants become homeowners. This will be most keenly felt in the regions where renting has become expensive compared to owning.

Overall we have grown the number of managed units by 7% in 2013 and have seen a growth in our market share.

Residential Development and Investment

The Residential Development and Investment business of Hamptons International had a busy and successful year in terms of new instructions and pitched for new business and expanding the client network across all of our regions.

In Hong Kong, the Hamptons International's Asia sales team had a very good year with over 118 units sold across three developments in the last two months of 2013 alone.

The rising prices should encourage more sellers into the market, adding liquidity, but a lack of supply will underpin house prices, particularly in London and the South.

Focus on: The London & Premier market

During 2013 London & Premier listed nearly 10% of all properties valued at over £0.5 million, selling twice the number of houses than its nearest competitor.

The L&P market differs from the UK mainstream housing market, not least because of its sensitivity to overseas investment demand. Buyers in this market are also less likely to be constrained by credit availability. London's reputation as a safe haven during the recession encouraged investment, but investors are now more wary about capital growth in the near term. London's prime markets are still considered safe assets, but as the global recovery gathers pace and yields on other assets improve, investors will consider other options. In addition, uncertainty about taxation policy for higher value property – stamp duty thresholds, mansion tax and changes to capital gains tax – will add to caution. The severe lack of supply in this sector and London's position as a safe haven and a prime global city will support price growth, but it is likely to be more modest than elsewhere in the capital.

Segmental review

Lettings

43,783 properties let in 2013

2013 was a year of continued growth for the Lettings business with key focus on customer service, development of the New Starts programme and supporting the organic growth with targeted, value adding acquisitions.

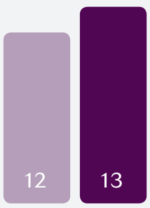
KPIs

Total income (£m)

112.5

+15%

2013	112.5
2012	97.8

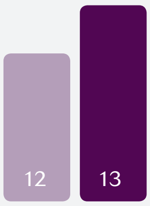


EBITDA (£m)

28.6

+32%

2013	28.6
2012	21.6

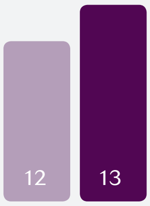


Average retail properties under management (number)

52,181

+23%

2013	52,181
2012	42,531

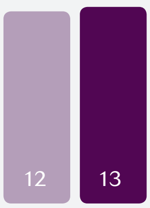


Average revenue per head (£)

57,964

+2%

2013	57,964
2012	56,651



Highlights

- **Record income up 15%**
- **Record EBITDA up 32%**
- **Investment in improving customer service and retention**
- **New Starts programme delivers positive contribution**
- **28 acquisitions completed, contributing £5.3 million revenue and £1.8 million EBITDA**

Summary

The lettings market remained favourable and, as there has been limited new supply of property, this has led to gradually increasing rents supported by continued demand from tenants.

Over the year the number of potential tenants registering with us grew to over 384,000 and this helped us increase the number of properties that we let to 43,783.

Working with other parts of the Group in a co-ordinated way has delivered referrals of potential clients that helps retain clients within the Group as their property needs change over time.

Supporting growth

We recognise that growth places a number of challenges on the business and have addressed these to ensure that we can continue to deliver future growth.

Employee training and development

We have introduced an industry leading, online, interactive employee training and development system that has delivered a significant increase in the training available to employees across the business. Supported by a dedicated training team, this structured curriculum, focused on specific employee roles, ensures that employees have the right skills and practical knowledge to meet customer expectations. This investment supports career development plans which are being developed for all employees.

Systems development

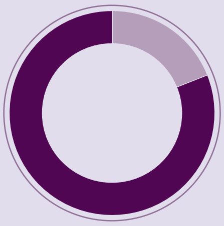
We continue to develop our integrated IT platform to ensure that it meets both current and future needs, including the expansion of the business. Development of online services for our clients resulted in the launch of an improved Client Portal which will be developed further during 2014, enabling a far higher level of client interaction and self-service. Mobile applications for our employees to help them are being developed.

Branch network

Our network provides the first point of contact for customers and landlords. Lettings agents are often incorporated within estate agency branches, but form a separate, dedicated team. This ensures that there is a clear focus on driving the Lettings business. All employees are comprehensively trained to ensure they can meet client expectations.

Support service

Provides support to our branch network and clients directly through client accounting and legal services. This team ensures that we have the best processes and legal support for our business and our clients through the production of all legal documents such as tenancy agreements and through rigorous tenant referencing.



19% **Percentage of Group income**

- **33%** of Group's total EBITDA
- **56,397** properties managed on an ongoing basis

Focus on: Lettings' operational model

The division focuses its customer facing teams on servicing customer needs and letting properties support is provided by dedicated teams of professionals.

Our operational model comprises three elements

Branch network

This network provides the first point of reference for customers and landlords. The Group's letting agents are often incorporated within estate agency branches but form a dedicated, separate team that does not typically cross-over with the Estate Agency division. This ensures a focus on driving the Lettings business.

Full time equivalent employees

1,342

Support service

Provides the customer accounting and legal services (for example, the production of tenancy agreements and provision of references) to the business.

Full time equivalent employees

202

Property management team

The property management team which employs 134 full time equivalent employees who deal with ongoing issues including maintenance during the term of a tenancy and the handover at the start and end of the tenancy.

Full time equivalent employees

227

Property management team

Our property management team provides support to customers and tenants in relation to repair and condition issues throughout the tenancy and the handover at the start and end of the tenancy. They provide a key point of contact for both customers and tenants and service quality is key to customer satisfaction.

Acquisitions and New Starts

We continue to look at expansion through acquisitions and seek to find businesses that are complementary to our existing network which can be readily integrated to ensure that service levels are maintained and potential synergies delivered.

We have a dedicated team who ensure that our acquisitions are carefully selected, vetted and integrated along with the relevant operational managers within the business. During the year we reviewed a large number of potential deals and completed 28 acquisitions across the country, at a cost of £18.2 million.

The majority of deals are small single branch businesses which are readily incorporated into the business and adopt the trading name of the most appropriate Group business. We have, however, acquired a number of more substantial businesses where retention of the existing trading name generates more value for the Group such as Russells Lettings in Cambridge and Fitz-Gibbon Lettings in South West London. During 2013, acquired businesses contributed £5.3 million to income and £1.8 million to EBITDA.

As businesses are integrated they benefit from the systems, services and scale economies that we can deliver whilst still retaining the things their customers value. Our core business model often means that new revenue streams, for example, insurance sales and cross referrals, can be delivered.

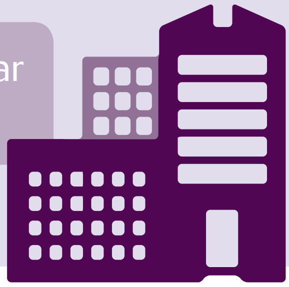
Our New Start programme that delivered organic growth through the opening of Lettings' businesses within the Group's existing estate agency offices is now providing a positive contribution to the business in line with the original plan. The programme was delivered in four phases and, as expected, some offices develop faster than others and we continue to review the development of each branch. The programme currently has 169 offices as some have been combined with acquired businesses or other branches. The New Starts branches generated income of £16.4 million (2012: £9.4 million) and EBITDA of £1.4 million (2012: loss £2.7 million).

We continue to open selective new offices and, including a new office in Liverpool city centre branded as Entwistle Green, we opened seven offices in 2013.

Segmental review

Financial Services

Fourth consecutive year of strong profit growth



The Financial Services division is the third largest mortgage distributor in the UK, with just below 10% share of the intermediary mortgage market.

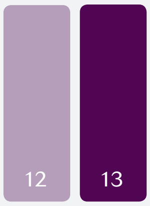
KPIs

Total income (£m)

64.9

+0%

2013	64.9
2012	64.8

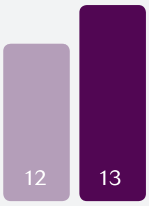


EBITDA (£m)

12.2

+25%

2013	12.2
2012	9.8

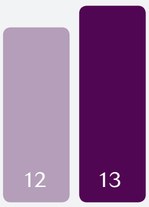


Total mortgages arranged (number)

60,640

+13%

2013	60,640
2012	53,922

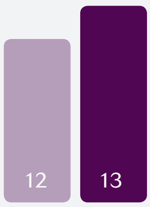


Mortgage value (£bn)

8.3

+20%

2013	8.3
2012	6.9



Highlights

- **EBITDA growth 25%**
- **Productivity per mortgage consultant has increased by 15% year-on-year**
- **3% increase in life insurance written annual premium equivalent (APE), despite disruption from the gender neutral legislation change at the end of 2012 that impacted opening pipeline**
- **14% increase in general insurance gross written premium**
- **Strong growth from capital private finance, our London brokerage, and our mortgage intelligence network**

Operating review

Following a challenging 2012, market conditions in 2013 have been more encouraging with signs that the UK economic recovery is gathering pace and many lenders focused on delivering an increased lending target in the latter part of the year. Initiatives such as the 'Help to Buy' and the 'Funding For Lending' schemes have contributed to the feeling of optimism, making it easier for borrowers to access mortgages and lowering the cost of lending for banks.

In the face of these positive market trends, the Financial Services division has delivered a strong profit performance in 2013 with EBITDA 25% up on 2012, due mainly to a 4% reduction in operating costs, principally employee related. Total income remained flat on last year, due to market mix factors and recruitment challenges, both of which are explored in further detail below.

Market 'mix':

A large element of the market growth has been seen in new homes, remortgages and buy to let, and has not yet translated into significant growth in mortgages for second-hand house transactions where the Countrywide core business has a larger market share.

Recruitment:

During the second half of the year, there has been significant investment in retaining and growing the sales force as the market gained momentum. Total mortgage consultant headcount closed the year at 621, an increase from 575 at the end of June 2013. We expect this to continue in H1 2014. Due to training and mortgage lead times, new recruits take up to six months to become revenue generating, hence it was pleasing to see a slight recovery in market share in Q4 2013 as the impact of this investment started to pay dividends.

Outlook

The housing market appears to have turned a corner, with transactions and prices both rising. This momentum impacts positively on the Financial Services division where the closing mortgage pipeline is 15% higher than last year, average loan value is 7% higher than last year and significantly mortgage advances completed within the Group in 2013 totalled £8.3 billion, a 20% increase from 2012.

Segmental review

Surveying Services

Performing **one in every four** UK mortgage valuations in 2013

A leading provider of residential valuations, surveys and panel management services in the UK with over 330 employed RICS qualified surveyors covering most of the UK.

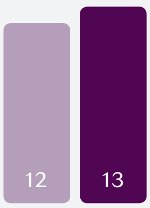
KPIs

Total income (£m)

53.6

+9%

2013	53.6
2012*	49.2

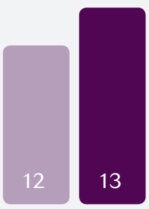


EBITDA (£m)

11.8

+20%

2013	11.8
2012	9.8

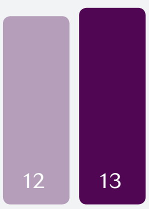


Total surveys and valuations completed (number)

330,121

+8%

2013	330,121
2012*	305,544

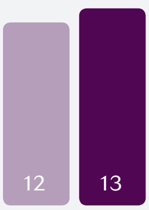


Net income per job (£)

158

+5%

2013	158
2012*	150



* Restated

Highlights

- **Year-on-year income growth of 9% delivering an EBITDA result 20% above prior year**
- **The Nationwide Building Society contract renewed for a further three years and other major contracts extended**
- **Significant and rapid investment in our surveyor trainee programme responding to market pressures and providing a solid platform for future growth**
- **The successful roll out of a new workflow system to all surveyors in England and Wales in the first quarter minimising disruption to our clients in a capacity constrained market**

Operating review

Surveying Services continued its impressive year-on-year EBITDA growth (20%) whilst also making significant investments in key areas including £0.5 million in a major trainee programme which will be critical for continued growth in future years. Excluding these training costs, underlying EBITDA would be £12.3 million (26% year-on-year growth). Total income grew by 9% against the prior year; this increase was driven by both average fee growth (5%) and growth of the instructions completed (8%). A buoyant market, including the resurgence of the remortgage market in H1 2013, improving surveyor fee levels across the industry, careful management of surveyor workflow by the National Operations Centre and the continued dedication of the surveyor workforce were key features of this success.

2013 saw the industry face well publicised challenges around declining service levels with the growth in lending volumes highlighting capacity shortages in certain areas of the country, principally in the South East. In the immediate term we focused our efforts on expanding capacity where possible both through recruitment and relocating surveyors on an interim basis. The brisk pace of market recovery in 2013 led us to accelerate and expand our trainee programme so that we would be able to increase our own in-house capacity by 25% by H2 2014. This programme and continued expansion of our consultant network allowed us to overcome capacity limitations, which will continue to challenge the industry and increase in a recovering market.

At the start of the year, we completed the transition to our new workflow system for all surveyors in England and Wales with our Scottish business, Harvey Donaldson & Gibson, following in Q4. This important investment has enabled us to move forward on a leading industry platform. The expertise within the business and the timing of the transition ensured this major change had no impact on operational efficiency for us or our client base.

We continue to focus heavily on risk management with several projects completing during the year delivering enhancements to risk control and business sustainability. Whilst we continue to incur costs on valuation claims relating to surveys undertaken in prior years, these are broadly in line with the provision made at the end of 2012 and volume trends are declining. Our customers and employees are at the heart of what we do and the key addition of a director of field operations, Paul Wareham, to the Board in June has ensured these key focus areas have been strengthened further. We were delighted to announce the three year extension of the Nationwide Building Society contract, as well as extending other key contracts for an additional two years. With all three of our biggest contracts now having over two years to run, and the continued removal of low fee, non-core, or higher risk lenders from our client base, this means we move into 2014 with a healthy customer portfolio.

We were involved in **47,000** property transactions in 2013

Segmental review

Conveyancing Services

Conveyancing Services is strategically positioned to service a returning market.

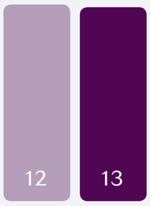
KPIs

Total income (£m)

25.7

-2%

2013	25.7
2012	26.0

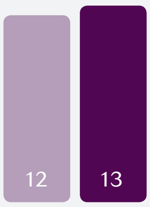


EBITDA (£m)

8.4

+5%

2013	8.4
2012	8.0

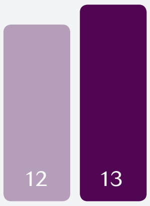


Completed (excl. third party) (number)

33,285

+11%

2013	33,285
2012	29,913

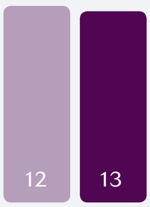


Average fee per completion (£)

711

-3%

2013	711
2012	731



Highlights

- **15% increase in Group instructions, delivering 11% increased Group referred completions**
- **Closing Group pipeline 17% up on 2012**
- **Capacity bolstered in a returning market via:**
  - **Expansion of conveyancing panel**
  - **Internal Property lawyer Training School programme launched in 2013**
  - **Post year-end acquisition of a third party residential conveyancing business**

Conveyancing Services achieved an EBITDA growth of 5% through an increase in Group referred business, replacing a decline in third party volumes. Responding to the increasing volumes of Group generated work, we have launched our own in-house training academy to boost conveyancer numbers in a recovering market.

Operating review

The Conveyancing Services division generates revenue from the provision of panel management services for third parties and Countrywide referred work and also by completing transactional legal work through its own in-house regulated conveyancing business.

Income decreased by 1% year-on-year which was due to lower third party contract panel management volumes. This is the full year effect reflecting changes made to the HSBC panel management contract mid-2012. The reduction in third party generated income was broadly offset by an increase in Group generated income, following a 15% improvement in the instruction volumes from the Countrywide Group network leading to an 11% increase in completion volumes, the majority of this uplift being completed via our panel firm partners.

2013 saw a sluggish start to the year with a relatively subdued Q1 before much improved activity developed from Q2 2013 onwards. The timing of this instruction uplift coupled with a market elongation of pipelines during Q3 and Q4 has meant that much of this volume improvement is still within our live pipelines going into 2014. Our closing pipeline of live work was 17% up at the year end.

Capacity secured

As the market has shown signs of steady recovery during 2013, we have put in place several measures to secure conveyancing capacity required to service a recovering market both through our in-house conveyancing operation and also through our panel firm partners.

In 2013 we were delighted to launch our in-house trainee lawyer programme, initially for employees wishing to further their career within property law, and have further expanded to create our training academy for both internal and external candidates. To date a total of 20 new trainee lawyers have been employed with further plans to recruit and run additional training cohorts in both our Manchester, Cardiff and recently acquired Bridgend centres.

In terms of our legal panel, we have expanded to 20 firms over the course of 2013, all of whom are aligned with our own passionate views on providing the best service to our customers.

Segmental review

Lambert Smith Hampton

You can walk from the **Olympic Stadium to Twickenham** on land LSH advises on

Lambert Smith Hampton has made a successful start as a member of the Countrywide Group with financial performance ahead of plan

Highlights

- **Appointment as advisors to Nationwide Building Society across its UK wide commercial property portfolio**
- **Advising Cerberus Capital Management on its £375 million acquisition of Lloyds Banking Group's Project Thames loan portfolio**
- **Named as a supplier to the Crown Commercial Services framework**

The Lambert Smith Hampton group (LSH) joined the Countrywide Group on 1 October 2013. LSH is one of the largest commercial property consultancies in the UK and Ireland with 26 offices and over 800 employees. Working with investors, developers and occupiers in both the public and private sector, we advise on all aspects of commercial property transactions and management.

Market commentary

Activity in the commercial property market is improving, with the investment market leading the way. Total UK investment volumes increased by 50% in 2013 in comparison with 2012 and the annual total of £45 billion was the highest the market has seen since 2007. In the occupier markets, the improvement in the regions has been less dramatic but take-up is strengthening. The industrial market has also shown an improvement with occupier take-up increasing by 24%. We expect current trends in both the regional office and industrial markets to continue in to 2014, both of which are areas of particular strength for LSH.

Growth plans

Countrywide plans to invest further in LSH to grow the business in our core markets. We are committed to becoming a key player in the commercial property market and to grow our market share. The market is still fragmented and, even as a scale commercial business, we currently have less than a 3% market share, providing an opportunity for further market penetration. The stronger links between the residential and commercial activities will also strengthen our businesses going forward. As the economy continues to recover, we are seeing increased development activity across the UK. Combining the resources and skills of the strongest regional commercial property advisor with the UK's largest integrated property services business will provide clients with market-leading advice at every stage of the development lifecycle.

Financial performance

LSH's total income for the final quarter of 2013, as part of the Countrywide Group, was £16.6 million and EBITDA was £2.3 million. Both these amounts were in excess of the forecasts for the quarter made at the time of the acquisition.

Focus on: Industrial and Logistics

Lambert Smith Hampton is one of the leading industrial and logistics property advisors in the UK and Ireland and lets, sells or acquires around 20 million sq ft of industrial and distribution space every year.

Our highly-respected annual Industrial and Logistics Market Report provides a detailed analysis of all of the main issues affecting the industrial market across the UK. The report contains a comprehensive statistical review of the sector's recent performance and identifies key trends for the year ahead.

The 2014 Report reveals that the industrial and logistics market staged a strong recovery in 2013, with take-up of space increasing by 24% from its 2012 low, and prime and secondary rents growing in most locations.

We also note that the lack of new build, which stretches back to 2007, has left the market starved of high quality premises and is likely to lead to the return of speculative development.

Group financial review

With underlying financial momentum across all divisions, there has been strong conversion of incremental revenue to profit

2013 saw a strong financial performance across the Group with income up 11% to £584.8 million and EBITDA increased by 37% to £86.6 million. This resulted in an improvement in the Group EBITDA margin from 12% in 2012 to 15% in 2013.

All of our divisions reported improvements in both profitability and EBITDA margin helped by the improving levels of UK residential property transactions. As anticipated, our central costs increased by £3.5 million due to: additional costs relating to the IT transformation (£1.0 million), plc related costs including the non-executive directors (£0.5 million), together with £1.0 million of other costs relating to restructuring charges and acquisition costs. The balance of the increase is primarily employee costs.

Depreciation and amortisation

Flowing through from EBITDA, our depreciation and amortisation charge has been split to indicate the depreciation and amortisation that relates to assets purchased for use in the business and amortisation arising on those intangible assets that have been recognised as a result of business combinations. The underlying depreciation and amortisation charge increased by £2.4 million, the principal drivers of which were increases of £1.3 million and £0.7 million for computer software and hardware respectively as a result of the strategic investment to replace our infrastructure through the seven year partnership with CGI announced last year. Amortisation of intangible assets recognised through business combinations has increased by £0.4 million as a result of the incremental rate of growth in acquisitions during the year. Whilst we expected amortisation charges to increase due to our acquisition strategy, it should be noted that £6.6 million of the annual charge relates to intangible assets recognised in 2007 and this will end in 2017.

Share-based payments

Now that the Group is listed on the London Stock Exchange we have granted share options to selected employees and also launched the first Share Incentive Plan (SIP) aimed at all employees with 18 months service.

Immediately following the capital reorganisation in March 2013, we granted 7.2 million options to employees who were former equity holders of Countrywide Holdings, Ltd under the IPO Plan. These are nil cost options which will vest based on adjusted Group EBITDA for 2014. 80% of these options will vest in March 2015 and the balance in March 2016. The charge to the income statement in 2013 was £6.9 million and related employers' national insurance £1.7 million.

Additionally, we launched a three year Long Term Incentive Plan (LTIP) to senior managers in September 2013. These are nil cost options which will vest subject to certain performance criteria. The charge for the four months was £407,000 plus employers' national insurance of £66,000. Due to the SIP only being in place for three months of the year, and with a three year vesting period, the charge was nominal. This charge will build over time to around £0.8 million in 2016.

Exceptional items

We have reported a net exceptional cost of £7.6 million, which comprises non-recurring costs of £4.7 million in respect of the IPO, £4.5 million of finance costs relating to the redemption of our bonds and £0.9 million of acquisition costs offset by £2.5 million of deferred income in respect of our contract with Zoopla. This exceptional income will continue to recur for the next two years.

> "We are optimising financial opportunities in a recovering market."

Segment results

	Total income			EBITDA		
Segment results	**2013 £'000**	Restated 2012 £'000	Variance %	**2013 £'000**	2012 £'000	Variance %
Estate Agency	**192,968**	184,554	+5	**16,131**	10,323	+56
London & Premier	**115,634**	101,438	+14	**24,176**	17,073	+42
Lettings	**112,515**	97,834	+15	**28,624**	21,594	+33
Financial Services	**64,944**	64,749	—	**12,213**	9,806	+25
Surveying Services	**53,621**	49,145	+9	**11,834**	9,779	+21
Conveyancing Services	**25,695**	26,048	-1	**8,435**	8,022	+5
Lambert Smith Hampton	**16,582**	—	—	**2,304**	—	—
Other segments	**2,809**	960	+193	**(17,087)**	(13,561)	-26
Total Group	**584,768**	524,728	+11	**86,630**	63,036	+37

Throughout the year we have closely monitored the progress of our professional indemnity claims and can confirm that trends of claims received and losses incurred are in line with our expectations. As anticipated, we have experienced a significant drop in the number of new claims reported as time limitations apply and consequently no exceptional costs have been reported in respect of claims and litigation in the current year. Whilst development of claims may be unpredictable, and therefore timescales for settlement may vary, we would hope to clear a significant proportion of claims and progress to cash settlement within the next two years.

Finance charges

With the proceeds from the IPO and £75 million drawn from our finance facilities, we repaid the £250 million 10% fixed interest debt. Consequently our finance costs have reduced by £9.7 million, despite the £4.5 million exceptional costs referred to above. While finance costs amounted to £18.8 million, £15.3 million will not recur as we are paying a substantially lower margin.

Finance income earned reflects an average rate of 1.2% earned on our free cash balances over the year. Rates eased towards the end of 2013 and we are anticipating lower returns in 2014.

Taxation

Our total tax charge for 2013 of £3.8 million represents an effective tax rate of 10%. The reduction in the corporation tax rate to 21% has resulted in a deferred tax credit of £2.2 million and additionally we have recognised a £1.9 million credit as historic claims have been settled with HM Revenue & Customs (HMRC). The underlying tax rate for our business was 20.7%, lower than the corporation tax rate owing to the tax free nature of the exceptional deferred income credit relating to the Zoopla contract. The underlying tax rate going forwards will reduce in line with the decreasing corporation tax rate which will also reduce our net deferred tax liabilities by £1.5 million.

Countrywide's business activities operate predominantly in the UK. All businesses are UK tax registered apart from small operations in Hong Kong, Italy and Ireland. We act to ensure that we have a transparent and constructive relationship with HMRC and enjoy a low risk rating.

We conduct our tax compliance with a generally risk averse approach to all tax obligations whilst endeavouring to maintain shareholder value. Tax planning is done with full disclosure to HMRC when necessary and being mindful of reputational risk to the Group. Transactions will not be undertaken unless they have a business purpose or commercial rationale.

While our contribution from corporation tax was still low, largely due to the high interest charge on the bonds, our businesses generate considerable tax revenue for the Government in the UK. For the year ended 31 December 2013, we will pay corporation tax of £7.5 million on profits for the year, we collected employment taxes of £113 million and VAT of £75 million, of which the Group has incurred £30.0 million and £1.6 million respectively. Additionally, we have paid £10 million in business rates and collected £34 million stamp duty land tax through our Conveyancing division.

Group financial review continued

Our successful IPO and debt reduction provides low leverage and flexibility for strategic investment

Net assets

At 31 December 2013, our net assets per share were 237.5 pence, a total of £521.2 million (2012: £242.3 million) an increase of £278.9 million (or 115%) driven by funds generated from the IPO (£220 million), net profit for the year (£34.3 million) and an increase in fair value of our investment in Zoopla (£27.5 million).

We hold 6.0% of the share capital of Zoopla Property Group Ltd which we report as an available-for-sale financial asset. The fair value of our holding was reviewed at the year end using a number of valuation techniques resulting in a £27.5 million unrealised gain recognised through the statement of comprehensive income. Following the announcement by Daily Mail and General Trust that they are reviewing their strategic options for Zoopla, we will continue to monitor the progress of developments.

Capital expenditure

Throughout the prolonged market downturn, we carefully managed our level of capital expenditure to protect our overall cash position. As planned, during 2013 we commenced a programme of branch refurbishments using our centralised refit teams. This programme will carry on throughout 2014. We have invested £1.6 million in new software for our Surveying operations and a further £1 million in updating our Conveyancing systems, a project that is still ongoing.

The most significant increase in capital expenditure relates to our IT transformation project with CGI. Our seven year contract with CGI included transformation services, new data centres, software, telephony and refreshing the hardware across most of the Group. We have capitalised appropriate amounts and accounted for these as a finance lease. Consequently we have recognised significantly higher capital expenditure, the cost of which will be spread over the contract.

	2013 £'000	2012 £'000
Refurbishments	**8.6**	6.9
IT ongoing	**6.6**	3.6
Cash paid capex	**15.2**	10.5
IT transformation (finance leases)	**11.9**	—
Capital expenditure	**27.1**	10.5

Net debt

At 31 December 2013 we had cash balances of £36.3 million (2012: £46.5 million) and a £75 million (2012: £250.0 million) term loan repayable in four annual instalments from March 2014; £5 million, £10 million, £15 million and £45 million. Additionally we have a £25 million Revolving Credit Facility (RCF) available until March 2017. In February 2014, we increased our term loan facility to £100 million and the RCF to £50 million and at the same time negotiated a reduced margin and repayment schedule so that the loan amortises over three annual instalments from March 2015: £20 million, £30 million and £55 million.

	2013 £'000	2012 £'000
Cash	**36.3**	46.5
Debt (excl. finance leases)	**(74.0)**	(249.7)
Net debt	**(37.7)**	(203.2)

Cash flow

Net cash generated from operating activities increased by £10.2 million to £41.3 million for the year (2012: £31.1 million) representing 18.8 pence per share (2012: 14.2 pence based on number of shares currently in issue). Both years have been impacted by payments to settle PI claims. Payments in 2013 were in line with expectation at £18.1 million compared to £14.0 million net of settlements received in 2012. Additionally in 2013 we paid £5.2 million in respect of long term bonuses that crystallised early due to the IPO.

Financing structure and strategy

A key focus for expansion within the Group remains the growth of the Lettings division to continue to further develop recurring income streams. To this end, we have completed the acquisition of 28 Lettings businesses during the year (2012: 13) for a total consideration of £18.2 million (2012: £13.1 million) and we have a healthy pipeline of additional opportunities identified for the forthcoming year. Since the year end, we have completed the acquisition of Tucker Gardner Residential (Cambridge) and Preston Bennett (North London), which both provide strategic opportunities for synergies with our existing businesses, as well as four smaller acquisitions.

Jim Clarke
Chief financial officer
27 February 2014

The UK's largest property services group with over **1,300 branches**

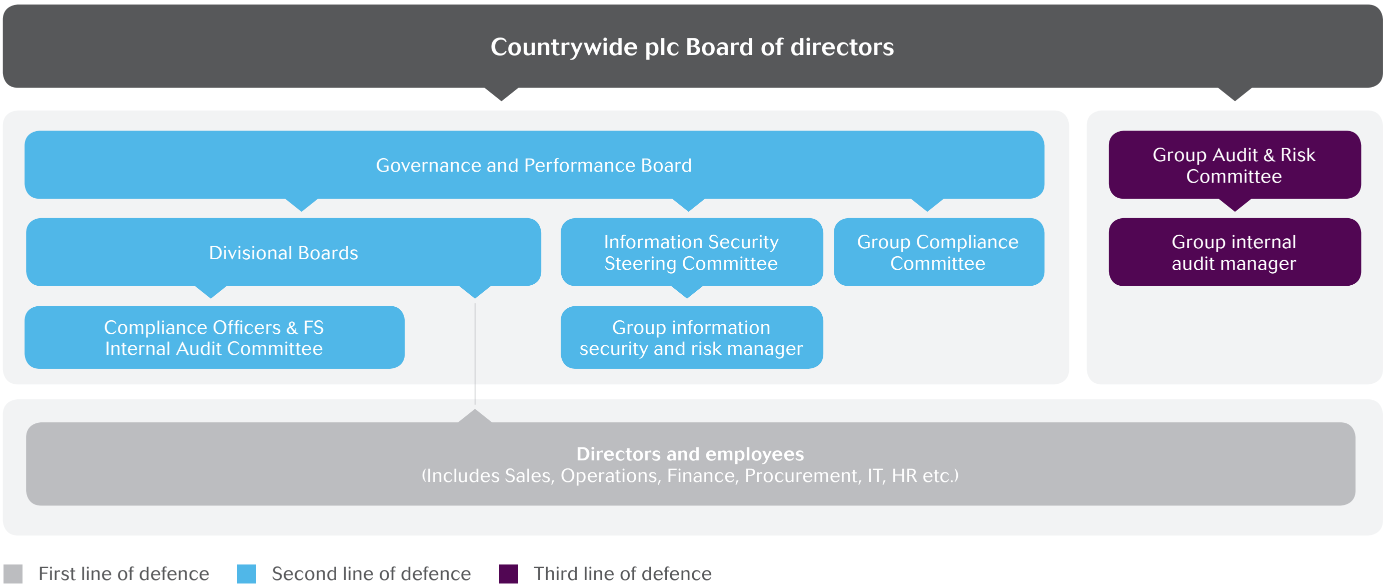
Risk and risk management

Risk and risk management

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

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

Risk and impact	Mitigation	Change	Commentary
Housing market risk			
The UK housing market is highly cyclical and historically has been central to the strength of the UK economy. Changes in volumes and price are immediately realised in the results of the business, within both the Estate Agency division and also sales of complementary services throughout other areas of the Group. Increases in interest rates typically have a negative impact on the UK residential property market.	We carry out continuous high level reviews of the market and diversity of our products and services as part of our distribution strategy. For example, we continue to strengthen the Lettings division which, by its nature, is more stable and counter-cyclical to the housing market.	↓	The market continued to improve in 2013 and our programme of strategic acquisition includes further residential lettings businesses and the acquisition of Lambert Smith Hampton.
Availability of mortgage financing			
The parts of our business that do not relate to the prestige property market are particularly exposed to the level of mortgage approvals. The number of mortgage approvals can be affected by: macro-economic factors; new regulatory requirements; and changes in lenders' approval policies.	We review trends in market volumes and determine whether actions such as cost base reduction measures are required.	↓	Reduction in risk following market recovery, assisted by Government measures designed to increase confidence such as the 'Help to Buy' scheme.
Loss of a major business partner or outsourcing partner			
There are a number of important commercial relationships which affect more than one area of the business. The loss of key customers or contracts, or significant reduction in volumes combined with pressure on fees, would have a significant impact on our profitability. The failure of a significant supplier could impair our ability to operate effectively.	We centralised the team responsible for liaising with key customers and developing new contracts. The operating divisions carry out regular reviews with key customers. We carry out regular reviews with key suppliers and operate appropriate contingency measures in the event of supplier collapse.	↓	Contracts with a number of major clients were renewed in 2013 and we enjoy a maturing relationship with our key suppliers.
Infrastructure and IT systems			
Dependence on efficient systems for operational performance and financial information would be impacted by significant failures or interruptions to IT services. Data security is also essential to the secure processing, storage and transmission of routine personal, confidential and proprietary information.	There has been significant investment to support operational expansion and to develop and maintain operational systems and infrastructure.	↓	The transition of our IT infrastructure via outsourcing to CGI has continued at pace and in accordance with plan in 2014. The Information Security Steering Committee has met regularly in 2013 in order to co-ordinate Information Security best practice and to ensure continuing ISO 27001 accreditation within our B2B businesses.



Risk and impact	Mitigation	Change	Commentary
Professional indemnity			
The previous downturn in the UK housing market and impact of sub-prime lending exposed the Group to a higher level of professional insurance claims within the Surveying division.	Monitoring arrangements include operational controls implemented for review of surveyor outputs and targeted use of Automated Valuation Models in perceived higher risk cases, as well as maintenance of risk management arrangements. In respect of legacy issues, we continue to review the judgements and estimates underpinning the existing professional indemnity provision.		Reduction in risk as tail of claims from peak trading concludes and improved claims experience in latter periods.
Liquidity risk			
The Group is operationally geared and cash generation broadly follows the profitability of the business.	Cash balances are managed through a central treasury arrangement and cash outflows can be predicted with reasonable accuracy. Credit risk within the treasury function is also mitigated by maintaining a list of accepted deposit institutions whose credit ratings are kept under review. In addition, our debt profile has been restructured during the year, significantly reducing interest payments and reducing risk of operational liquidity issues.		Reduced liquidity risk as gearing down following IPO. Finance restructuring during the year has reduced debt and provided increased flexibility in funding arrangements. Credit risk still requires active management due to a limited number of counterparties for corporate and client funds
Regulatory compliance			
Failure to comply with legislation and regulatory requirements could result in reputational and financial damage, including withdrawal of authorisation or licences for the conduct of business streams. Changes to financial services regulations are also ongoing in response to the recent financial crisis.	Expertise within the operational divisions is also supported by centralised legal and compliance teams who closely monitor existing business practices and any reform proposals. Employees receive appropriate training. Managers attend industry forums and Government consultations. Robust complaints management systems are in place across all operating divisions.		The final impact of the new FCA regime and Mortgage Market Review is being assimilated within the business in accordance with plan.
Recruitment and retention			
Part of our success depends on the services provided by, and experience of, management, executive officers and key employees. There is also substantial competition for qualified employees in an industry characterised by high levels of employee turnover.	Remuneration policies are regularly reviewed to ensure employees are appropriately incentivised. Succession planning and development of key employees are also considered by the Board. Management will review trends, including the views of leavers in exit interviews, and the views of employees are expressed in our first employee engagement survey.		Reduced risk as greater opportunities and remuneration flexibility or incentivisation within the plc environment are offset in part by increased opportunities elsewhere. The 'My Countrywide' survey was communicated in 2013 with a 70% response rate.

Corporate responsibility

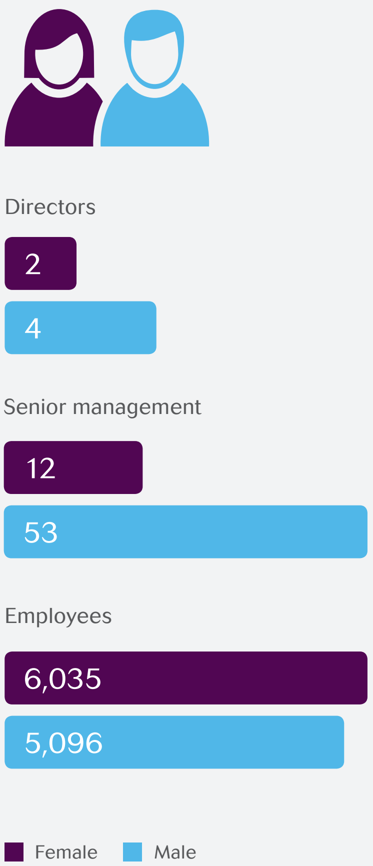
Striving to be a good corporate citizen

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

> We recognise the importance of **good communication** with our employees

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

Gender **diversity**



Employees

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

Development and training

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

Communication

We recognise the importance of regular communication with our employees. To support this we have a Group-wide newsletter, 'Inside Countrywide', as well as specific publications to keep our employees up-to-date and informed. The newsletter focuses on communicating operational changes, examples of best practice and highlights specific sales activities, success stories and teamwork around the business.

Employees can access our intranet to obtain other general information on the Group. Our first Group-wide employee engagement survey was conducted in September 2013 and feedback will be rolled into a continuous improvement programme. Employees are also encouraged to discuss operational issues with their line management and to suggest ways to improve performance and efficiency.

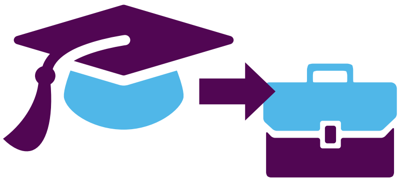
Our employees are also encouraged to become shareholders in the Company. We introduced a Share Incentive Plan (SIP) in October 2013 for all employees with more than 18 months' continuous service. The Company gives one matching share for every two shares purchased by the employee (within the maximum investment terms established by HMRC). The scheme was adopted by 1,785 employees (27% of eligible employees) and will result in over £1.8 million of additional investment in the first year.

Equal opportunities

We are committed to a policy of equal opportunity and diversity in employment and recognise that this is essential to ensuring the success and growth of the organisation. To this end, we make every effort to select, recruit, train and promote the best candidates based on suitability for the job; to treat all employees and applicants fairly, regardless of race, gender, marital status, age, nationality, ethnic origin, religious belief, sexual orientation or disability; and to ensure that no employee suffers harassment or intimidation.

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

We **recruit and invest** in trainee and graduate talent to help meet our future management requirements



In total the **Countrywide Group raised £145,000** for charitable causes during 2013

Health and safety

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

Health and Safety and fire officers implement our policies, standards and procedures in all branches in which we operate. They are supported by dedicated, professionally qualified Health and Safety managers. A Group Health and Safety steering committee meets on a six-monthly basis to review activity and policy in this area. The Health and Safety officers report annually to their local operating Boards and to the Group Health and Safety Officer on issues relating to the health, safety and welfare of the employees. These reports are reviewed by the Group Board and suitable enhancements or improvements are made.

We make every reasonable and practicable effort to provide safe and healthy working conditions in all our offices. It is the duty of all employees to exercise responsibility and to do everything they can to prevent injury to themselves and others. The policy standards and procedures are communicated to employees through contracts of employment, employee hand books, operating manuals, bulletins and notice boards and employee training as appropriate.

Information security

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

Our policies and procedures are based on requirements for a secure operating environment, an assessment of the risks that the Group faces and relevant legal and best practice requirements. We have achieved, and maintain, the ISO 27001 accreditation in our major business to business operating divisions and aspire to operate in line with the International Standard for Information Security Management, ISO 27001, in all of our major retail operations. Responsibility for information security sits with the local management teams with appropriate training and support provided. A dedicated Group information security manager is responsible for the strategic management of information security, including risk management, together with implementation and enforcement of the Information Security Policy.

Charitable giving

Countrywide supports a Workplace Charitable Giving scheme, so that employees can donate to their favourite charities tax efficiently through payroll deduction, donating over £19,700 during 2013. Countrywide also supports two national charities: Shelter (helping the homeless) and Cancer Research UK.

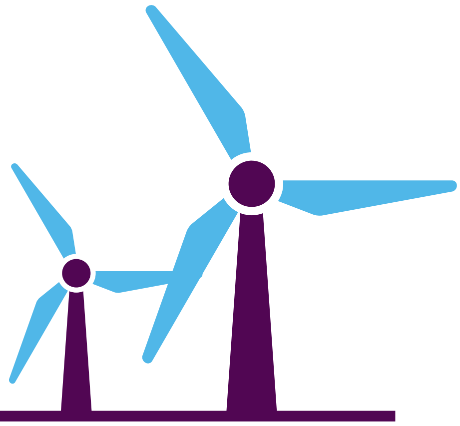
The subsidiary businesses are also encouraged to support causes within their local communities and employees from across the country participated in a number of local initiatives.

During 2013, some of our more significant achievements, amongst the wide variety of initiatives across the operating divisions, have been:

- Within our London & Premier division, Hamptons raised £80,000 for Cancer Research; John D Wood raised over £13,000 for Cancer Research, The Royal British Legion, Parkhaven Hospice and Oakhaven Hospice; and Faron Sutaria raised over £3,600 for Cancer Research and St Christopher's Hospice
- Countrywide's IT department raised £5,000 which was split between National Autism and Friends of Sick Children, and also raised £750 for the Alzheimer's Society
- Our team in Land & New Homes raised over £2,000 for CLIC Sargent and £150 for Wolves Community Trust
- Countrywide Conveyancing Services raised over £5,200 which was split between Make a Wish Foundation, Christies, Cancer Research, St Andrew's Hospice, Cystic Fibrosis Trust, The Gaddam Centre and Shelter

Corporate responsibility continued

> Our objective is to **minimise our carbon footprint** and any negative impact we may have on the environment



Stakeholders

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

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

We have judged that human rights are not a material risk for the business due to existing regulatory requirements in the UK and the nature of our supply chain. However, we will consider how Countrywide can contribute to the advancement of human rights in 2014.

In our interactions, the Group:

Customers

- Seeks to be honest and fair in our relationships with its customers
- Provides the standards of product and service that have been agreed
- Takes all reasonable steps to ensure the safety and quality of products or services that it produces
- Promotes relevant Ombudsman redress schemes and subscribes to industry Codes of Best Practice

Suppliers

- Seeks to be honest and fair in our relationships with suppliers and subcontractors
- Pays suppliers and subcontractors in accordance with agreed terms
- Has a policy not to offer, pay or accept bribes or substantial favours
- Encourages suppliers and subcontractors to abide by the same standards and principles

Investors

- Is financially accountable to its investors
- Communicates to investors all matters that are material to an understanding of the future prospects of the organisation
- Aims to protect investors' funds, manage risks and ensure funds are used as agreed

Local communities

- Aims to make the communities in which we work, better places to live and do business
- Aims to be sensitive to the local community's cultural, social and economic needs
- Endeavours to protect and preserve the environment wherever Countrywide operates
- Encourages its subsidiary businesses to support causes within their local communities

Industry participation

- Engages in consultation with Government regulators and relevant trade bodies on issues affecting the housing sector, related industry services and consumer protection
- Engages with journalists and reputable research bodies on topical themes
- Provides support to public bodies, including The Property Ombudsman Scheme, Royal Institute of Chartered Surveyors, Association of Mortgage Intermediaries and Council of Mortgage Lenders

Environmental matters

Environmental savings make good business sense. Our primary objective is to minimise our carbon footprint and any negative impact we may have on the environment.

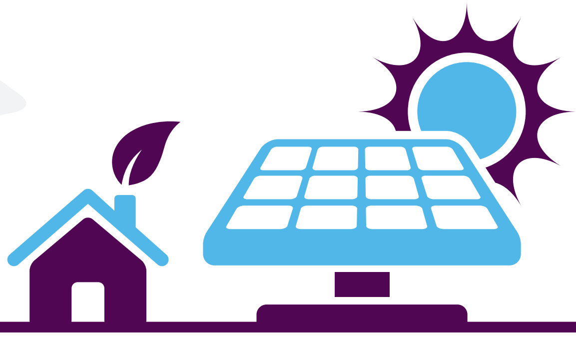
We are committed to the following:

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

The following initiatives are in place:

- We use printing paper which is chlorine free and carries the FSC kitemark and which is compliant with ISO 9001:2008, ISO 14001:2004 and OHSAS 80001:2007 certified. We aim to achieve an 85% rate of paper recycling across the Group by 2015

We aim to **reduce the consumption of energy** and use renewable and/or recyclable resources wherever practicable



- We launched local initiatives to ensure branches recycle office waste and our Head Office recycles all waste and uses fair trade produce. We are working in partnership with a waste management provider with the aim to increase our recycling volumes to zero waste to landfill by the end of 2014
- Employees are encouraged to dispose of all paper waste in secure bins, 100% of which is recycled
- Recycling of used printer cartridges and mobile phones. 80% of our toner cartridges are recycled, in partnership with our printer suppliers
- Epayslips were introduced for all Group employees in 2010, which reduced our carbon footprint and print and postal costs
- With effect from July 2011, we opted to ensure that all newly ordered company vehicles had a CO_2 emission of no greater than 160gsm. This was further reduced to a cap of 130gsm on the introduction of a new fleet policy in January 2013
- In 2011, we launched a Cycle to Work scheme, in order that employees can tax efficiently purchase bicycles for cycling to work
- During 2013 we introduced a half-hourly meter pilot to monitor and reduce electricity usage and also commenced a voltage optimisation pilot to reduce energy consumption

Greenhouse gas emissions

In accordance with DEFRA regulations on the reporting of GHG emissions, we set out below our total tonnes of CO_2e produced in the year.

We have used the main requirements of the GHG Protocol and ISO 14064-1 (2006), energy consumption data and emission factors from the UK Government's Conversion Factors for UK reporting. We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 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 not reported emissions arising from the acquisitions undertaken during the year for our period of ownership, but will be working to ensure that there will be processes in place for data collection in respect of those activities for the forthcoming year.

GHG emissions

For the year ended 31 December 2013

	Tonnes of CO_2e*	Tonnes of CO_2e/£m revenue
Scope 1		
Controlled vehicle fleet	7,918	13.5
Scope 2		
Purchased electricity	12,380	21.2
Purchased heat	1,667	2.8
Total gross emissions	21,965	37.5

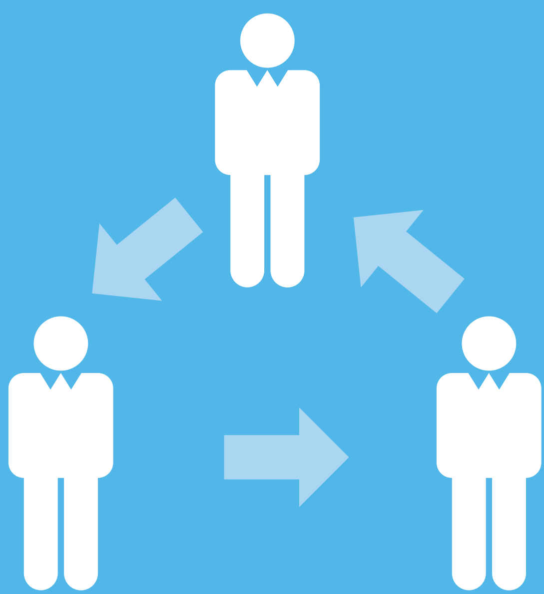
* CO_2e is a universal unit of measurement used to indicate the global warming of greenhouse gas expressed in terms of global warming potential of one unit of carbon dioxide.

This strategic report was approved by the Board of directors on 27 February 2014 and signed on its behalf by:

Grenville Turner
Chief executive officer

Read more about our governance online at www.countrywide.co.uk

Best practice in corporate governance is an integral part of the way Countrywide aims to operate



Contents

Letter from the Chairman

Introduction

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

Dear shareholder

At Countrywide, we are committed to the delivery of high standards of corporate governance in support of the effective management of the business and the delivery of long term shareholder value. The corporate governance report that follows is intended to give shareholders a clear understanding of the Group's corporate governance arrangements and how they operated during the year, including analysis of the level of compliance with the principles of the UK Corporate Governance Code (the 'Code').

I joined the Board of Countrywide on 2 September 2013, taking over from Neville Richardson as senior independent non-executive director and Chairman of the Audit and Risk Committee. On 7 November 2013, Robert Davies decided to step down as Chairman for personal reasons and I agreed to become interim Chairman with immediate effect. Despite these unplanned changes in the Board composition, we have continued to make solid progress as we enhance the governance structure previously embedded within the Group.

As part of the improvements to align our risk and internal audit capabilities, the Group undertook an exercise to review its risk appetite and refresh the risk registers. We conducted a bottom-up risk analysis in each of the divisions which will be used to shape the internal audit activities during 2014, providing a combined assurance plan and a more co-ordinated approach to the Group's risk management and audit activities.

In addition, we have implemented in full the changes to the Code introduced this year by developing procedures to internally review and externally report on each of these areas. Our summary of significant accounting matters and how we have addressed them is detailed within the following report and formed part of our ongoing interaction with both management and the external auditor, considering related matters such as the additional financial reporting requirements arising during the year, to enable us to conclude on whether the financial statements are fair, balanced and understandable. We also developed and implemented a framework to review the effectiveness of the external auditor and note our proposal for their reappointment at the AGM.

As this is the first full period of reporting following the IPO, we report instances of non-compliance with the Code where we did not comply with specific provisions throughout the period under review. During this period of transition from private to public ownership, and the development of the Board and its Committees, these are not unexpected conclusions and we have plans in place to address them, details of which are provided with the explanations for non-compliance in the following report.

As noted within my Chairman's statement on page 3, Grenville Turner has indicated his desire to step down as CEO during 2014 and the search for a successor has commenced. Given his extensive experience, the Board has asked Grenville to become non-executive Chairman and he has agreed to accept the appointment once a new CEO is in post. I will then become deputy chairman and senior independent director. We plan to progress the appointment of two new independent non-executive directors to return the composition of the Board to a majority of independent non-executive directors and compliance with the Code.

David R Watson

David Watson
Interim Chairman
27 February 2014

> "We have continued to make solid progress as we enhance the governance structure previously embedded within the Group."

Board of directors

Our team

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

David Watson

Non-executive director and interim Chairman
Chair of Audit and Risk Committee
Chair of Nomination Committee

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

A R N

Grenville Turner

Chief executive officer

Grenville Turner has been a director of the Group since 1 August 2006, when he joined Countrywide as an executive director. He became Group CEO on 1 January 2007. Mr Turner is also a director of Countrywide Estate Agents, a director and the executive chairman of Hamptons International Limited, chairman of Knightsbridge Student Housing Limited and Bellpenny Limited and a non-executive director of Zoopla Property Group Limited. He was formerly chief executive of IF and chief executive of Business to Business at HBOS and previously served as a director of St James's Place Capital Plc, Sainsbury's Bank Plc and Rightmove.co.uk Limited. Mr. Turner qualified as a chartered banker in 1982 and holds an MBA from Cranfield Business School.

Jim Clarke

Chief financial officer

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

Cathy Turner

Non-executive director
Chair of Remuneration Committee

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

A R

Caleb Kramer

Non-executive director

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

R

Sandra Turner

Non-executive director

Sandra Turner was appointed non-executive director of the Company on 18 March 2013. She is currently a non-executive director of Carpetright plc, McBride plc and Huhtämaki OYJ and previously held a similar role at Northern Foods plc. Mrs Turner has been involved in the retail sector throughout her career and was employed by Tesco PLC, latterly as commercial director for Tesco Ireland, from 1987 to 2009. Prior to this, she had previously worked in sales and marketing roles for Unilever and Wilkinson Sword.

A R N

Key to committee membership

A Audit and Risk committee

N Nomination committee

R Remuneration committee

Each of the non-executive directors is considered to be independent, with the exception of Caleb Kramer as he holds the position of managing director at Oaktree Capital Management (UK) LLP, a substantial shareholder of the Company.

Corporate governance statement

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

Prior to the IPO in March 2013, the Company was not required to follow the Code although it did take account of a number of its principles, including the provision of an internal audit function. Following listing the Board has sought to move towards full compliance with the Code. The directors have considered the contents and requirements of the Code and note the following instances of non-compliance:

- Until the appointment of Cathy Turner as a non-executive director on 31 July 2013, the Audit Committee and the Remuneration Committee did not consist of at least three independent non-executive directors (provisions C.3.1 and D.2.1 of the Code). However, following this appointment the Company has complied with those provisions for the remainder of the financial year
- Similarly, until the appointment of Cathy Turner, the Board did not consist of a majority of independent non-executive directors (excluding the Chairman) in accordance with provision B.1.2 of the Code. However, whilst compliance with this provision was therefore achieved on 31 July 2013, the resignation of Robert Davies on 7 November 2013 means that the Company will not be compliant with this requirement until a new independent director is appointed
- Annual evaluation of the performance of the Chairman and the Board, its Committees and individual directors (provisions A.4.2 and B.6.1 respectively) has not been conducted during the period as a year has not elapsed since the formation of the Board. Performance evaluations will be conducted during the forthcoming year

Board

Leadership

The Board provides leadership to the Group. It sets the strategy and oversees its implementation, ensuring that acceptable risks are taken. 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 retains control of key decisions and has put in place a formal schedule of matters specifically reserved for its approval. The roles of Chairman and chief executive are separated, clearly defined and approved by the Board. A copy of matters reserved for Board approval and the division of responsibilities between the roles of the Chairman and the chief executive is available to view on the corporate governance section of the Company's website. These documents are also accompanied by the terms of reference for each of the three Board committees listed below.

The Board delegates matters to the three Board committees, identified below, in line with their terms of reference and the formal schedule of matters reserved for Board approval. Further information on the work of these committees during the year can be found in later sections of this report: Nomination Committee within Board effectiveness; Audit and Risk Committee within Accountability; and Remuneration Committee within the separate remuneration report.

The directors' attendance at the scheduled Board meetings and Board committee meetings is shown in the table below. Attendance is expressed as the number of meetings that each director attended out of the number they were eligible to attend.

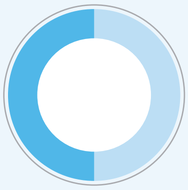
Director	Date of appointment	Board meetings	Audit and Risk Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
Grenville Turner	19 February 2013	7/7	—	—	—
Jim Clarke	28 December 2012	7/7	—	—	—
Caleb Kramer	19 February 2013	6/7	—	—	1/2
Sanjay Patel*	19 February 2013; resigned 14 August 2013	1/4	—	—	—
Robert Davies	18 March 2013; resigned 7 November 2013	6/6	1/1	2/2	1/1
Neville Richardson	18 March 2013; resigned 18 June 2013	2/2	1/1	—	—
David Watson	2 September 2013	3/3	2/2	—	1/1
Cathy Turner	31 July 2013	4/4	2/2	—	2/2
Sandra Turner	18 March 2013	7/7	4/4	2/2	2/2

* Sanjay Patel, the director appointed by Apollo-Affiliated Fund, was engaged in various overseas commitments which meant that his attendance was intermittent. However, an Apollo representative was always sent in his place.

Neville Richardson held the role of senior independent non-executive director and Chair of the Audit and Risk Committee for the duration of his directorship. Robert Davies performed the role of temporary Chair of the Audit and Risk Committee until the appointment of David Watson.

Robert Davies held the role of Chairman and Chair of the Nomination Committee for the duration of his directorship. Following Robert Davies' resignation, David Watson has undertaken these roles on an interim basis.

Nomination Committee



Composition

Chairman	1
Non-executive directors	1

Board effectiveness

Following its formation during the year, the Nomination Committee was responsible for evaluation of the balance of skills, experience, independence and knowledge on the Board. Initial appointments made prior to the formation of the Committee were made by the Company using an independent search and selection agency, Egon Zehnder (whose services were also used by the Nomination Committee for the two subsequent appointments detailed below).

Formal annual evaluation of the performance of the Board, its Committees, the directors and the Chairman has not been conducted in the year under review as the Board and Nomination Committee were only formed during the year. Further details of this process will be provided in our 2014 annual report.

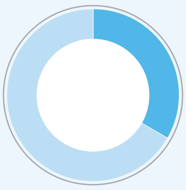
The Nomination Committee has met twice during the period to consider the appointments of Cathy Turner and David Watson, the non-executive directors appointed after completion of the IPO process and the establishment of the Nomination Committee. The Nomination Committee has appointed an independent search agency, Lygon Group, to assist in the identification of suitable candidates to join the Board and achieve full Code compliance. In light of Grenville Turner's decision to step down as CEO and take on the role of non-executive Chairman, the Board are addressing the skills and experience sought in his successor. Grenville will be involved in the process and continue to serve as Group CEO until an appropriate candidate is in place.

The Company believes that diversity of experience and approach, including gender diversity, amongst Board members is of great importance and it is the Company's policy to give careful consideration to issues of Board balance and diversity when making new appointments. The search for candidates and any subsequent appointments are, therefore, made purely on merit regardless of gender, race, religion, age or disability. Given our commitment to appointing the best people and ensuring that all employees have an equal chance of developing their careers within the Group, we do not think it is appropriate to set targets for Board appointments. In addition to Board diversity, we believe in promoting diversity at all levels of the organisation and further details of our workforce diversity are set out on page 32.

Following appointment to the Board, all directors are offered an induction and subsequent training to suit their needs. 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.

Although this is the initial period following appointment and therefore no formal performance evaluation has been conducted, the Nomination Committee is pleased with the time commitment of each non-executive director during their initial period of appointment and is confident that each of them would be in a position to discharge their duties to the Company in the coming year. Accordingly, as detailed in the notice of the AGM, all directors will stand for re-election.

Audit and Risk Committee



Composition

Chairman	1
Non-executive directors	2

Accountability

The Audit and Risk Committee's key role is to assist the Board in fulfilling its financial oversight responsibilities in ensuring the integrity of the Group's financial statements and the effectiveness of the Group's risk management and internal control processes. Accordingly, meetings were held at key times within the reporting and audit calendar and were also attended by the chief financial officer, the company secretary and the Company's external auditor, PricewaterhouseCoopers LLP. In addition, the Chairman, internal audit and risk management representatives were invited to attend.

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. This has been designed to manage, rather than eliminate, the risk of any failure to achieve its strategic objectives. It can provide reasonable, rather than absolute, assurance against material misstatement or loss. The Board's approach to risk management is supported by an oversight structure, as detailed on page 31, which includes the Audit Committee.

The Board has an ongoing process to identify, evaluate and manage the significant risks faced by the Group. This was in place throughout the year and up to the date of the approval of the annual report. This process is regularly reviewed by the Board and accords with the Turnbull guidance. In addition, the Audit and Risk Committee and the Board reviewed the effectiveness of the risk management and internal control systems, including the financial, operational and compliance controls. This was primarily achieved by:

- Reviewing the workstream undertaken by the Group Risk and Compliance Committee to update the Group's risk register through liaison with each of the divisions, update the control risk assessments and the resultant residual risk map to ensure that this aligned with the Board's risk appetite
- Reviewing reports from the internal audit team, who report to the chief financial officer but have direct access to the chief executive and Chairman of the Audit Committee, including any issues identified in the course of their work (a programme approved by the Committee and updated on a rolling basis) so that appropriate actions can be undertaken
- Reviewing annually the Group's system of internal control. This includes a summary of key risks and associated controls and a report from the internal audit team on their work
- Monitoring the risks and associated controls over the financial reporting processes, including the process by which the Group's financial statements are prepared for publication
- Reviewing reports from the external auditor on any issues identified during the course of their work, including a report on control weaknesses

Corporate governance statement continued

Audit and Risk Committee continued

Accountability continued

No material failings or weaknesses were identified during the review of the risk management and internal control system. The Audit Committee has also reviewed whistle-blowing arrangements allowing employees to raise concerns on a confidential basis and ensures that investigation of any whistle-blowing incidents is undertaken.

The Audit Committee assesses whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements. In the year under review, the Audit Committee considered the following significant matters in relation to the financial statements:

Matter	Action the Audit Committee has taken
Provisions: professional indemnity, property and other provisions	We reviewed the methodology and resultant professional indemnity provision prepared by management and regularly compared the emerging pattern of settled claims to assess whether the methodology and assumptions were appropriate. The Committee concluded that the methodology and assumptions made were reasonable. Property and other provisions were reviewed for consistency of approach and assumptions agreed as reasonable. For more detail in respect of provisioning policies adopted see note 3.
Impairment of goodwill and intangibles with an indefinite life	We reviewed discounted cash flows and sensitivities prepared by management, discussing assumptions adopted and concurred that a prudent approach underpinned their conclusion of no impairment being required.
Valuation of available-for-sale assets	We discussed the paper presented by management which outlined three alternative methodologies (discounted cash flow, EBITDA multiples and latest transaction prices) for valuation of assets held as available-for-sale. The assumptions and rationale were reasonable and all converged on a closely similar outcome.
Acquisitions accounting	We reviewed a management paper summarising the acquisitions undertaken during the year. Our discussion focused on the accounting treatment adopted in respect of Lambert Smith Hampton, due to individual materiality of the transaction. We were satisfied with the fair value accounting approach and valuation proposed by management.
Share-based payments	We reviewed the methodology and conclusion presented by management in relation to the various share-based payment arrangements. The assumptions made were reviewed and agreed as reasonable. For more detail in respect of share-based incentives and valuation methodologies see note 26.

In addition to the significant matters opposite which include an element of judgement, we also considered the presentation of the financial statements and, in particular, the compliance with financial reporting and disclosure requirements associated with premium listing. In respect of each of these matters, the Audit Committee reviewed papers presented by management and discussed critical judgements and estimates inherent within the conclusions, providing challenge where necessary. The Audit Committee also reviewed the reporting from the external auditor to ensure all that these matters had been considered and consistent conclusions had been reached.

At the request of the Board, the Audit and Risk Committee considered whether the 2013 annual report was fair, balanced and understandable and whether it provided the necessary information for the shareholders to assess Countrywide's performance, business model and strategy. The Committee was satisfied that, taken as a whole, the annual report is fair, balanced and understandable and has affirmed that view to the full Board.

The Audit Committee has policies in place to monitor and maintain the objectivity and independence of the external auditor, PwC. A copy of the policy is available for review on the corporate governance section of our website. The policy requires prior approval by the Audit Committee of non-audit work above a de minimis threshold of £50,000.

During the year the external auditor undertook the following non-audit work:

Matter	Fee £'000
IPO due diligence reports	850
IPO remuneration advice	150
IPO fees agreed prior to listing	**1,000**
Subsequent remuneration advice	54
Tax advisory services	48
Due diligence on acquisition targets	152
Non-audit fees post IPO	**254**

Work undertaken in relation to the IPO was performed by PwC due to its role as the incumbent auditor and reporting accountant. Subsequent remuneration advice provided in respect of the creation of the new LTIP and share scheme plan was performed by PwC due to its familiarity with the subject matter arising from previous consultations during the IPO process. PwC performed the due diligence in relation to acquisition targets due to the short notice period to appoint investigating accountants. In order to maintain its independence and objectivity, PwC undertook its standard independence procedures in relation to those engagements. Further details on amounts paid to PwC are included in note 7 to the financial statements. These were reported to and considered by the Audit Committee. Excluding the fees in relation to the IPO, non-audit fees represent less than 50% of the recurring base audit fee and will remain subject to scrutiny and approval by the Audit Committee.

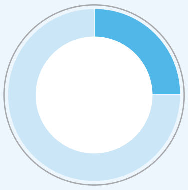
The external auditor reported to the Board and confirmed their independence in accordance with ethical standards and that they had maintained appropriate internal safeguards to ensure their independence and objectivity. In addition to the steps taken by the Board to safeguard auditor objectivity, PwC operates a five year rotation policy for audit partners for a listed entity.

We also adopted a formal framework to conduct our review of the effectiveness of the external audit process and audit quality and applied this to the completion of the 2013 Group audit cycle. The framework takes the form of an annual questionnaire covering all key aspects of the audit and is completed by each member of the Committee and by the CFO. Feedback is also sought from other members of the Group finance team, divisional management and the head of internal audit. Based on responses to the questionnaires, management produces a report for detailed consideration by the Audit Committee. The feedback from this process is considered by the Committee and is provided to the auditor and to management, with action plans developed accordingly and reviewed by the Committee.

PwC was appointed as auditor to the Company in 2007 and we note that the current partner's term will end in 2015. We are aware of the regulatory developments and transitional arrangements in relation to audit tendering provisions and will continue to monitor guidance. However, we may put the audit out to tender at any time before a regulatory retendering date if we were to conclude that this is in the Group's interest. There are no contractual obligations restricting our choice of external auditor and no auditor liability agreement has been entered into.

Take-over Directive details on share capital structures are included in the directors' report on page 57.

Remuneration Committee



Composition

Chairman	1
Non-executive directors	3

Remuneration

The work of the Remuneration Committee is subject to a separate report following this corporate governance section.

The Committee appointed, and received advice on remuneration from New Bridge Street, a trading name of AON plc. New Bridge Street is not otherwise connected to the Group.

Relations with shareholders

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

Shareholders have the opportunity to address questions to the Chairman and the Chairmen of the Audit and Risk Committee and Remuneration Committee at the AGM. All shareholders are encouraged to attend the AGM. Shareholders wishing to lodge questions in advance of the AGM, or to contact the Board at any other time, are invited to do so by writing to the company secretary at the registered address given on page 115.

For more shareholder information, please visit our Investor Relations section of our website
www.countrywide.co.uk/investor-relations

Directors' remuneration report

Statement from the Chair of the Remuneration Committee

Annual statement

On behalf of the Board, I am pleased to present our inaugural remuneration report for the year ended 31 December 2013. The report has been divided into two principal sections, namely:

- remuneration policy report, which sets out the Group's forward-looking policy on the remuneration of executive and non-executive directors; and
- annual report on remuneration, which discloses details of the Remuneration Committee, how the remuneration policy will operate for the year ending 31 December 2014 and how the policy was implemented in the year ended 31 December 2013.

The remuneration policy report will be subject to a binding vote and it is our intention to put this section of the report to a binding vote every three years unless there are changes to our policy requiring shareholder approval. The remuneration policy will commence from 1 January 2014 albeit it will not become formally effective until the 2014 AGM assuming that shareholder approval is obtained. The annual report on remuneration will be subject to an advisory vote each year starting with the 2014 AGM.

2013 performance and reward
Countrywide has delivered sustainable returns and growth for our shareholders with:

- EBITDA up by 37% to £86.6 million;
- adjusted earnings per share of 24.4 pence; and
- total dividends (including proposed final dividend) of 8.0 pence (net) per share.

Remuneration is weighted towards variable pay, dependent on performance. This ensures that there is a clear link between the value created for shareholders and the amount paid to our executive directors. Performance is assessed against a range of financial and longer term returns ensuring value is delivered to shareholders and participants are rewarded for the delivery of the key strategic objectives of the Group, specifically growth and returns.

The key remuneration outcomes in respect of 2013 were:

- basic salaries and benefits remain unchanged for the chief executive officer (CEO) and chief financial officer (CFO) since the IPO; and
- annual bonuses are based on Group EBITDA and 83% of the maximum was awarded to the CEO and CFO in respect of 2013. This reflects the strong financial and operational results the Group has achieved.

Remuneration policy for 2014
The directors' remuneration policy is set out for shareholder approval in the remuneration policy report on pages 45 to 49. Details on how the policy will be applied in practice for the 2014 financial year are set out in the annual report on remuneration on page 50, although no structural changes are proposed for 2014.

Shareholder engagement
We take an active interest in shareholder views on our executive remuneration policy and will be reviewing voting outcomes from our first AGM. We believe in ongoing dialogue with shareholders on remuneration and will engage regularly.

We are committed to developing effective and performance-based remuneration policies that are well governed. We welcome any comments you may have.

Cathy Turner

Cathy Turner
Chair of the Remuneration Committee
27 February 2014

> "We are committed to developing effective and performance-based remuneration policies that are well governed."

Remuneration policy report

Introduction

In this section, we explain:

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

Remuneration strategy

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

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

Statement of employment conditions elsewhere in the Company

The remuneration policy described within this report provides an overview of the structure that operates for the most senior executives in the Group. The remuneration policy for the executive directors is more heavily weighted towards variable pay than for other employees to make a greater part of their pay conditional on the successful delivery of the business strategy. This aims to create a clear link between the value created for shareholders and the remuneration received by the executive directors. When setting the policy for remuneration for the executive directors the Committee takes into account the overall approach to reward for employees in the Group, including consideration of salary increases for the general employee population; overall spend on annual bonus; Group-wide benefit offerings; and any other relevant factors as determined by the Committee.

Employees have not been consulted in respect of the design of the Company's executive remuneration policy to date, although the Committee will keep this under review.

Statement of consideration of shareholder views

The views of the Company's major shareholders on the Company's senior executive remuneration policy were taken into account prior to admission. Going forward, the Committee will consider the views of major shareholders and representative bodies in addition to market practice when making changes to the policy. In the event that material changes to the policy are proposed, the Company will consult with major shareholders and representative bodies in advance of changes being made.

Directors' remuneration report continued

Remuneration policy report continued

Summary remuneration policy

The key components of the remuneration packages offered to our directors are as follows:

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

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

Notes to summary policy table

1 A description of how the Company intends to implement the opposite policy for 2014 is set out in the following annual report on remuneration.

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

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

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

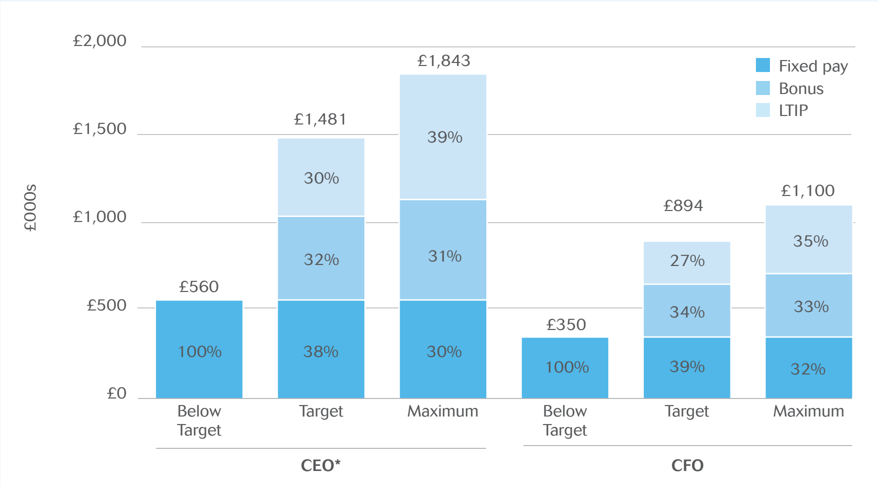
- who participates;
- the timing of grant of award and/or payment;
- the size of an award (up to plan/policy limits) and/or a payment;
- the result indicated by the performance conditions;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
-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

5 For the avoidance of doubt, in approving this directors' remuneration policy, authority 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).

Remuneration policy report continued

Illustration of the application of the remuneration policy

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



* Based on the intended policy for Grenville Turner before it was announced that he will become non-executive Chairman once a successor is in place. While the precise remuneration arrangements for the successor may differ from Grenville Turner's current package, they will be consistent with the remuneration policy.

The above scenarios adopt the following assumptions:

- fixed pay consists of base salary as at 1 January 2014, benefits and pension allowances. Benefits are based on the value provided for 2013;
- on-target performance is based on the value of fixed pay plus on-target incentive pay, based on 83% of the maximum bonus and 62.5% of the maximum long term incentive pay values;
- maximum performance is based on the value of fixed pay plus maximum incentive pay (i.e. a 120% of base salary annual bonus and a 150%/130% of salary LTIP award). IPO options, as described in the annual report on remuneration, have been excluded from the above analysis (even though they vest on the basis of 2014 performance) as they do not form part of the ongoing remuneration policy; and
- no assumptions have been made as to the share price growth and any dividend accrual has been excluded from the above.

Recruitment of executive directors and promotions

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

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

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

Service agreements and letters of appointment

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

The non-executive directors of the Company (including the Chairman) do not have service contracts. 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 directors' service agreements and letters of appointment are available for inspections at the Company's registered office and will be available at the AGM.

Policy on payment for loss of office

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

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

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

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

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

External appointment of executive directors

The Board allows executive directors to accept appropriate outside commercial non-executive director appointments provided the aggregate commitment is compatible with their duties as executive directors. The executive directors concerned may retain fees paid for these services, which will be subject to approval by the Board. Details of such appointments and fees retained for 2013 are disclosed on page 51.

Directors' remuneration report continued

Annual report on remuneration

Implementation of the remuneration policy for the year ending 31 December 2014

Details of how the Committee intends to operate the remuneration policy for directors for the year ending 31 December 2014, including the impact of the recent announcement in respect of Group chief executive officer Grenville Turner becoming non-executive Chairman once a succesor is in place, are set out below.

Base salary

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

	2014 £'000
Grenville Turner	475
Jim Clarke	300

Benefits in kind and pension

Executive directors will continue to receive benefits in kind including a company car allowance, life assurance, private medical insurance and permanent health insurance. Jim Clarke will receive a company pension contribution of up to 12% of base salary while Grenville Turner will receive a salary supplement in lieu of pension entitlement of up to 15% of base salary up to the date he ceases to be an executive director.

Annual bonus

For 2014, the annual bonus will continue to be based on Group EBITDA targets. The Committee has chosen not to disclose the performance targets in advance for 2014 as these include items which the Committee considers commercially sensitive. Retrospective disclosure of the targets and performance against them will be presented in the 2014 annual report on remuneration.

The maximum bonus potential will continue to be 120% of salary for executive directors for 2014 and one-third of any bonus payable will be deferred into Company shares for a period of three years. Malus and clawback provisions will operate in respect of deferred bonus awards. The Group chief executive officer's annual bonus will be pro-rated for the period of time served as an executive director, subject to performance targets and will be payable at the normal payment date, subject to the normal deferral policy.

Long term incentive plans

The annual award of LTIPs to be granted in 2014 will be subject to the following targets:

- absolute EPS (two-thirds) – 25% of this part of an award will vest for EPS of 57.6 pence increasing pro-rata to 100% vesting for EPS of 70.4 pence for the year ending 31 December 2016; and
- relative TSR (one-third) – the Company's TSR measured against the constituents of the FTSE 250 (excluding financial services companies and investment trusts). 25% of this part of an award will vest for performance at median of comparator group, increasing pro-rata to 100% vesting at upper quartile.

Long term incentive plans continued

The Group chief executive officer will not receive any further LTIP awards given his planned transition to non-executive chairman. Existing awards will remain in place and vest in line with the relevant scheme rules. The Group chief financial officer will receive an award over shares worth 130% of salary and LTIP awards to any new Group chief executive officer will be consistent with the policy. Malus and clawback provisions will operate.

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

Non-executive directors

Non-executive director fee levels for 2014, which remain unchanged from IPO (or appointment if later) unless otherwise stated, are as follows:

	Committee Chairman role	2014 £'000
David Watson	Audit and Risk*	150
Caleb Kramer	—	40
Sandra Turner	—	45
Cathy Turner	Remuneration	55

* David Watson was appointed as interim Chairman of the Group from 8 November 2013. This has entitled him to additional fees for this role of £95,000 per annum pro-rata on top of his normal £55,000 fee.

Directors' remuneration for the year ended 31 December 2013

The remuneration of the directors for the years 2013 and 2012, which has been subject to audit, was as follows:

	Salary and fees		All taxable benefits[2]		Annual bonuses[3]		Long term incentives		Pension[4]		Other[7]		Total	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Executive directors[1]														
Grenville Turner[8]	470	450	14	14	475	450	—	—	56	—	—	—	1,015	914
Jim Clarke	289	250	14	14	300	300	—	—	35	30	—	—	638	594
Non-executive directors[5]														
Caleb Kramer	35	—	—	—	—	—	—	—	—	—	—	—	35	—
Sanjay Patel	19	—	—	—	—	—	—	—	—	—	—	—	19	—
Robert Davies[6]	115	—	—	—	—	—	—	—	—	—	201	—	316	—
Neville Richardson	18	—	—	—	—	—	—	—	—	—	—	—	18	—
David Watson	33	—	—	—	—	—	—	—	—	—	—	—	33	—
Cathy Turner	23	—	—	—	—	—	—	—	—	—	—	—	23	—
Sandra Turner	37	—	—	—	—	—	—	—	—	—	—	—	37	—
	1,039	700	28	28	775	775	—	—	91	30	201	—	2,134	1,508

1 Remuneration disclosed for executive directors represents full year amounts as these directors performed qualifying services within the Group in both years.

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

3 Details of the annual bonus targets and payments are set out below. In respect of 2012 bonus settlements, Jim Clarke received an IPO bonus of £50,000 to reflect the additional requirements and achievements of the Listing process.

4 Grenville Turner receives a 15% of salary supplement in lieu of pension entitlements (introduced at the point of IPO) and Jim Clarke receives a pension contribution to the defined contribution section of the Group scheme of 12% of his base salary subject to his personal contribution of 9% of his base salary.

5 The independent non-executive directors were appointed during the year (and accordingly no comparatives are disclosed). Sanjay Patel and Caleb Kramer held positions as non-executive directors within the Group prior to their appointment to the listed Company Board during the year and so fees are disclosed for both years in respect of qualifying services. David Watson was appointed on 2 September 2013, Cathy Turner was appointed on 31 July 2013 and Sandra Turner was appointed on 18 March 2013. Robert Davies was appointed on 18 March 2013 and stepped down on 7 November 2013 and Neville Richardson was appointed on 18 March 2013 and stepped down on 18 June 2013.

6 As part of his appointment arrangements, Robert Davies was awarded £200,700 with an entitlement to purchase shares with an equivalent aggregate value, at the nominal per share value, prior to Admission. To maintain the Chairman's independence, the shares were not subject to any restrictions other than those attaching to ordinary shares held by shareholders or required by law. However, shortly after grant, the individual confirmed in writing that he did not intend to sell the shares prior to the second anniversary of Admission.

7 Matching shares were issued to the executive directors under the Share Incentive Plan, in November and December 2013, following the introduction of the employee-wide share incentive plan. The aggregate value of these was £121 for each executive director.

8 In addition to the above, Grenville Turner was chairman of Knightsbridge Student Housing Limited and Bellpenny Limited and was a non-executive director of Zoopla Property Group Ltd. He received fees only in respect of his role with Knightsbridge Student Housing Limited, amounting to £50,000.

Annual report on remuneration continued

2013 annual bonus award

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

In determining the 2013 annual bonus award, the Committee considered:

- Group EBITDA of £86.6 million, which represents significant outperformance of the target Group EBITDA of £74.1 million in the plan;
- an estimated market size considerably larger, +13%, than anticipated;
- the achievement of significant projects, including the IPO, multiple acquisitions including LSH, ongoing efficiency, IT transformation programme; and
- the strong contribution from each executive director.

Whilst performance against the original plan would have triggered a maximum bonus of 120% of base salary, the larger than expected market size resulted in a flexing downwards of the annual bonus award to 100% of base salary.

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

		Performance required				
Measure	Weighting	Threshold	On-target	Maximum	Actual	Payout
Flexed Group EBITDA	100%	£69.2m	£84.1m	£89.0m	£84.3m	83.3% of maximum

Scheme interests awarded during the year

LTIP Awards

On 6 September 2013, the following LTIP awards, the first set of awards under the annual grant policy, were granted to executive directors:

Executive	Type of award	Basis of award granted	Share price at date of grant (pence)	Number of shares	Face value of award £'000	% of face value that would vest at threshold performance	Vesting determined by performance over	Normal vesting (exercise) date
Grenville Turner	Nil cost option	150% of salary	550	129,545	712	25%	EPS: 1 January 2013–31 December 2015 TSR: 19 March 2013–March 2016	6 September 2016 (6 September 2023)
Jim Clarke	Nil cost option	130% of salary	550	70,909	390	25%	EPS: 1 January 2013–31 December 2015 TSR: 19 March 2013–March 2016	6 September 2016 (6 September 2023)

Performance targets for these awards are as follows:

- absolute EPS (two-thirds) – 25% of this part of an award will vest for EPS of 36 pence increasing pro-rata to 100% vesting for EPS of 44 pence for the year ending 31 December 2015; and
- relative TSR (one-third) – the Company's TSR measured against the constituents of the FTSE 250 (excluding financial services companies and investment trusts). 25% of this part of an award will vest for performance at median of comparator group, increasing pro-rata to 100% vesting at upper quartile.

Scheme interests awarded during the year continued

IPO options

Prior to the IPO, management participated in a management incentive plan (MIP) arrangement which was typical of those arrangements operated by private equity-backed companies. Rather than crystallising the MIP arrangement at IPO and therefore significantly reducing the retentiveness of senior executive packages, following discussions with the Company's major shareholders at the time, MIP awards were rolled over into a new arrangement with awards granted over Countrywide plc shares (IPO Options) to ensure that the management team continued to be appropriately retained and incentivised to deliver earnings growth and shareholder return in the years immediately following IPO. The following roll-over awards were therefore granted to executive directors over Countrywide plc shares immediately prior to, and conditional upon, the IPO.

Executive	Type of award	Basis of award granted	Share price at date of grant* pence	Number of shares	Face value of award* £'000	% of face value that would vest at threshold performance	Vesting determined by performance over	Normal vesting (exercise) date
Grenville Turner	Nil cost option	Equated to the rights to MIP awards which terminated at IPO	350	1,828,045	6,398	0%	Year ending 31 December 2014	50% on the second anniversary of IPO (18 March 2015), 50% on the third anniversary of IPO (18 March 2016)
Jim Clarke				1,096,827	3,839			

* Based on the IPO price.

The performance condition on the vesting of IPO Options is based on the performance condition, detailed in the Listing Prospectus, as converted to reflect EBITDA per ordinary share in issue immediately following admission:

- if EBITDA for financial year ending 31 December 2014 is £74 million or less, then no part of an IPO Option will vest (i.e. EBITDA per ordinary share of 33.72 pence);
- if EBITDA for financial year ending 31 December 2014 is £120 million or more, then 100% of an IPO Option will vest (i.e. EBITDA per ordinary share of 54.68 pence); and
- if EBITDA for financial year ending 31 December 2014 falls between this specified floor and ceiling, vesting of an IPO Option will occur on a straight line basis.

SIP awards

After the introduction of the HMRC approved share incentive plan in October 2013, the following awards of matching shares (aligned to purchase of partnership shares), were granted to executive directors:

Executive	Type of award	Basis of award granted	Share price at date of grant pence	Number of shares	Face value of award £'000	% of face value that would vest at threshold performance	Vesting determined by performance over	Normal vesting (exercise) date
Grenville Turner	Nil cost option	Matching shares aligned to purchase of partnership shares (1:2)	561 (Nov) 535 (Dec)	22	0	n/a	Service conditions of continued employment	Minimum holding period of three years from rolling monthly award date
Jim Clarke				22	0			

Directors' remuneration report continued

Annual report on remuneration continued

Scheme interests awarded during the year continued

Outstanding share awards

	Date of grant	Interest at 18 March 2013	Options/ awards granted during the year	Options/ awards lapsed during the year	Options/ awards exercised during the year	Interest at 31 December 2013	Exercise price pence	Expected exercise/vested to expiry date (if appropriate)
Grenville Turner								
IPO Options	18/03/13	1,828,045	—	—	—	1,828,045	—	50% 18/03/15 50% 18/03/16
LTIP	06/09/13	—	129,545	—	—	129,545	—	06/09/16 (06/09/23)
SIP matching shares	05/11/13 05/12/13	— —	11 11	—	—	11 11	— —	05/11/16 05/12/16
Jim Clarke								
IPO Options	18/03/13	1,096,827	—	—	—	1,096,827	—	50% 18/03/15 50% 18/03/16
LTIP	06/09/13	—	70,909	—	—	70,909	—	06/09/16 (06/09/23)
SIP matching shares	05/11/13 05/12/13	— —	11 11	—	—	11 11	— —	05/11/16 05/12/16

The IPO Options have been assumed to have been granted on the date of IPO for the purposes of this table.

Statement of directors' shareholding and share interests

The interests of the directors who served on the Committee during 2013 have been subject to audit and are set out in the table below:

	Legally owned		LTIP awards		IPO Options		SIP matching share awards	Total	
	31 December 2013	31 December 2012	Unvested	Vested	Unvested	Vested	Restricted	31 December 2013	Shareholding guideline (100% of salary)
Grenville Turner	2,633,206*	—	129,545	—	1,828,045	—	22	4,590,818	>100%
Jim Clarke	1,579,941	—	70,909	—	1,096,827	—	22	2,747,699	>100%
Caleb Kramer	—	—	—	—	—	—	—	—	—
Sanjay Patel	—	—	—	—	—	—	—	—	—
Robert Davies	57,342	—	—	—	—	—	—	57,342	—
Neville Richardson	—	—	—	—	—	—	—	—	—
David Watson	—	—	—	—	—	—	—	—	—
Cathy Turner	—	—	—	—	—	—	—	—	—
Sandra Turner	—	—	—	—	—	—	—	—	—

* Includes 322,298 shares jointly controlled.

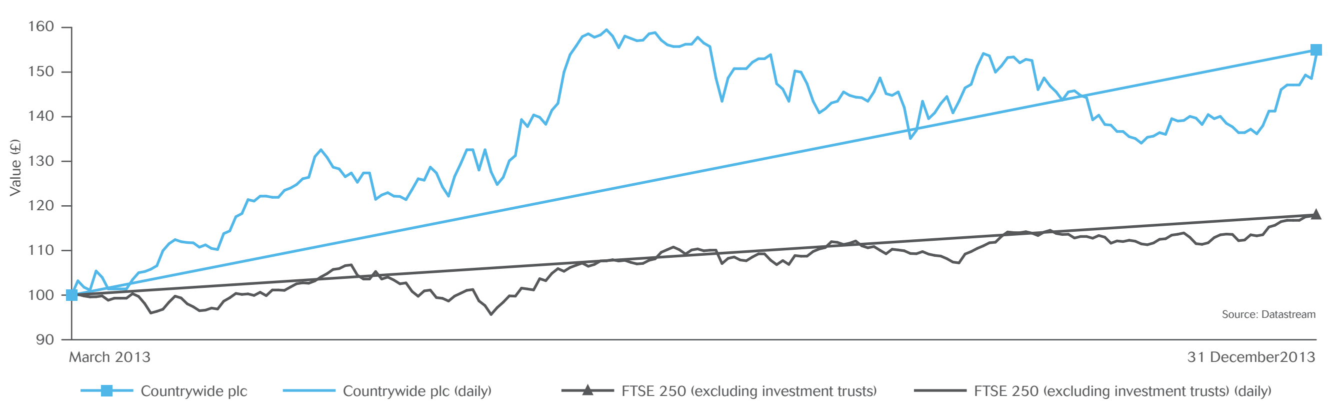
There have been the following changes in the interests of any director between 1 January 2014 and the date of this report:

- purchase of SIP partnership shares by Grenville Turner (44 shares) and Jim Clarke (44 shares); and
- issue of SIP matching share awards to Grenville Turner (22 shares) and Jim Clarke (22 shares).

Payments to past directors and payments for loss of office

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

Performance graph and table



The graph shows the value, by 31 December 2013, 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).

The table below sets out the details for the director undertaking the role of chief executive officer. For periods 2012 and earlier, the values disclosed represent the costs of qualifying services in respect of the previous, non-listed parent company and Group structure.

Year	CEO single figure of total remuneration £'000	Annual bonus pay-out against maximum %	Long term incentive vesting rates against maximum opportunity %
2013	1,015	83	n/a
2012	914	83	n/a
2011	689	46	n/a
2010	892	79	n/a
2009	972	100	n/a

Percentage change in remuneration of director undertaking the role of CEO

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 2013 and 2012:

	Percentage increase in remuneration in 2013 compared with remuneration in 2012	
	CEO	Average pay based on all Countrywide employees
Salary and fees	4.3%	2.7%
All taxable benefits	0.1%	4.8%
Annual bonuses/variable pay	5.6%	12.6%

Directors' remuneration report continued

Annual report on remuneration continued

Relative importance of spend on pay

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

	2013 £'000	2012 £'000	Change %
Employee costs	332,606	297,518	12
Dividends	4,389	—	—
Tax charge/(credit)	3,832	(7,776)	n/a
Retained profits/(losses)	29,904	(2,995)	n/a

Consideration by the directors of matters relating to directors' remuneration

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

Statement of voting at general meeting

As this is the first report following the IPO, there are no prior year general meeting resolutions, or voting outcomes, to report in respect of directors' remuneration. The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes in respect of the approval of the remuneration report or the remuneration policy. Where there are substantial votes against resolutions in relation to directors' remuneration, the reasons for any such vote will be sought and any actions in response will be detailed in this section of future reports.

Approval

This report was approved by the Board of directors on 27 February 2014 and signed on its behalf by:

Cathy Turner

Cathy Turner
Chair of the Remuneration Committee

Directors' report

For the year ended 31 December 2013

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2013. The review of the business, future developments and outlook, as well as specific disclosures in relation to financial risk management and employee policies, are contained within the strategic report and are incorporated into the directors' report by cross reference.

Shareholder	Number of shares	% holding
Oaktree Capital Management	60,534,034	27.59
Caledonia Investments	11,517,339	5.25
Royal London Asset Management	8,968,626	4.09
Kames Capital	8,312,219	3.79
Fidelity Worldwide Investment	7,673,962	3.50
BlackRock Investment Mgt (UK)	7,469,162	3.40
JP Morgan Asset Management	7,032,773	3.20

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 2 of the financial statements.

Dividends

The directors recommend the payment of a final dividend of 6.0 pence (net) per share. Subject to approval at the AGM, the dividend will be paid on 7 May 2014 to shareholders on the register at 28 March 2014. The total dividend in respect of the year is, therefore, 8.0 pence (net) per share.

Share capital

Details of the movements in issued share capital during the year are provided in note 25 to the Group financial statements. Ordinary shares of the Company carry the right to one vote at a general meeting of the Company and have no right to fixed income.

Details of employee share schemes are provided in note 26 to the Group financial statements. At 31 December 2013, there were 39,375 shares held in the Employee Benefit Trust (EBT) for the purposes of satisfying awards made under the Company's employee share schemes and accounted for as treasury shares.

The Company is authorised, until the next AGM, to make one or more market purchases of its ordinary shares, limited to: a maximum number of 21,373,067 ordinary shares; a minimum price of the nominal value; and a maximum price of 5% above the average market value for the preceding five business days or the higher of the price of the last independent trade and highest current independent bid.

Substantial shareholdings

As at 26 February 2014, the Company had been notified of the following interest amounting to 3% or more of the voting rights in the issued share capital of the Company.

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 his period of office.

Powers of the directors

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

Amendment of articles

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

Directors and directors' interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements are disclosed on page 40 and their interests in the shares of the Company are disclosed on page 54.

Directors' indemnities

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

Auditor and disclosure of information to auditor

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

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

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

Corporate governance

The Company's statement on corporate governance can be found in the corporate governance report on pages 40 to 43 of this annual report. The corporate governance report forms part of this directors' report and is incorporated into it by cross reference.

Going concern

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

Greenhouse gas emissions

Please refer to our corporate responsibility statement on page 35 for details of the disclosures required.

Post-balance sheet events

Since the year end, the Company has:

- renegotiated its debt facility and reduced interest margins payable: details can be found on page 28;
- completed the acquisition of six companies for a total consideration of £15.1 million; and
- invested £7.0 million in our first residential property investment.

AGM notice

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

By order of the Board

Gareth Williams
Company secretary
27 February 2014

Directors' responsibilities statement

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' statement pursuant to the disclosure and transparency rules

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

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

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

Strong financial performance in our first year as a public company

Contents

Independent auditor's report

To the members of Countrywide plc

Report on the Group financial statements

Our opinion In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The Group financial statements, which are prepared by Countrywide plc, comprise:

- the consolidated balance sheet as at 31 December 2013;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

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

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement we determined overall materiality for the Group financial statements as a whole to be £2.9 million. This represented 5% of profit before tax adjusted for exceptional items and the non-recurring finance costs that arose as a result of the capital restructure on IPO, which we judged to be the most relevant measure of underlying profit for our audit.

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

Overview of the scope of our audit

The Group is a residential estate agency and property services provider in the UK operating in seven complementary businesses as set out in the Annual Report. Each of the businesses is broken down into a number of reporting units which are consolidated into the Group financial statements along with the centralised functions.

Reporting units from the seven businesses were included in the scope of our work and were subject to audits by the group engagement team of their complete financial information. In some of the businesses we audited all the reporting units and in some we focused on the larger reporting units to give us appropriate coverage. Our scope meant that we achieved 95% coverage of revenue and 93% of the profit before tax for the Group as a whole.

This, together with additional procedures performed by us on the remaining reporting units, and on impairment, going concern and acquisition accounting, gave us sufficient, appropriate audit evidence for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 42.

Report on the Group financial statements continued

Overview of our audit approach continued

Areas of particular audit focus continued

Area of focus	How the scope of our audit addressed the area of focus
Management override of controls ISAs (UK & Ireland) require that we consider this as there is a risk that senior management can potentially override controls, regardless of how strong the control environment is.	We assessed the overall control environment of the Group, including the arrangements for employees to 'whistle-blow' inappropriate actions, and interviewed senior management and the Group's internal audit function. We audited significant balances which were judgemental and subjective in nature, for example, provisions and impairment, and assessed whether there was evidence of bias by the senior employees in their estimates, individually and in aggregate. We tested manual journal entries posted during the year to identify unusual or irregular items.
Fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition. Revenue is the key driver for the business and as such represents a financial statement line item that is susceptible to fraud or manipulation. We deemed occurrence of revenue transactions to be the particular risk.	We evaluated the process and key controls underlying the recording of revenue transactions. We tested recorded revenue transactions to underlying documentation, obtaining external confirmations in some cases. Our work in this area also included tests of reconciliations between the detailed account listings and the general ledger, and of a sample of credit notes issued post year end, and we also examined journal entries posted to revenue accounts.
Accounting estimates and judgements The Group financial statements include a number of significant accounting estimates that required judgement by the directors: » provisions for Professional Indemnity (PI) claims – principally from the surveying business. Our audit procedures had to take into account both the potential exposure and the extent to which liabilities are likely to crystallise; » onerous leases/dilapidation provisions – with a substantial property portfolio there is judgement around provisions in relation to the Group's unoccupied properties and future dilapidation costs; » other provisions – such as bad debt and other litigation costs in the normal course of business; and » available-for-sale financial assets need to be fair valued at each balance sheet date.	We understood and evaluated the processes by which these accounting estimates and judgements were arrived at. For each significant provision, we assessed the appropriateness of the methodology, tested the relevant data to supporting documentation, examined the integrity of the model used to generate the calculation, and evaluated discount rates where appropriate. We also looked at historical information on the outcome of previous provisions. We corroborated the directors' estimates and judgements to third party documentation where possible. In relation to the provisions for PI claims, we attended meetings with the Group's lawyers and insurers and discussed the matter with the Group's external and internal legal counsel and obtained legal confirmation letters from them. For available-for-sale financial assets, we tested the valuations carried out by the management and obtained comfort over the fair value used by comparing it with the most recent share purchase transactions in the relevant company.
Financial statement disclosure The Group has not reported as a listed company for a number of years, which could increase the risk of error or omission in the reporting process.	We carried out a full range of tests of the contents of the financial statement disclosures, and other aspects of the annual report that we audit, to check that they met the technical and regulatory requirements. As reported below, we also considered whether the statement given by the directors that they consider the Annual Report taken as a whole to be fair, balanced and understandable was materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.

Independent auditor's report continued

To the members of Countrywide plc

Report on the Group financial statements continued

Going concern
Under the Listing Rules we are required to review the directors' statement, set out on page 57, in relation to going concern. We have nothing to report having performed our review.

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

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

Opinions on matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Other matters on which we are required to report by exception

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

Directors' remuneration
Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code (the 'Code'). We have nothing to report having performed our review.

On page 58 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 42, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report
Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

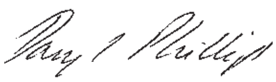
Our responsibilities and those of the directors
As explained more fully in the directors' responsibilities statement set out on page 58, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other matter

We have reported separately on the parent company financial statements of Countrywide plc for the year ended 31 December 2013 and on the information in the directors' remuneration report that is described as having been audited.



Darryl Phillips
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2014

Consolidated income statement

For the year ended 31 December 2013

		2013			2012 (restated)		
	Note	Pre-exceptional items, amortisation and share-based payments £'000	Exceptional items, amortisation and share-based payments £'000	Total £'000	Pre-exceptional items, amortisation and share-based payments £'000	Exceptional items, amortisation and share-based payments £'000	Total £'000
Revenue		570,864	—	570,864	512,235	—	512,235
Other income	5	13,904	—	13,904	12,493	—	12,493
	4	584,768	—	584,768	524,728	—	524,728
Employee benefit costs	6	(323,536)	(9,070)	(332,606)	(297,518)	—	(297,518)
Depreciation and amortisation	14, 15	(11,066)	(8,121)	(19,187)	(8,647)	(7,709)	(16,356)
Other operating costs	7	(174,961)	—	(174,961)	(165,674)	—	(165,674)
Share of profit from joint venture	16	1,015	—	1,015	774	—	774
Group operating profit/(loss) before exceptional items		76,220	(17,191)	59,029	53,663	(7,709)	45,954
Exceptional income	10	—	2,534	2,534	—	7,867	7,867
Exceptional costs	10	—	(5,563)	(5,563)	—	(37,060)	(37,060)
Operating profit/(loss)	4	76,220	(20,220)	56,000	53,663	(36,902)	16,761
Finance costs	8	(14,264)	(4,542)	(18,806)	(28,531)	—	(28,531)
Finance income	9	931	—	931	999	—	999
Net finance costs		(13,333)	(4,542)	(17,875)	(27,532)	—	(27,532)
Profit/(loss) before taxation		62,887	(24,762)	38,125	26,131	(36,902)	(10,771)
Taxation (charge)/credit	11	(12,542)	8,710	(3,832)	(2,616)	10,392	7,776
Profit/(loss) for the year		50,345	(16,052)	34,293	23,515	(26,510)	(2,995)
Attributable to:							
Owners of the parent		49,924	(16,052)	33,872	23,093	(26,510)	(3,417)
Non-controlling interests		421	—	421	422	—	422
Profit/(loss) attributable for the year		50,345	(16,052)	34,293	23,515	(26,510)	(2,995)
Earnings per share attributable to owners of the Parent							
Basic earnings/(loss) per share	13			16.53p			(2.19)p
Diluted earnings/(loss) per share	13			16.42p			(2.19)p

The notes on pages 68 to 107 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Profit/(loss) for the year		34,293	(2,995)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial gain arising in the pension scheme	24	653	137
Deferred tax arising on the pension scheme	24	(137)	(34)
		516	103
Items that may be subsequently reclassified to profit or loss			
Foreign exchange rate (loss)/gain		(27)	16
Movement in fair value of available-for-sale financial assets	16(c)	27,475	953
		27,448	969
Other comprehensive income for the year		27,964	1,072
Total comprehensive income/(expense) for the year		62,257	(1,923)
Attributable to:			
Owners of the parent		61,836	(2,345)
Non-controlling interests		421	422
Total comprehensive income/(expense) for the year		62,257	(1,923)

The notes on pages 68 to 107 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
		Attributable to owners of the parent						
Balance at 1 January 2012		147,654	46,777	45,491	3,712	243,634	238	243,872
(Loss)/profit for the year		—	—	—	(3,417)	(3,417)	422	(2,995)
Other comprehensive income/(expense)								
Currency translation differences		—	—	16	—	16	—	16
Movement in fair value of available-for-sale financial assets	16(c)	—	—	953	—	953	—	953
Actuarial gain in the pension fund	24	—	—	—	137	137	—	137
Deferred tax movement relating to pension	24	—	—	—	(34)	(34)	—	(34)
Total other comprehensive income		—	—	969	103	1,072	—	1,072
Total comprehensive income/(expense)		—	—	969	(3,314)	(2,345)	422	(1,923)
Transactions with owners								
Issue of new shares for cash	25	7	502	—	—	509	—	509
Repurchase of shares	25	(4)	—	4	—	—	—	—
Dividends paid		—	—	—	—	—	(159)	(159)
Transactions with owners		3	502	4	—	509	(159)	350
Balance at 1 January 2013		147,657	47,279	46,464	398	241,798	501	242,299
Profit for the year		—	—	—	33,872	33,872	421	34,293
Other comprehensive income								
Currency translation differences		—	—	(27)	—	(27)	—	(27)
Movement in fair value of available-for-sale financial assets	16(c)	—	—	27,475	—	27,475	—	27,475
Actuarial gain in the pension fund	24	—	—	—	653	653	—	653
Deferred tax movement relating to pension	24	—	—	—	(137)	(137)	—	(137)
Total other comprehensive income		—	—	27,448	516	27,964	—	27,964
Total comprehensive income		—	—	27,448	34,388	61,836	421	62,257
Transactions with owners								
Repurchase of shares	25	(1)	—	1	(55)	(55)	—	(55)
Cancellation of shares	25	(146,091)	—	—	146,091	—	—	—
Capital reorganisation	25	—	(47,279)	47,279	—	—	—	—
Shares issued at initial public offering	25	629	219,371	—	—	220,000	—	220,000
Transactional costs of shares issued		—	(7,530)	—	—	(7,530)	—	(7,530)
Share-based payment transactions	26	—	—	—	8,054	8,054	—	8,054
Deferred tax on share-based payments		—	—	—	1,235	1,235	—	1,235
Treasury shares	27	—	—	(226)	—	(226)	—	(226)
Dividends paid	12	—	—	—	(4,389)	(4,389)	(405)	(4,794)
Transactions with owners		**(145,463)**	**164,562**	**47,054**	**150,936**	**217,089**	**(405)**	**216,684**
Balance at 31 December 2013		**2,194**	**211,841**	**120,966**	**185,722**	**520,723**	**517**	**521,240**

The notes on pages 68 to 107 form an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December 2013

	Note	2013 £'000	2012 £'000
Assets			
Non-current assets			
Goodwill	14(a)	379,834	356,517
Other intangible assets	14(b)	235,412	193,700
Property, plant and equipment	15	31,473	23,596
Investments accounted for using the equity method:			
Investments in joint venture	16(b)	2,913	2,676
Available-for-sale financial assets	16(c)	42,877	14,370
Deferred tax assets	23	15,418	16,458
Total non-current assets		707,927	607,317
Current assets			
Trade and other receivables	17	91,854	68,178
Cash and cash equivalents	18	36,325	46,544
Total current assets		128,179	114,722
Total assets		836,106	722,039
Equity and liabilities			
Equity attributable to the owners of the Parent			
Share capital	25	2,194	147,657
Share premium		211,841	47,279
Other reserves	27	120,966	46,464
Retained earnings		185,722	398
		520,723	241,798
Non-controlling interests	16(a)	517	501
Total equity		521,240	242,299
Liabilities			
Non-current liabilities			
Borrowings	20	77,257	250,009
Defined benefit scheme liabilities	24	4,438	6,612
Provisions	22	20,337	34,366
Deferred income	21	8,297	16,040
Trade and other payables	19	7,135	10,811
Deferred tax liability	23	46,925	43,676
Total non-current liabilities		164,389	361,514
Current liabilities			
Borrowings	20	7,487	136
Trade and other payables	19	106,286	79,947
Deferred income	21	6,872	13,213
Provisions	22	24,778	24,222
Current tax liabilities		5,054	708
Total current liabilities		150,477	118,226
Total liabilities		314,866	479,740
Total equity and liabilities		836,106	722,039

The notes on pages 68 to 107 form an integral part of these consolidated financial statements.

The financial statements on pages 63 to 107 were approved by the Board of directors and signed on its behalf by:

Jim Clarke
Chief financial officer
27 February 2014

Consolidated cash flow statement

For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Profit/(loss) before taxation		**38,125**	(10,771)
Adjustments for:			
Depreciation	15	**7,406**	6,328
Amortisation of intangible assets	14	**11,781**	10,028
Impairment	15	**—**	133
Share-based payments	26	**8,054**	—
Loss on disposal of property, plant and equipment		**106**	35
Unrealised gains (exceptional income)	10	**(2,534)**	(7,867)
Income from joint venture	16(b)	**(1,015)**	(774)
Finance costs	8	**18,806**	28,531
Finance income	9	**(931)**	(999)
		79,798	24,644
Changes in working capital (excluding effects of acquisitions and disposals of Group undertakings):			
Increase in trade and other receivables		**(4,482)**	(796)
Decrease in trade and other payables		**(13,400)**	(9,092)
(Decrease)/increase in provisions		**(20,808)**	16,356
Net cash generated from operating activities		**41,108**	31,112
Interest paid		**(15,404)**	(25,564)
Income tax paid		**(1,614)**	(972)
Net cash inflow from operating activities		**24,090**	4,576
Cash flows from investing activities			
Acquisitions net of cash acquired	28	**(47,218)**	(10,078)
Purchase of property, plant and equipment	15	**(10,028)**	(8,353)
Purchase of intangible assets	14	**(5,138)**	(2,177)
Proceeds from sale of property, plant and equipment		**1,470**	1,097
Purchase of financial assets available-for-sale	16(c)	**(1,054)**	(905)
Dividend received from joint venture	16(b)	**778**	748
Interest received		**1,217**	650
Net cash outflow from investing activities		**(59,973)**	(19,018)
Cash flows from financing activities			
Proceeds from issue of share capital	25	**220,000**	509
Transactional costs of shares issued		**(7,530)**	—
Term loan drawn	20	**75,000**	—
Repayment of bonds	20	**(252,500)**	—
Financing fees paid		**(2,930)**	—
Capital repayment of finance lease liabilities	20	**(1,527)**	—
Dividends paid to owners of the parent	12	**(4,389)**	—
Dividends paid to non-controlling interests		**(405)**	(159)
Purchase of own shares	25	**(55)**	—
Net cash inflow from financing activities		**25,664**	350
Net decrease in cash and cash equivalents		**(10,219)**	(14,092)
Cash and cash equivalents at 1 January		**46,544**	60,636
Cash and cash equivalents at 31 December	18	**36,325**	46,544

The notes on pages 68 to 107 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 2013. It offers estate agency and lettings services, together with a range of complementary services, and has a significant presence in key areas and property types which are promoted through locally respected brands.

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

2. Accounting policies

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

(a) Basis of preparation

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

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

Capital reorganisation during 2013

Countrywide Newco Limited was incorporated on 21 December 2012 and was subsequently re-registered as a public company on 19 March 2013 with the name Countrywide plc.

With effect from 19 March 2013, the Company became the legal parent of Countrywide Holdings, Ltd and its subsidiary undertakings through an exchange of equity interests (see note 25). This has been accounted for as a capital reorganisation, reflecting the substance of the transaction. Hence the consolidated financial statements continue to be prepared on the same basis as previously. However, the capital reserves on the Group balance sheet reflect the share capital of the Company from 19 March 2013. The difference between the share capital of the Company and the share capital, share premium and capital redemption reserve of Countrywide Holdings, Ltd at 19 March 2013 is recognised in the capital reorganisation reserve. The results include:

- the consolidated income statement includes the results of Countrywide Holdings, Ltd and its subsidiaries for the year ended 31 December 2013;
- the comparative figures in the consolidated income statement are the results of Countrywide Holdings, Ltd and its subsidiaries for the year ended 31 December 2012; and
- the consolidated retained earnings reserve of the Group includes the retained earnings of Countrywide Holdings, Ltd and its subsidiaries for the period before and after 19 March 2013.

Prior year restatement

Revenue generated in Surveying Services from panel management contracts was previously reported inclusive of the fees received by the Group on behalf of panel valuers. A related cost was included in other operating expenses. A review of these contracts concluded that the division was acting as an agent and therefore the revenue has been restated net of the fees paid. There was no impact on net assets, profits or reserves of the Group as a result of this change. For the year ended 31 December 2012, the impact of this restatement was to reduce revenue by £15.1 million and reduce other operating costs by £15.1 million.

In addition, following the restructuring of internal reporting during the year, a change in segmental reporting has been undertaken (see note 4). There was no impact on net assets, profits or reserves of the Group as a result of this change, only their allocation between segments in the comparatives.

There was no material impact on the Group financial statements arising from the adoption of revised IAS 19 'Employee benefits' during the year. Accordingly, there has been no restatement to prior year financial statements and no requirement for additional associated disclosures.

(b) Going concern

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

(c) New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 but none have had a material impact on the Group:

- Amendment to IAS 1 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments has been to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
- IAS 19 'Employee benefits' was revised in June 2011. The changes to the Group's accounting policies have been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. (See note 24).
- Amendment to IFRS 7 'Financial instruments: Disclosures' on asset liability and offsetting includes new disclosures to facilitate comparison between entities preparing financial statements under IFRS to those that prepare in accordance with US GAAP.
- IFRS 13 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and has resulted in additional disclosure requirements (see note 33).

New standards and interpretations not yet adopted

A number of new standards and interpretations are effective for annual periods beginning on or after 1 January 2014 and have not yet been applied in preparing these financial statements. None of these new standards or interpretations are expected to have a material impact on the financial statements of the Group.

- IAS 28 (revised 2011) 'Investments in associates and joint ventures' (effective 1 January 2014) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Group has historically applied the equity method to account for its joint venture interests.

2. Accounting policies continued

(c) New standards, amendments and interpretations continued

New standards and interpretations not yet adopted continued

- IAS 32 (amendment) 'Financial instruments – Presentation' on asset and liability offsetting (effective 1 January 2014) clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- IFRS 10 'Consolidated financial statements' (effective 1 January 2014) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements and provides additional guidance to assist in determining control where this is difficult to assess.
- IFRS 12 'Disclosure of interests in other entities' (effective 1 January 2014) covers the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2014) provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.
- Amendments to IAS 36 'Impairment of assets', on the recoverable amount disclosures for non-financial assets removes certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

(d) Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. 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 as the fair value of assets given, equity instruments issued and liabilities incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date. Acquisition costs are written off to the income statement. The accounting policies of subsidiaries acquired are changed, where necessary, to ensure consistency with policies operated by the Group.

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

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

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

Joint ventures

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

Transactions eliminated on consolidation

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

(e) Foreign currency translation

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

Transactions and balances

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

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

Group companies

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

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

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

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

	2013	2012
Hong Kong Dollars	**12.66**	12.28
Euros	**1.20**	1.22
Barbadian Dollars	**3.31**	3.10

(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.

Notes to the financial statements continued

2. Accounting policies continued

(f) Property, plant and equipment continued

Owned assets continued

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

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

Leased assets

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

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

Depreciation

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

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

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

(g) Intangible assets

Goodwill

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

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

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

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

Other intangible assets

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

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

Amortisation

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

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

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

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

(h) Impairment of non-financial assets

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

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

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

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

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

2. Accounting policies continued

(i) Financial assets

Classification

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

Loans and receivables

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

Available-for-sale

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

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date: the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables and available-for-sale financial assets are initially recognised at fair value. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

Impairment of financial assets

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

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

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

(j) Trade and other receivables

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

(k) Cash and cash equivalents

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

(l) Trade and other payables

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

(m) Borrowings

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

(n) Options to acquire non-controlling interest

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

(o) Pensions

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

Defined contribution plans

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

Defined benefit plans

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

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

Past service costs are recognised immediately in income.

Notes to the financial statements continued

2. Accounting policies continued

(p) Share-based payments

The Group operates a number of equity-settled share-based schemes under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. Where the share awards have non-market related performance criteria the Group has used the Binomial Lattice and Black Scholes option valuation models to establish the relevant fair values. Where the share awards have a TSR market related performance criteria the Group has used the Monte Carlo simulation valuation model to establish the relevant fair values (see note 26). The resulting values are amortised through the income statement over the vesting period of the options and other grants.

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

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

(q) Provisions

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

(r) Share capital

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

(s) Revenue

Services rendered

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

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

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

Deferred income

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

(t) Other income

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

(u) Operating lease payments

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

(v) Net finance costs

Finance costs

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

Finance income

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

(w) Exceptional items

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

(x) Income tax

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

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

2. Accounting policies continued

(x) Income tax continued

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

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

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

(y) Segment reporting

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

(z) Dividend distribution

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

3. Critical accounting judgements and estimates

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

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

Provisions and other contingencies

Claims and litigation

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

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

- Reserves for known claims: These losses are recommended by our professional claims handlers and approved panel law firms who take into account all the information available on the claims and recorded on our insurance bordereaux. Where there is insufficient information on which to assess the potential losses, initial reserves may be set at an initial level to cover investigative costs or nil. Further provisions are also made for specific large claims which may be subject to litigation and the directors assess the level of these provisions based on legal advice and the likelihood of success.
- Provision for the losses on known claims to increase: It can take one to two years for claims to develop after they are initially notified to the Group. For this reason, the Group creates a provision based on historical loss rates for closed claims and average losses for closed claims.
- Provision for incurred but not reported (IBNR): The Group also provides for future liabilities arising from claims IBNR for mortgage valuation reports and home buyer reports performed by the Surveying Services division. This provision is estimated on a future projection of historical data for all claims received based on the number of surveys undertaken to date. This projection takes into account the historic claim rate, claim liability rate and the average loss per claim. In view of the significant events in the financial markets and the UK property market in recent years, the directors have identified a separate sub-population of claims received which is tracked separately from the normal level of claims. This sub-population has been defined as claims received since 2008 for surveys carried out between 2004 and 2007.

The estimate of these provisions by their nature is judgemental. The three key inputs, claim rate, claim liability rate and average loss, are very sensitive to any change in trends. For example, a 5% increase in the claim rate could lead to a £3.3 million increase in future claims. Similarly a 5% increase in the claim liability rate would add £3.2 million to provision. However, a 10% increase in average loss per claim would add £0.9 million.

During 2013 the number of claims received was in line with expectations and the cumulative rate increased but remained below the level modelled at the end of 2012. As expected, we did experience an increase in the claim liability rate as we made progress clearing a number of claims. The higher rate has been included in the model going forwards. There is a possible risk that a significant rise in mortgage interest rates could lead to an increase in repossessions and potential losses being incurred by the lenders. But since there are no macro-economic indicators that this is a reasonable likelihood in the short term, the directors do not consider it appropriate to provide for additional claims due to macro-economic changes.

The average loss per claim increased slightly in relation to claims relating to the 2004-2007 period. However, this was offset by a reduction in the average loss arising for normal claims. The directors have reviewed this input and consider that the level of change is within normal fluctuations and therefore do not propose to uplift the average loss.

Notes to the financial statements continued

3. Critical accounting judgements and estimates continued

Provisions and other contingencies continued

Onerous contracts

When any of the Group's businesses vacate a leased property prior to the expiration of the lease, a provision is established to reflect the expected lease payments that the Group will incur prior to the assignment or sublease of the property. Such a calculation requires a judgement as to the timing and duration of the expected vacancy periods. When making these judgements, the directors consider a number of factors including the location and condition of the property, the terms of the lease and current economic environment.

Property repairs

The Group occupies a significant number of leased properties across the country. These leases contain dilapidation obligations. The directors take the advice of the in-house surveyors in assessing the level of the future obligation. When assessing the level of dilapidation required for our retail properties, the likelihood of exiting each property is taken into account.

Clawback provisions

The clawback provision in respect of life insurance commissions earned is calculated using a model that has been developed over several years. The model is based on historical information collating clawback data in quarterly cohorts. The directors use this data, together with latest market trends, to make a judgement as to the future clawback rates to be applied.

Accounting for acquisitions

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

Impairment of goodwill and indefinite lived intangible assets

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

Fair value of available-for-sale assets

The fair value of available-for-sale financial assets that are not traded on an active market is derived using a combination of valuation techniques and the most recent purchase price for these assets (see note 16(c)).

Share-based payments

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

4. Segmental reporting

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

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

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

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

Revenue and other income from external customers arising from activities in the UK was £584,047,000 (2012: £524,372,000 restated) and that arising from activities overseas was £721,000 (2012: £356,000).

The assets and liabilities for each operating segment represent those assets and liabilities arising directly from the operating activities of each division. Pension assets and liabilities and liabilities arising from the term loan and revolving credit facility are not allocated to operating segments, but allocated in full to 'all other segments' within the segmental analysis. All inter-segment pricing is done on an arm's length basis. Non-current assets attributable to the UK of £707,903,000 (2012: £607,261,000) are included in the total assets in the tables on the following pages. Non-current assets of £24,000 (2012: £56,000) are attributable to the overseas operations. The equity investment in joint venture is disclosed within 'all other segments'; £2,913,000 (2012: £2,676,000).

The available-for-sale financial assets are disclosed within other 'all other segments' and are £42,877,000 (2012: £14,370,000).

There are no differences from the last annual financial statements in the basis of measurement of segment profit or loss. However, the Governance and Performance Committee has implemented a restructuring of the reportable business segments during the latter half of 2013. The structure now includes a London & Premier segment comprising the previous Hamptons segment and other London Prime Estate Agency branches. Further details were announced in December 2013 and are available on the website. Accordingly, all segmental analysis has been restated for both 2012 and 2013 to report on a consistent basis.

4. Segmental reporting continued

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

Notes to the financial statements continued

4. Segmental reporting continued

	2012 (restated)								
	Estate Agency £'000	London & Premier £'000	Lettings £'000	Financial Services £'000	Surveying Services £'000	Conveyancing Services £'000	Lambert Smith Hampton £'000	All other segments £'000	Total £'000
Revenue	186,506	99,702	92,771	63,993	49,046	24,813	—	—	516,831
Other income	1,634	1,782	5,063	1,720	99	1,235	—	960	12,493
Total income	188,140	101,484	97,834	65,713	49,145	26,048	—	960	529,324
Inter-segment revenue	(3,586)	(46)	—	(964)	—	—	—	—	(4,596)
Total income from external customers	184,554	101,438	97,834	64,749	49,145	26,048	—	960	524,728
EBITDA before exceptional items	10,323	17,073	21,594	9,806	9,779	8,022	—	(13,561)	63,036
Management fee	—	—	—	—	—	—	—	(1,500)	(1,500)
Depreciation and amortisation	(2,768)	(2,444)	(3,682)	(5,384)	(442)	(347)	—	(1,289)	(16,356)
Share of profit from joint venture	—	—	—	—	—	—	—	774	774
Exceptional income	—	—	—	—	—	—	—	7,867	7,867
Exceptional costs	(5,425)	(26)	(1,814)	(699)	(18,559)	—	—	(10,537)	(37,060)
Segment operating profit/(loss)	2,130	14,603	16,098	3,723	(9,222)	7,675	—	(18,246)	16,761
Finance income									999
Finance costs									(28,531)
Loss before tax									(10,771)
Total assets	179,407	116,525	99,423	128,020	190,150	57,508	—	(48,994)	722,039
Total liabilities	66,572	28,852	27,570	32,572	38,304	5,014	—	280,856	479,740
Additions in the year									
Goodwill	157	515	8,690	2,131	80	—	—	—	11,573
Intangible assets	634	66	2,927	242	243	373	—	310	4,795
Property, plant and equipment	4,123	1,936	1,269	182	366	117	—	688	8,681

5. Other income

	2013 £'000	2012 £'000
Rent receivable	**1,064**	1,405
Dividend income on available-for-sale financial asset	**1,536**	—
Other operating income	**11,304**	11,088
	13,904	12,493

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

6. Employees and directors

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

	2013 £'000	2012 £'000
Wages and salaries	**287,996**	264,154
Share options granted to directors and employees (note 26)	**7,360**	—
Other long term employee benefits	**—**	544
Defined contribution pension cost (note 24)	**4,804**	4,064
Defined benefit scheme costs	**124**	—
Social security costs	**32,322**	28,756
	332,606	297,518

6. Employees and directors continued

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

By business segment	2013 Number	2012 (restated for segment changes) Number
Estate Agency	3,612	3,863
London & Premier	1,119	809
Lettings	1,897	1,666
Financial Services	904	1,000
Surveying Services	547	538
Conveyancing Services	355	362
Lambert Smith Hampton	210	—
Head office	182	194
	8,826	8,432

(b) Key management compensation

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

	2013 £'000	2012 £'000
Wages and salaries	4,115	2,981
Short term non-monetary benefits	62	47
Share-based payments	5,989	—
Post-employment benefits	129	104
	10,295	3,132

7. Other operating costs

	2013 £'000	2012 (restated) £'000
Rent	26,134	26,918
Advertising and marketing expenditure	16,937	17,780
Vehicles, plant and equipment hire	15,792	14,948
Other motoring costs	11,171	11,925
Repairs and maintenance	5,284	4,985
Trade receivables impairment	1,099	1,840
Loss on disposal of plant, property and equipment	106	35
Other	98,438	87,243
Total operating costs	174,961	165,674

Services provided by the Company's auditor and network firms

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

	2013 £'000	2012 £'000
Fees payable to the Company's auditor and its associates for the audit of the consolidated financial statements	154	125
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the Company's subsidiaries	347	206
– audit related assurance services	44	—
– non-audit services (of which £1m relates to IPO related services in 2013)	1,054	7
– tax advisory services	48	28
– services relating to corporate finance transactions entered into or proposed to be entered into on behalf of the Company	152	6
	1,799	372

Notes to the financial statements continued

8. Finance costs

	2013 £'000	2012 £'000
Interest costs:		
Interest payable on borrowings	642	122
Interest payable on loan notes (including £2.5m of exceptional items in 2013 – see note 10)	13,107	25,515
Interest payable on revolving credit facility	416	336
Interest arising from finance leases	328	9
Other interest paid	625	1,000
Cash payable interest	15,118	26,982
Amortisation of loan facility fee (including £2.0m of exceptional items in 2013 – see note 10)	3,243	705
Net interest costs arising on the pension scheme	255	286
Other finance costs	190	558
Non-cash payable interest	3,688	1,549
Finance costs	18,806	28,531

9. Finance income

	2013 £'000	2012 £'000
Interest income	931	999

10. Exceptional items

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

	2013 £'000	2012 £'000
Exceptional income		
Movement in value of put options	—	3,252
Deferred income amortisation arising from fair valuation of Zoopla shares crystallised upon the merger in May 2012	2,534	4,615
	2,534	7,867
Exceptional costs		
IPO related:		
Exceptional costs charged to operating profit		
Costs incurred in relation to the IPO	3,979	—
Share-based payment cost in relation to accelerated management incentive plan	694	—
Exceptional costs charged to finance costs		
Early redemption penalty incurred on redemption of £250m Senior Secured Notes	2,500	—
Accelerated amortisation of capitalised finance costs relating to cancelled facilities	2,042	—
	9,215	—
Non-IPO related:		
Exceptional costs charged to operating profit		
Insurance claims and litigations	—	25,223
Redundancy costs	—	3,066
Property provisions	—	2,903
Other restructuring costs	—	5,358
Impairment of assets	—	133
Total cost of restructuring	—	11,460
Acquisition expenses	890	377
Total exceptional costs	10,105	37,060
Net exceptional costs	7,571	29,193

10. Exceptional items continued

2013

Exceptional income

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

Exceptional costs

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

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

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

2012

Exceptional income

In 2011 the Group assessed the fair value of the put options in respect of Capital Private Finance and United Surveyors based on the information available at the time. The fair value is the amount Countrywide is expected to pay to buy out the non-controlling interest in those subsidiaries. Subsequently, these businesses performed well, although the lack of any significant recovery in the residential property market delayed the intended expansion plans and consequently the put options were reassessed at a lower amount. In accordance with IAS 39, the reduction in value was credited to the income statement and disclosed as exceptional income due to the size of the transaction.

In May 2012 Zoopla merged with The Digital Property Group crystallising a number of warrants, which were granted to the Group under an agreement to list properties on the Zoopla website, which converted to ordinary shares. At the merger date, the Group fair valued these shares at £12.2 million. The shares were consideration for services provided to Zoopla over a period of time to 2015 and therefore recognised as deferred income. The deferred income is being amortised to the income statement over the period to 2015; there was a catch-up to the end of 2011 of £2.2 million and credit in respect of 2012 of £2.4 million, both of which were recognised in 2012.

Exceptional costs

During the latter part of 2012 the Group experienced substantially worsening trends in terms of professional indemnity (PI) claims received and losses recognised on the insurance bordereaux. As a consequence of this the Group recognised a further exceptional charge of £25.2 million. As discussed in note 3, Critical accounting judgements and estimates, the directors base their assessment of the provision on a number of factors; legal and professional advice, historical trends of claims received and losses incurred. During 2012 the rate of claims received increased and the average loss also rose due the closure of the more challenging disputes. The directors noted that the claims received in 2012 were mainly from prime lenders, who until now had not reported losses. Furthermore, as the six year statute of limitations approached for surveys in 2006 and 2007, the level of claims increased as lenders sought to protect their position. The directors have reflected the experience changes in the predictive models, taken account of potential worsening of positions in certain legal cases and increased the provision accordingly. Of the £25.2 million charge, £15.3 million relates to claims not yet received or current claims not assessed by the professional legal advisors due to lack of information.

The management team continued to restructure its cost base and as a result recognised a further exceptional cost of £11.5 million, principally comprising:

- outsourcing of the IT function to CGI: provision of costs to transition to CGI over the course of 18 months of £3.4 million. In addition to transitioning to CGI, there are a number of transformational initiatives and investment due to be implemented during the course of 2013. The benefits of both the transition and transformation are expected to be realised from 2014;
- Estate Agency division: centralisation of operations and creation of a National Administration Centre incurred redundancy and office closure costs of £1.5 million. Restructuring of the division's corporate property services operation and the removal of more layers of management increased the one-off charge in 2012 by £3.3 million;
- the Lettings division closed some branches and consolidated its operations within the Estate Agency network in order to benefit from efficiencies and closer working ties in the future, incurring a charge of £0.8 million in 2012;
- the Financial Services division restructured its Land and New Homes services and restructured some operations at a cost of £0.6 million; and
- the Surveying division took the opportunity to restructure its claims handling operations within its National Operations Centre as the contract with external providers expired and further senior management layers were removed; the cost of both was £0.9 million.

Notes to the financial statements continued

11. Taxation

Analysis of charge/(credit) in year

	2013 £'000	2012 £'000
Current tax on profits for the year	7,521	113
Adjustments in respect of prior years	(1,894)	(64)
Total current tax	**5,627**	49
Deferred tax on profits for the year		
Origination and reversal of temporary differences	1,385	(4,439)
Impact of change in tax rate	(2,230)	(3,615)
Adjustments in respect of prior years	(950)	229
Total deferred tax (note 23)	**(1,795)**	(7,825)
Income tax charge/(credit)	**3,832**	(7,776)

	2013 £'000	2012 £'000
Tax on items credited to equity		
Deferred tax adjustment arising on share-based payments	1,235	—
Tax on items charged to other comprehensive income		
Deferred tax adjustment arising on the pension scheme assets and liabilities	(137)	(34)

The tax charge for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £'000	2012 £'000
Profit/(loss) on ordinary activities before tax	38,125	(10,771)
Profit/(loss) on ordinary activities multiplied by the rate of corporation tax in the UK of 23.25% (2012: 24.5%)	8,864	(2,639)
Effects of:		
Profits from joint venture	(236)	(190)
Other expenses not deductible	1,419	964
Permanent difference relating to depreciation not deductible	104	136
Tax relief on purchased goodwill	(273)	(517)
Utilisation of unprovided losses	(18)	(28)
Rate change on deferred tax provision	(2,230)	(3,615)
Income not subject to tax due to availability of capital losses	(962)	(1,927)
Adjustments in respect of prior years	(2,844)	165
Overseas losses	8	(125)
Total taxation charge/(credit)	**3,832**	(7,776)

The changes to the main rate of corporation tax for UK companies announced in the March 2013 Budget were substantively enacted for financial reporting purposes on 2 July 2013. The main changes in corporation tax rates, that will have accounting implications for deferred tax, are as follows: the main rate of corporation tax will reduce from 23% to 21% from 1 April 2014; the main rate of corporation tax will further reduce to 20% from 1 April 2015.

The relevant deferred tax balances have been remeasured using a rate of 21%. The overall effect of the change in tax rate to 20% effective from 1 April 2015, if applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by £1.5 million.

12. Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the year:		
– interim dividend for the year ended 31 December 2013 of 2.0 pence (net) per share	4,389	—
Total	**4,389**	—

A final dividend in respect of the year ended 31 December 2013 of 6.0 pence (net) per share, amounting to a total dividend of £13,166,698, is to be proposed at the Annual General Meeting (AGM) on 30 April 2014. In accordance with IAS 10 'Events after the balance sheet date', dividends declared after the balance sheet date are not recognised as a liability in these financial statements.

13. Earnings per share

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

	2013 £'000	2012 £'000
Profit/(loss) for the year attributable to owners of the parent	33,872	(3,417)
Weighted average number of ordinary shares in issue	204,968,140	156,343,770
Basic earnings per share (in pence per share)	16.53p	(2.19)p

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.

	2013 £'000	2012 £'000
Profit/(loss) for the year attributable to owners of the parent	33,872	(3,417)
Weighted average number of ordinary shares in issue	204,968,140	156,343,770
Adjustment for weighted average number of contingently issuable shares	1,272,700	—
Adjustment for weighted average number of treasury shares	2,940	—
Weighted average number of ordinary shares for diluted earnings per share	206,243,780	156,343,770
Diluted earnings per share (in pence per share)	16.42p	(2.19)p
Adjusted earnings		
Profit/(loss) for the year attributable to owners of the parent	33,872	(3,417)
Adjusted for the following items, net of taxation:		
Amortisation arising on intangibles recognised through business combinations	2,738	5,820
Share-based payments charge	6,508	—
NI on share-based payments charge	1,351	—
Exceptional income	(2,534)	(7,867)
Exceptional costs	4,502	28,557
Exceptional finance costs	3,487	—
Adjusted earnings, net of taxation	49,924	23,093
Adjusted basic earnings per share (in pence per share)	24.36p	14.77p
Adjusted diluted earnings per share (in pence per share)	24.21p	14.77p

14. Intangible assets

(a) Goodwill

	2013 £'000	2012 £'000
Cost		
At 1 January	773,873	762,300
Arising on acquisitions (note 28)	23,317	11,573
At 31 December	797,190	773,873
Accumulated impairment (note 14(c))		
At 1 January	417,356	417,356
Charge for the year	—	—
At 31 December	417,356	417,356
Net book amount		
At 31 December	379,834	356,517

Notes to the financial statements continued

14. Intangible assets continued

(b) Other intangible assets

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

Included within computer software are assets in the course of construction with a value of £6.4 million (2012: £Nil) for which no amortisation has been charged. Depreciation will commence during 2014 when the assets enter operational use.

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

	2013 £'000	2012 £'000
Cost – capitalised finance lease	6,360	—
Accumulated depreciation	—	—
Net book amount	6,360	—

	2012					
	Computer software £'000	Brand names £'000	Customer contracts and relationships £'000	Pipeline £'000	Other intangibles £'000	Total £'000
Cost						
At 1 January	43,408	187,635	86,337	4,647	1,272	323,299
Acquisitions through business combinations	—	—	2,618	—	—	2,618
Additions	2,177	—	—	—	—	2,177
Disposals	(231)	—	—	—	—	(231)
At 31 December	45,354	187,635	88,955	4,647	1,272	327,863
Accumulated amortisation and impairment losses						
At 1 January	38,496	33,844	47,295	4,647	84	124,366
Charge for the year	2,319	—	7,657	—	52	10,028
On disposals	(231)	—	—	—	—	(231)
At 31 December	40,584	33,844	54,952	4,647	136	134,163
Net book amount						
At 31 December	4,770	153,791	34,003	—	1,136	193,700

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

The carrying amounts of various brand names owned by the Group have been disclosed below. No amortisation has been disclosed as brands are considered to have an indefinite life and as such are tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.

14. Intangible assets continued

(b) Other intangible assets continued

	2013 £'000	2012 £'000
Brand names		
Bairstow Eves	17,173	17,173
John D Wood	14,464	14,464
Mann & Co	9,418	9,418
Slater Hogg & Howison	9,709	9,709
Taylors Estate Agents	10,071	10,071
Hamptons International	58,774	58,774
Blundell Property Services	6,494	6,494
Lambert Smith Hampton	28,377	—
	154,480	126,103
Other brands	27,688	27,688
Net book value	182,168	153,791

(c) Impairment

Due to the severe financial crisis originating in 2008 the following impairment charges have arisen in prior years:

	Goodwill £'000	Brand names £'000	Computer software £'000	Total £'000
Estate Agency	227,156	33,844	—	261,000
Lettings	16,300	—	—	16,300
Financial Services	106,100	—	—	106,100
Surveying Services	40,000	—	10,500	50,500
Conveyancing Services	27,800	—	—	27,800
	417,356	33,844	10,500	461,700

Goodwill and indefinite life intangible assets are allocated to cash generating units and have been allocated to the lowest level of reporting unit. In many cases, the operations of the acquired businesses have been fully integrated with the existing businesses and therefore it is not possible to identify separately the economic flows from those businesses. In these cases the goodwill and indefinite life intangible assets have been tested against the recoverable amount of the cash generating unit reported at the higher level.

The goodwill and indefinite life intangible assets have been allocated to cash generating units as follows:

	2013							
	Estate Agency £'000	Lettings £'000	Financial Services £'000	Surveying Services £'000	Conveyancing Services £'000	London & Premier £'000	Lambert Smith Hampton £'000	Total £'000
Goodwill	3,059	96,241	75,900	132,890	40,699	27,072	3,973	379,834
Indefinite life intangible assets	80,553	—	—	—	—	73,238	28,377	182,168
	83,612	96,241	75,900	132,890	40,699	100,310	32,350	562,002

	2012 (restated)							
	Estate Agency £'000	Lettings £'000	Financial Services £'000	Surveying Services £'000	Conveyancing Services £'000	London & Premier £'000	Lambert Smith Hampton £'000	Total £'000
Goodwill	3,059	76,897	75,900	132,890	40,699	27,072	—	356,517
Indefinite life intangible assets	80,553	—	—	—	—	73,238	—	153,791
	83,612	76,897	75,900	132,890	40,699	100,310	—	510,308

The recoverable amount of all the above operations has been calculated using the value in use calculation determined from cash flow projections from formally approved budgets and forecasts covering a five year period to 2018 (2012: 2017). The growth rates applied in the approved budgets and forecasts are based on past experience and outlook. The discount rate used is based on the Group's estimated cost of capital. To evaluate the recoverable amount of each division, a terminal value has been assumed from the fifth year and includes a growth rate in the cash flows of 0% (2012: 1%) into perpetuity.

Notes to the financial statements continued

14. Intangible assets continued

(c) Impairment continued
Under IAS 36 'Impairment of assets', the Group is required to:

- review its intangible assets in the event of a significant change in circumstances that would indicate potential impairment. The reviews conducted at the end of 2013 concluded that there had been no further impairment of goodwill (2012: £Nil); and
- review and test its goodwill and indefinite life intangible assets annually each year or in the event of a significant change in circumstances. The impairment reviews conducted at the end of 2013 concluded that there had been no further impairment of goodwill or indefinite life intangible assets (2012: £Nil).

The impairment review for 2013 was conducted in accordance with IAS 36 'Impairment of assets' by estimating the value in use of each of the cash generating units based on the following assumptions which management believes are appropriate given the 2014 budget and forecast for future years:

- there is a 10% increase in housing transaction volumes during 2014. Thereafter, a growth rate of 0% has been assumed;
- the pre-tax discount rate was calculated to be 8% (2012: 9%); and
- the benefits of past restructuring changes have been taken into account where there is appropriate certainty over cost reductions.

Based on the impairment test performed at 31 December 2013, there was no impairment of goodwill and indefinite life intangible assets required.

Sensitivity analysis

The key assumption driving the value in use calculations is the growth rate of the housing transaction volumes. Therefore, as part of the sensitivity analysis, management has considered the impact of applying a nil growth rate to the volume of housing transactions in 2014 and beyond. The results indicated that with no growth in housing transaction volumes in 2014 and beyond, the Surveying Services division's goodwill would be impaired by £26.9 million. Given the observed market trends, the Group believes that this scenario is unlikely.

Sensitivity analysis was also undertaken in respect of the discount rate applied within the value in use calculations and significant headroom was available for movements in the discount rate applied, such that no potential impairments were identified.

15. Property, plant and equipment

	2013				
	Land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Furniture and equipment £'000	Total £'000
Cost					
At 1 January	4,103	23,825	122	51,142	79,192
Acquisition of subsidiaries (note 28)	—	107	84	1,100	1,291
Additions at cost	—	5,512	276	9,780	15,568
Transfers	—	(270)	9	261	—
Disposals	(1,911)	(393)	(47)	(7,282)	(9,633)
At 31 December	2,192	28,781	444	55,001	86,418
Accumulated depreciation					
At 1 January	930	15,157	16	39,493	55,596
Charge for the year	32	1,767	43	5,564	7,406
Disposals	(621)	(157)	(45)	(7,234)	(8,057)
At 31 December	341	16,767	14	37,823	54,945
Net book amount					
At 31 December	1,851	12,014	430	17,178	31,473

Included within furniture and equipment are computer hardware assets in the course of construction with a value of £2,785,000 (2012: £Nil) for which no depreciation has been charged. Depreciation will commence during 2014 when the assets enter operational use.

15. Property, plant and equipment continued

	2012				
	Land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Furniture and equipment £'000	Total £'000
Cost					
At 1 January	5,522	22,031	134	47,860	75,547
Acquisition of subsidiaries	—	286	13	29	328
Additions at cost	—	2,010	85	6,258	8,353
Transfers	—	(75)	—	75	—
Disposals	(1,419)	(427)	(110)	(3,080)	(5,036)
At 31 December	4,103	23,825	122	51,142	79,192
Accumulated depreciation					
At 1 January	1,216	14,208	65	37,550	53,039
Charge for the year	39	1,415	48	4,826	6,328
Transfers	—	(64)	—	64	—
Impairment	—	—	—	133	133
Disposals	(325)	(402)	(97)	(3,080)	(3,904)
At 31 December	930	15,157	16	39,493	55,596
Net book amount					
At 31 December	3,173	8,668	106	11,649	23,596

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

	2013 £'000	2012 £'000
Cost – capitalised finance lease	7,029	962
Accumulated depreciation	(843)	(291)
Net book amount	6,186	671

The Group leases various assets, principally computer hardware and related costs, under finance lease agreements whose terms are between three and eight years.

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred, relating to 2014 and the four subsequent years, is as follows:

	2013 £'000	2012 £'000
Property, plant and equipment	7,139	5,989

Notes to the financial statements continued

16. 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 2013 are presented below:

Subsidiary	Nature of business	Country of incorporation	Proportion of ordinary shares held by Parent %	Proportion of ordinary shares held by the Group %
Countrywide Holdings, Ltd	Holding company	Cayman Islands	100	100
Countrywide Group plc	Holding company	UK	—	100
Balanus Limited	Holding company	UK	—	100
Estate Agency and Lettings				
Countrywide Estate Agents	Estate Agency and Lettings	UK	—	100
London & Premier				
Hamptons Group Limited	Holding company	UK	—	100
Hamptons Estates Limited	Estate Agency and Lettings	Hong Kong	—	100
Sotheby's International Realty Limited	Estate agency	UK	—	100
Surveying Services				
Countrywide Surveyors Limited	Surveying Services	UK	—	100
Countrywide Social Housing Limited	Surveying Services	UK	—	58
United Surveyors Limited	Surveying Services	UK	—	60
Conveyancing Services				
Countrywide Property Lawyers Limited	Conveyancing Services	UK	—	100
TitleAbsolute Limited	Conveyancing Services	UK	—	100
Financial Services				
Countrywide Principal Services Limited	Financial Services	UK	—	100
Slater Hogg Mortgages Limited	Financial Services	UK	—	100
Mortgage Intelligence Limited	Financial Services	UK	—	100
Mortgage Next Limited	Financial Services	UK	—	100
Capital Private Finance Limited	Financial Services	UK	—	51
Life and Easy Limited	Financial Services	UK	—	100
Lambert Smith Hampton				
Lambert Smith Hampton Limited	Property consultancy	UK	—	100
Lambert Smith Hampton Group Limited	Property consultancy	UK	—	100

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings at 31 December 2013 will be annexed to the Company's next annual return.

Summary financial information for subsidiaries that have non-controlling interests is presented below:

	Countrywide Social Housing Limited		United Surveyors Limited		Capital Private Finance Limited	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Current assets	871	725	1,463	1,210	316	118
Non-current assets	3	7	8	17	5	10
Current liabilities	(441)	(283)	(709)	(751)	(160)	(60)
Non-current liabilities	—	—	(175)	—	(54)	—
Net assets	433	449	587	476	107	68
Revenues	1,069	1,142	1,188	900	1,453	1,008
Net profit	306	416	468	585	299	250
Dividends paid	321	250	358	134	260	—

16. Investments continued

(b) Interests in joint ventures

TM Group (UK) Limited

At 31 December 2013 the Group had a 33.3% (2012: 33.3%) interest in the ordinary share capital TM Group (UK) Limited (TMG) a UK company. TMG is one of the largest companies in the provision of searches to the property companies sector (measured by completed searches). It delivers a range of property searches and data to land and property professionals in the UK, arranges for property searches directly with specific suppliers on behalf of its own customers, and has also started to supply IT applications and products to UK mortgage lenders.

During the year, TMG was a joint venture company.

	2013 £'000	2012 £'000
At 1 January:		
– net assets excluding goodwill	1,196	1,170
– goodwill	1,480	1,480
	2,676	2,650
Dividend received	(778)	(748)
Share of profits retained	1,015	774
At 31 December:		
– net assets excluding goodwill	1,433	1,196
– goodwill	1,480	1,480
	2,913	2,676

The summarised financial information of TM Group (UK) Limited is presented below.

	2013 £'000	2012 £'000
Current assets	7,313	5,943
Non-current assets	387	264
Current liabilities	(3,400)	(2,622)
Net assets	4,300	3,585
Net assets adjusted for the percentage of ownership	1,433	1,196
Income	51,942	42,702
Expenses	(48,897)	(40,380)
Post-tax results	3,045	2,322
Share of post-tax results	1,015	774

(c) Available-for-sale financial assets

	2013 £'000	2012 £'000
At 1 January	14,370	317
Purchased for cash	1,054	905
Shares acquired on crystallisation of warrants	—	12,217
Movement in fair value	27,475	953
Amortisation	(22)	(22)
At 31 December	42,877	14,370

The Group owns some Wimbledon debentures which were acquired and amortised over the life of the debenture. The fair value of these debentures at 31 December 2013 was £31,000 (2012: £53,000).

The Group purchased non-quoted equity instruments in Zoopla in 2010 for £242,000. A further investment of £905,000 was made in 2012. In May 2012, Zoopla merged with The Digital Property Group and as a result crystallised some warrants into shares which were due under an arm's length commercial agreement. The fair value of these shares was assessed based on the most recent price paid for shares.

As a result of acquiring the additional shares for a nominal price and the fact that these shares were issued to the Group as part of the commercial agreement signed in 2010 to list the Group's properties for sale and rent on the Zoopla website, the excess in the assessed fair value, of these shares on initial recognition, over the nominal cost has been treated as deferred income and is being released over the period of the contract. The amount released to the income statement is disclosed in note 10 and the amount held on the balance sheet as deferred income is identified in note 21.

In 2013, a further investment of £1,054,000 was made. At the year end, the Group reviewed the fair value of the assets in light of information available. Taking into account the fair value review undertaken and the recent transaction price paid for the shares (by the Group and other independent shareholders in Zoopla), the directors concluded there had been a change in fair value that could be reliably measured (see note 33) as an unrecognised gain through the statement of comprehensive income.

Notes to the financial statements continued

17. Trade and other receivables

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Trade receivables not past due	44,450	33,085
Trade receivables past due but not impaired	19,002	10,342
Trade receivables past due but impaired	3,848	4,993
Trade receivables	67,300	48,420
Less: provision for impairment of receivables	(3,848)	(4,993)
Trade receivables – net	63,452	43,427
Amounts due from customers for contract work	1,346	—
Other receivables	8,670	9,573
Prepayments and accrued income	18,386	15,178
	91,854	68,178

Trade and other receivables are all current and any fair value difference is not material. Trade receivables are considered past due once they have passed their contracted due date. Trade receivables are reviewed for impairment if they are past due beyond 90 days for individual customers or 180 days for commercial contracts. Further information in respect of financial assets, including credit risk, is provided in note 33.

Trade and other receivables are denominated in Pounds Sterling with the exception of £698,000 (2012: £237,000) which are receivable in Hong Kong Dollars.

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

	2013 £'000	2012 £'000
As at 1 January	4,993	5,320
Additional provisions (note 7)	1,099	1,840
Amounts used	(2,244)	(2,167)
As at 31 December	3,848	4,993

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.

18. Cash and cash equivalents

	2013 £'000	2012 £'000
Cash and cash equivalents		
Cash at bank and in hand	20,675	16,044
Short term bank deposits	15,650	30,500
	36,325	46,544

Of the cash at bank and in hand, £Nil (2012: £2,360,000) is not available for use. In 2012, part of this value was held by the insurance cell and the balance being premiums collected on behalf of a client.

Of the short term bank deposits, a number were interest bearing within the following range: 2013: 0.5%–1.5% (2012: 1.00%–2.80%).

The following amounts were held in foreign currencies:

	2013 £'000	2012 £'000
Hong Kong Dollars	51	76
Barbadian Dollars	121	121
	172	197

19. Trade and other payables

	2013 £'000	2012 (restated) £'000
Trade payables	13,625	15,290
Other financial liabilities	4,955	5,560
Deferred consideration	2,174	1,768
	20,754	22,618
Other tax and social security payable	28,755	22,467
Accruals and other payables	63,912	45,673
	113,421	90,758
Trade and other payables due within one year	106,286	79,947
Trade and other payables due after one year	7,135	10,811
	113,421	90,758

The comparative has been restated to reclassify 2012 obligations under finance leases of £371,000 to borrowings (see note 20).

The principal component of trade and other payables due after one year are: other financial liabilities in relation to put options £4,955,000 (2012: £5,560,000); and accrued National Insurance as share-based payment charges of £1,710,000 (2012: £Nil).

At 31 December 2013, other financial liabilities include put options of £4,955,000 (2012: £5,560,000) to acquire the non-controlling interests in entities acquired in 2011 (see note 16). These financial liabilities are held at the present value of the expected redemption amount, which is based on management's expectation of performance, consistent with operating plans approved.

These options are exercisable as follows:

	2013 £'000	2012 £'000
Exercisable 2014	780	1,790
Exercisable 2016	4,175	3,770
	4,955	5,560

The fair value of financial liabilities approximates their carrying value due to short maturities. Financial liabilities are denominated in Pounds Sterling with the exception of £Nil (2012: £104,000 which is payable in Hong Kong Dollars).

20. Borrowings

	2013 £'000	2012 (restated) £'000
Non-current		
Bank borrowings (2012: senior secured fixed rate notes)	70,000	250,000
Other loans	1,000	1,000
Capitalised banking fees	(1,960)	(1,226)
Finance lease liabilities	8,217	235
	77,257	250,009
Current		
Bank borrowings	5,000	—
Finance lease liabilities	2,487	136
	7,487	136
Total borrowings	84,744	250,145

The comparative has been restated to reclassify 2012 obligations under finance leases of £371,000 from trade and other payables (see note 19).

Notes to the financial statements continued

20. Borrowings continued

Analysis of net debt

	At 1 January 2013 £'000	Cash flow £'000	Acquisitions (excluding cash) £'000	Non-cash changes £'000	At 31 December 2013 £'000
Cash and cash equivalents	46,544	(10,219)	—	—	36,325
Bonds due after one year	(250,000)	250,000	—	—	—
Capitalised banking fees	1,226	2,930	—	(2,196)	1,960
Loan notes	(1,000)	—	—	—	(1,000)
Term loan due after one year	—	(70,000)	—	—	(70,000)
Term loan due within one year	—	(5,000)	—	—	(5,000)
Finance leases due after one year	(235)	—	—	(7,982)	(8,217)
Finance leases due within one year	(136)	1,527	(41)	(3,837)	(2,487)
Total	**(203,601)**	**169,238**	**(41)**	**(14,015)**	**(48,419)**

Borrowings and other loans
The Senior Secured Fixed Rate Notes due in 2018 were repaid on 8 May 2013 and the Senior Secured Revolving Credit Facility Agreement for £25 million expiring in 2016 was prepaid at the same time.

On 20 March 2013 the Company entered into a £100 million Term and Revolving Credit Facility Agreement which terminates in March 2017, for which there are no assets pledged as security. The facilities are split between £75 million Term Loan and £25 million Revolving Credit Facility (RCF). The loan is repaid by instalments: £5 million on the first anniversary, £10 million on the second anniversary, £25 million on the third anniversary and the balance on termination. Interest is payable based on LIBOR plus a margin of 3%. The RCF is available for utilisation subject to satisfying fixed charge and leverage covenants, but was not drawn down during the year.

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

Finance lease liabilities
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Gross finance lease liabilities – minimum lease payments:

	2013 £'000	2012 £'000
No later than one year	2,811	136
Later than one year and no later than five years	8,334	235
Later than five years	592	—
	11,737	371
Future finance charges on finance lease liabilities	(1,033)	—
Present value of finance lease liabilities	**10,704**	371

The present value of finance lease liabilities is as follows:

	2013 £'000	2012 £'000
No later than one year	2,487	136
Later than one year and no later than five years	7,647	235
Later than five years	570	—
	10,704	371

21. Deferred income

Deferred income will unwind as follows:

	2013			2012
	Cash £'000	Non-cash £'000	Total £'000	Total £'000
Within one year	4,326	2,546	6,872	13,213
After one year:				
Between one and two years	2,655	2,534	5,189	7,124
Between two and three years	1,958	—	1,958	5,282
Between three and four years	1,146	—	1,146	2,364
Between four and five years	4	—	4	1,270
	5,763	2,534	8,297	16,040
	10,089	5,080	15,169	29,253

The Group recognises deferred income as a result of cash received in advance in relation to certain sales distribution contracts and lease incentives relating to the Group's operating leases. The cash received is amortised over the life of the contracts to which they relate.

Non-cash proportion of deferred income relates to unamortised income portion created on acquisition of shares in Zoopla. This deferred income is being amortised over the period of the commercial agreement which gave rise to these assets (refer to notes 10 and 16(c)).

22. Provisions

	2013					
	Onerous contracts £'000	Property repairs £'000	Clawback £'000	Claims and litigation £'000	Other £'000	Total £'000
At 1 January	3,899	4,094	3,280	40,544	6,771	58,588
Acquired in acquisition (note 28)	55	1,448	—	5,537	—	7,040
Utilised in the year	(1,327)	(1,455)	(3,815)	(18,129)	(2,272)	(26,998)
(Credited)/charged to income statement	(721)	189	3,392	4,957	(1,369)	6,448
Unwind of discount rate	37	—	—	—	—	37
At 31 December	1,943	4,276	2,857	32,909	3,130	45,115
Due within one year or less	742	1,930	2,040	19,074	992	24,778
Due after more than one year	1,201	2,346	817	13,835	2,138	20,337
	1,943	4,276	2,857	32,909	3,130	45,115

	2012					
	Onerous contracts £'000	Property repairs £'000	Clawback £'000	Claims and litigation £'000	Other £'000	Total £'000
At 1 January	4,007	4,819	2,964	26,052	4,277	42,119
Utilised in the year	(1,389)	(1,529)	(4,056)	(14,032)	(3,032)	(24,038)
Charged to income statement	1,168	804	4,372	28,524	5,526	40,394
Unwind of discount rate	113	—	—	—	—	113
At 31 December	3,899	4,094	3,280	40,544	6,771	58,588
Due within one year or less	993	1,726	1,744	17,123	2,636	24,222
Due after more than one year	2,906	2,368	1,536	23,421	4,135	34,366
	3,899	4,094	3,280	40,544	6,771	58,588

The provision for onerous contracts relates to property leases and represents the estimated unavoidable costs of leasehold properties which have become surplus to the Group's requirements following the closure or relocation of operations. The provision is based on the present value of rentals and other unavoidable costs payable during the remaining lease period after taking into account rents receivable or expected to be receivable from sub-lessees, typically over a five year period. Provisions are released when properties are assigned or sub-let.

The provision for property repairs represents estimates of the cost to repair existing dilapidations under leasehold covenants, in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'. The average unexpired lease length of properties against which a provision has been made is two years.

Clawback represents the provision required to meet the estimated cost of repaying indemnity commission income received on life assurance policies that may lapse in the two years following issue.

Notes to the financial statements continued

22. Provisions continued

Claims and litigation provisions comprise the amounts set aside to meet claims by customers below the level of any PI insurance excess, the estimation of IBNR claims and any amounts that might be payable as a result of any legal disputes. The provisions represent the directors' best estimate of the Groups' liability having taken professional advice.

In addition to the claims provisions recognised, the Group also provides for future liabilities arising from claims incurred but not received (IBNR) for mortgage valuation reports and home buyer reports provided by the Surveying Services division. The basis for calculating this provision is outlined further in note 3, Critical accounting judgements and estimates. While there are many factors which determine the settlement date of any claims, the expected cash flows are estimated based on the average length of time it takes to settle claims in the past, which is around two years.

Other provisions mainly comprise items relating to the operational reorganisation including some business closure costs and some IT transition expenses which are expected to be utilised over the next five years.

23. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 21% (2012: 23%).

The movement on the deferred tax account is shown below:

	2013 £'000	2012 £'000
Deferred tax liability at 1 January	(27,218)	(34,401)
Credited to income statement	1,795	7,825
Acquired on acquisition of subsidiary (note 28)	(7,182)	(608)
Charged to other comprehensive income	(137)	(34)
Credited to equity	1,235	—
Net deferred tax liability at 31 December	(31,507)	(27,218)
Deferred tax asset	15,418	16,458
Deferred tax liability	(46,925)	(43,676)
Net deferred tax liability at 31 December	(31,507)	(27,218)
Deferred tax asset expected to unwind within one year	3,015	3,724
Deferred tax asset expected to unwind after one year	12,403	12,734
	15,418	16,458
Deferred tax liability expected to unwind within one year	(3,792)	(1,662)
Deferred tax liability expected to unwind after one year	(43,133)	(42,014)
	(46,925)	(43,676)

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.

23. Deferred tax continued

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	2013		
	Asset/ (liability) £'000	(Charged)/ credited to income £'000	(Charged to other comprehensive income)/ credited to equity £'000
Origination and reversal of temporary differences			
Capital allowances	8,976	(1,312)	—
Employee pension liabilities	932	(452)	(137)
Share-based payments	3,144	1,909	1,235
Trading losses	1,492	(2,460)	—
Intangible assets	(46,030)	5,380	—
Gain deferred by roll-over relief	(886)	—	—
Other temporary and deductible differences	865	(1,270)	—
	(31,507)	1,795	1,098

	2012		
	Asset/ (liability) £'000	(Charged)/ credited to income £'000	Charged to other comprehensive income £'000
Origination and reversal of temporary differences			
Capital allowances	9,825	1,520	—
Employee pension liabilities	1,521	(126)	(34)
Trading losses	3,303	(344)	—
Intangible assets	(42,786)	7,392	—
Gain deferred by roll-over relief	(887)	—	—
Other temporary and deductible differences	1,806	(617)	—
	(27,218)	7,825	(34)

Deferred tax assets have not been recognised in respect of unused capital losses of £25,548,000 (2012: £28,003,000) and £20,323,000 (2012: £22,250,000) in respect of non-trading loan relationships, and £449,000 in respect of trading losses (2012: £411,000). There is no expiry date attributable to these unrecognised deferred tax assets, but no assets have been recognised as there are currently no expectations of offsetting income streams arising, with the exception of the value noted below where an identical liability would also be recognised.

Deferred tax liabilities have not been recognised in respect of the tax impact of the unrealised capital gain of £5,770,000 (2012: £2,995,000) arising from the revaluation of available-for-sale financial assets because the unrecognised losses above, would offset any future gain.

Notes to the financial statements continued

24. Post-employment benefits

The Group offers membership of the Countrywide plc Pension Scheme to eligible employees, the only pension arrangements operated by the Group. The Scheme has two sections of membership: defined contribution and defined benefit.

Defined contribution pension arrangements
The pensions cost for the defined contribution scheme in the year was £4,804,000 (2012: £4,064,000).

Defined benefit pension arrangements
In the past the Group offered a defined benefit pension arrangement, however, this was closed to new entrants in 1988 and subsequently closed to further service accrual at the end of 2003. Members of the defined benefit arrangements earned benefits linked to final pensionable salary and service at the date of retirement or date of leaving the scheme if earlier. The average duration of the defined benefit pension scheme is 16 years.

The defined benefit pension arrangements provide pension benefits to its members based on earnings at the date of leaving the scheme. Pensions in payment are updated in line with the minimum of 4% or retail price index (RPI) inflation. The Scheme is established and administered in the UK and ultimately overseen by the Pensions Ombudsman. The regulatory framework requires the Group to fund the scheme every three years and for the Group to agree the valuation with the trustees. As such, the funding arrangements will be reviewed at the next valuation (due at 5 April 2015). The Group is responsible for ensuring that pension arrangements are adequately funded and the directors have agreed a funding programme to bring down the deficit in the defined benefit scheme over the next five years. During the year, the Group paid £1.9 million (2012: £Nil) to the defined benefit scheme. During the year which commenced on 1 January 2014, the employer is expected to pay contributions of £1.9 million (2013: £1.9 million). Further contributions of £1.9 million will be made in each of the next five years.

The Group's obligations under the pension arrangements are subject to inherent estimation uncertainty. While the trustees and actuary assess the value of the scheme assets, and the extent of the liabilities, they are obliged to make a number of assumptions, sensitivities to which are detailed later on. Furthermore, the scheme assets under defined benefit pension arrangements are exposed to risks in the equities and bond markets and similarly the liabilities can fluctuate according to gilt or corporate bond rate.

The Scheme assets under defined benefit pension arrangements are held in a separate trustee-administered fund to meet long term pension liabilities to past and present employees. The trustees are required to act in the best interests of the Scheme's beneficiaries and they take independent advice when deliberating matters relating to the Scheme.

The liabilities of the scheme under defined pension arrangements are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method, which is an accrued benefits valuation method.

The defined benefit liabilities set out in this note have been calculated by an independent actuary based on the results of the most recent full actuarial valuation at 5 April 2012, updated to 31 December 2013. 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:

	2013 £'000	2012 £'000
Present value of funded obligations	(43,581)	(44,518)
Fair value of plan assets	39,143	37,906
Net liability recognised in the balance sheet	(4,438)	(6,612)

24. Post-employment benefits continued

Defined benefit pension arrangements continued

The movement in the defined benefit obligation over the year is as follows:

	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2013	(44,518)	37,906	(6,612)
Expected return on scheme assets	—	1,669	1,669
Actuarial loss	—	(474)	(474)
Employer contributions	—	1,900	1,900
Service cost	(124)	—	(124)
Interest cost	(1,924)	—	(1,924)
Actuarial loss from changes in financial assumptions	28	—	28
Actuarial gain from changes in demographic assumptions	1,015	—	1,015
Changes due to experience adjustments	84	—	84
Benefits paid	1,734	(1,734)	—
Expenses	124	(124)	—
At 31 December 2013	**(43,581)**	**39,143**	**(4,438)**

	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2012	(44,534)	38,071	(6,463)
Expected return on scheme assets	—	1,731	1,731
Actuarial loss on scheme assets	—	(513)	(513)
Interest cost	(2,017)	—	(2,017)
Actuarial loss from changes in financial assumptions	(1,150)	—	(1,150)
Actuarial gain from changes in demographic assumptions	644	—	644
Changes due to experience adjustments	1,156	—	1,156
Benefits paid	1,383	(1,383)	—
At 31 December 2012	(44,518)	37,906	(6,612)

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

	2013 %	2012 %
Cash	1	16
UK equities	6	4
Overseas equities	6	17
UK Fixed interest gilts	11	8
Corporate bonds	45	32
Other – GARS	10	—
Other – insured pensioners	21	23
	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:

	2013 £'000	2012 £'000
Current service cost	124	—
Net interest cost on pension scheme liabilities (within finance costs)	255	286
Total charge to the income statement	**379**	**286**

Notes to the financial statements continued

24. Post-employment benefits continued

Defined benefit pension arrangements continued

The amounts recognised in the statement of comprehensive income are:

	2013 £'000	2012 £'000
Actuarial loss on scheme assets	(474)	(513)
Actuarial gain/(loss) on scheme liabilities:		
Actuarial gain/(loss) from changes in financial assumptions	28	(1,150)
Actuarial gains from changes in demographic assumptions	1,015	644
Changes due to experience adjustments	84	1,156
Other comprehensive income	653	137
Deferred tax adjustment arising on the pension scheme assets and liabilities	(137)	(34)
	516	103
Cumulative actuarial loss recognised in the statement of comprehensive income (after tax)	(5,219)	(5,735)

The principal assumptions made by the actuaries were:

	2013	2012
Rate of increase in pensions in payment and deferred pensions		
– On benefits earned prior to 1 December 1999	4.20%	4.10%
– On benefits earned after 1 December 1999	3.15%	2.60%
Discount rate	4.50%	4.40%
RPI inflation	3.25%	2.60%
CPI inflation	2.45%	1.90%
Expected net return on plan assets	4.50%	4.40%
Cash commutation	20%	20%
Life expectancy at age 65 (years)		
– Male pensioner member	22.8	22.7
– Female pensioner member	25.0	25.0
– Male pensioner non-member (age 45 now)	24.5	24.5
– Female pensioner non-member (age 45 now)	26.9	26.9

To develop the expected long term rate of return on assets assumption, the Group considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target assets allocation to develop the expected long term rate of return on assets assumption for the portfolio.

Sensitivity analysis

The results of the calculations are sensitive to the assumptions used. The defined benefit obligation position revealed by IAS 19 calculations must be expected to be volatile, principally because the market value of the assets (with a significant exposure to equities) is being compared with a liability assessment derived from corporate bond yields. However, the Group has taken steps to mitigate these risks of asset volatility, including insuring some of the pensioners (as illustrated by the asset portfolio).

The sensitivity analyses (below) are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to those disclosed in the Listing Prospectus.

	Defined benefit obligation £'000	Change from disclosed deficit £'000
Defined benefit obligation	43,581	—
Discount rate less 0.25%	45,196	1,615
RPI and linked assumptions plus 0.25%	43,852	271
Members living one year longer than assumed	45,281	1,700

24. Post-employment benefits continued

Sensitivity analysis continued

Defined benefit obligation trends:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Scheme assets	**39,143**	37,906	38,071	33,888	31,536
Scheme liabilities	**(43,581)**	(44,518)	(44,534)	(39,394)	(37,991)
Scheme deficit	**(4,438)**	(6,612)	(6,463)	(5,506)	(6,455)
Experience gain/(loss) on scheme liabilities	**84**	1,156	(24)	499	(761)
Gain from changes in the demographic assumptions for value of scheme liabilities	**1,015**	644	—	—	—
Gain/(loss) from changes in the assumptions for value of scheme liabilities	**28**	(1,150)	(4,237)	(1,021)	(1,662)
Experience (loss)/gain adjustments on assets	**(474)**	(513)	1,660	186	340

Expected maturity analysis of undiscounted pension benefits at 31 December 2013:

	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	Over five years £'000	Total £'000
Undiscounted pension benefits	1,532	1,845	5,865	85,502	94,744

25. Called up share capital

	2012					
	Class A £1 ordinary shares		Class B 1p ordinary shares		Class C 1p ordinary shares (non-voting)	
Share capital of Countrywide Holdings, Ltd	Shares	£'000	Shares	£'000	Shares	£'000
Issued and fully paid						
At 1 January 2012	146,066,312	146,066	146,066,312	1,461	12,634,929	126
Shares issued to management	—	—	—	—	784,265	8
Shares redeemed in the year	—	—	—	—	(373,962)	(4)
At 31 December 2012	146,066,312	146,066	146,066,312	1,461	13,045,232	130

Capital reorganisation

On 21 December 2012 the Company issued 100 ordinary shares at £1 each to the initial shareholder 7Side Secretarial Limited. These shares were transferred to Jim Clarke on 28 December 2012 and subsequently redesignated and subdivided into 10,000 C shares on 19 February 2013.

On 18 March 2013 the Company issued 146,066,312 £1 A shares, 146,066,312 £0.01 B shares and 12,960,429 £0.01 C shares as consideration for the purchase of the entire share capital of Countrywide Holdings Ltd. Each A share is stapled to a B share.

The Company subsequently reorganised its share capital. Each A share and one B share together were redesignated as one ordinary share of £0.01 each and 100 deferred shares of £0.01 each. Furthermore, each C share was redesignated as 10,464,164 ordinary shares of £0.01 and 2,496,265 deferred shares of £0.01 each.

As part of the capital reorganisation, on 19 March 2013 the Company reduced its share capital by cancelling all the deferred shares in issue resulting in share capital of £1,565,305 and this reduction was accounted for as a realised profit, giving rise to distributable reserves of £146,091,275.

On 25 March 2013 the Company issued 62,914,485 ordinary shares of £0.01 for consideration of £220 million.

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

	Number	£'000
Shares in issue following capital reorganisations above at 19 March 2013	156,530,476	1,565
New shares issued on 25 March 2013	62,914,485	629
At 31 December 2013	**219,444,961**	**2,194**

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, 39,375 shares were held in relation to matching shares of the SIP scheme.

Please refer to note 8 of the parent company financial statements for a full reconciliation of movements in share capital.

Notes to the financial statements continued

26. Share-based payments

The Group operates a number of share-based payment schemes for executive directors and other employees, all of which are equity-settled. 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 £8,054,000 in the year ended 31 December 2013 (2012: £Nil). Employer's NI is being accrued, where applicable, at the rate of 13.8% which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total NI charge for the year was £1,710,000 (2012: £Nil).

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

		Outstanding at 31 December		
	2013		2012	
	Charge £'000	Number of options (thousands)	Charge £'000	Number of options (thousands)
Accelerated management incentive plan*	694	—	—	n/a to current entity
IPO plan	6,938	7,185	—	—
Long term incentive plan	407	758	—	—
Share incentive plan	15	26	—	—
	8,054	7,969	—	—

* Disclosed as an exceptional item – see note 10.

A summary of the main features of each scheme is given below. The schemes have been split into two categories: executive schemes and other schemes. For further details on executive schemes, see the remuneration report on pages 44 to 56.

Executive schemes

Long term incentive plan (LTIP)

The LTIP is open to executive directors and designated senior management, and awards are made at the discretion of the Remuneration Committee. Awards are subject to market and non-market performance criteria and vest over a three year period.

IPO plan

At the time of the flotation in March 2013, the Company nil cost share options to executive directors and designated senior management designed for the grant of one-off awards in recognition of the loss of rights under a management incentive package that terminated prior to, and as a result of, the flotation (the 'MIP').

IPO options granted to the executive directors become exercisable as follows: 50% on the second anniversary of the date of granting the IPO option and 50% on the third anniversary of the date of granting the IPO option. IPO options granted to other participants will normally become exercisable on the second anniversary of the date of granting the IPO option. The number of options that will vest is subject to the performance criterion based on EBITDA for 2014 as well as continued service.

Management incentive plan (MIP)

Certain members of the management team subscribed to the MIP, under whose terms senior management purchased shares in Countrywide Holdings, Ltd. The difference between the purchase price and the fair value of shares granted to employees were treated as share-based payments. Due to the share exchange on 18 March 2013 and subsequent reorganisation which crystallised the number of C shares exchanged, the vesting period was accelerated.

Other schemes

Share incentive plan (SIP)

An HMRC approved share incentive plan was introduced in October 2013. Under the SIP, eligible employees are invited to make regular monthly contributions into a scheme operated by Capita. Ordinary shares in the Company are purchased at the current market price and an award of one matching share is made for every two shares acquired by an employee, subject to a vesting period of three years from the date of each monthly grant.

26. Share-based payments continued

The aggregate number of share awards outstanding for the Group and their weighted average exercise price is shown below:

	2013					2012
	Executive schemes*			Options		Executive scheme*
	LTIP Number of options (thousands)	IPO Number of options (thousands)	MIP Number of shares (thousands)	SIP Number of options (thousands)	SIP Average exercise price per option (pence)	MIP Number of shares (thousands)
At 1 January	—	—	13,046	—	—	12,635
Granted	758	7,185	—	26	—	784
Exchanged	—	—	(12,961)	—	—	—
Buy back	—	—	(85)	—	—	(373)
At 31 December	758	7,185	—	26	—	13,046
Grant date	6/9/13	18/3/13	—	5/11/13	—	—
Vesting date	6/9/16	18/3/16	—	5/12/16	—	—
Expiry date	6/9/23	18/3/21	—	—	—	—

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

As part of his appointment arrangements, Robert Davies was awarded £200,700 with an entitlement to purchases shares with an equivalent aggregate value, at the nominal per share value, prior to admission. To maintain the Chairman's independence, the shares were not subject to any restrictions other than those attaching to ordinary shares held by shareholders or required by law. However, shortly after grant, the individual confirmed in writing that he did not intend to sell the shares prior to the second anniversary of admission.

None of the schemes were exercisable at the year end.

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

	LTIP (TSR condition)	LTIP (EPS condition)	IPO plan	Share incentive plan
Option pricing model	Monte Carlo	Black Scholes	Binomial Lattice	Fair value at grant date
Weighted average share price at grant date	550p	550p	350p	548p
Exercise price	0p	0p	0p	0p
Weighted average contractual life	3 years	3 years	2.2 years	3 years
Expected dividend yield	n/a	1.0%	1.5%	n/a
Risk-free interest rate	0.5%	0.5%	1.8%	n/a
Volatility	n/a	26.2%	n/a	n/a

27. Reserves

The following table provides a breakdown of 'other reserves' shown on the consolidated statement of changes in equity.

	Capital reorganisation reserve £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Available-for-sale financial assets reserve £'000	Treasury share reserve £'000	Total £'000
Balance at 1 January 2012	—	45,536	(45)	—	—	45,491
Currency translation differences	—	—	16	—	—	16
Movement in fair value of available-for-sale financial assets	—	—	—	953	—	953
Repurchase of shares	—	4	—	—	—	4
Balance at 1 January 2013	—	45,540	(29)	953	—	46,464
Currency translation differences	—	—	(27)	—	—	(27)
Movement in fair value of available-for-sale financial assets	—	—	—	27,475	—	27,475
Repurchase of shares	—	1	—	—	—	1
Capital reorganisation	92,820	(45,541)	—	—	—	47,279
Treasury shares	—	—	—	—	(226)	(226)
Balance at 31 December 2013	92,820	—	(56)	28,428	(226)	120,966

Notes to the financial statements continued

27. Reserves continued

The following describes the nature and purpose of each reserve within shareholders' equity:

Share premium
The amount subscribed for share capital in excess of nominal value less any costs directly attributable to the issue of new shares.

Capital reorganisation reserve
The capital reorganisation reserve represents the difference between the share capital of the Company and the share capital, share premium and capital redemption reserve of Countrywide Holdings, Ltd at the point of the exchange of equity interests on 19 March 2013.

Capital redemption reserve
The capital redemption reserve represents the cancellation of the original share capital and share premium of the company and the par value of any shares repurchased.

Treasury share reserve
The treasury share reserve represents the consideration paid when the employee benefit trust purchases the Company's equity share capital, until the shares are reissued.

Foreign exchange reserve
The foreign exchange reserve represents the difference arising from the changes to foreign exchange rates upon assets and liabilities of overseas subsidiaries.

Available-for-sale financial assets reserve
The available-for-sale financial assets reserve represents the unrealised gain arising on the revaluation of these assets.

Retained earnings
Cumulative net gains and losses recognised in the Group income statement and pension scheme gains and losses, movement in fair value of available-for-sale financial assets and deferred tax on share-based payments recognised in the statement of comprehensive income.

28. Acquisitions during the year

	LSH £'000	Lettings £'000	Total £'000
Intangible assets	37,157	4,839	41,996
Property, plant and equipment	766	525	1,291
Trade and other receivables	18,452	839	19,291
Cash and cash equivalents	(305)	1,277	972
Trade and other payables	(14,532)	(6,763)	(21,295)
Corporation tax	2	(371)	(369)
Deferred tax	(6,310)	(872)	(7,182)
Finance leases	(41)	—	(41)
Trade and other payables over one year	—	(576)	(576)
Provisions	(7,040)	—	(7,040)
Net assets/(liabilities)	28,149	(1,102)	27,047
Goodwill	3,973	19,344	23,317
Consideration	32,122	18,242	50,364
Settled by:			
Initial consideration	32,122	16,068	48,190
Deferred consideration	—	2,174	2,174
	32,122	18,242	50,364
Cash paid	32,122	16,068	48,190
Cash and cash equivalents	305	(1,277)	(972)
Net cash flow arising from acquisitions	32,427	14,791	47,218
Revenue post-acquisition	16,582	5,341	21,923
Profit post-acquisition	2,054	1,841	3,895
Pro-forma revenue to 31 December 2013	62,692	16,206	78,898
Pro-forma profit to 31 December 2013	(3,880)	3,697	(183)

On 1 October 2013, the Group acquired 100% of the equity share capital of Lambert Smith Hampton Group Limited, Lambert Smith Hampton Limited (LSH), Associated Employers Limited and several non-trading dormant companies within this group. LSH was acquired in accordance with the Group strategy to grow its Land & New Homes and Residential Development & Investment businesses and underpins the growth of the Group's Land & New Homes businesses and estate agency opportunities driven by LSH's pipeline of future mixed-use developments which include residential units. The stronger links between the residential and commercial activities will strengthen Countrywide's businesses going forward and will contribute to the overall synergies anticipated which underpin the goodwill recognised.

28. Acquisitions during the year continued

During 2013 the Group completed the purchase of 28 lettings businesses in accordance with a strategy to increase the Group's footprint in under-represented geographical areas. The most significant lettings acquisitions were as follows: on 1 February the Group acquired 100% of the equity share capital of Russells Limited for consideration of £1.9 million; on 15 November 2013 the Group acquired the trade and assets of John German Limited for consideration of £2.1 million; and on 1 December 2013 the Group acquired 100% of the equity share capital of Fitz-Gibbon Limited for consideration of £2.7 million.

The acquired trade and other receivables for all acquired businesses are all current and their fair value is not materially different. Furthermore there are no contractual cash flows that are not expected to be collected. The goodwill recognised by the Group upon acquisition has no impact on tax deductions.

The costs of these acquisitions amounted to £890,000 (2012: £377,000) and have been written off to profit and loss (disclosed as an exceptional cost – see note 10).

29. Acquisitions during the prior year

During the prior year the Group acquired Life and Easy Limited and 13 small lettings businesses. The total consideration paid was £13.1 million and goodwill recognised was £11.6 million. The pro-forma revenue and EBITDA generated by businesses in 2012 was £8.2 million and £2.3 million respectively.

30. Operating lease commitments – minimum lease payments

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

	2013		2012	
	Property £'000	Vehicles, plant and equipment £'000	Property £'000	Vehicles, plant and equipment £'000
Within one year	**19,740**	**16,783**	20,286	17,945
Later than one year and less than five years	**42,004**	**14,530**	46,505	18,582
After five years	**18,964**	**—**	15,180	—
	80,708	**31,313**	81,971	36,527

At 31 December 2013, the Group had subleased a number of surplus premises and was entitled to receive rents under non-cancellable leases as follows:

	2013 £'000	2012 £'000
Sub-leases		
Within one year	**905**	996
Later than one year and less than five years	**1,383**	1,953
After five years	**1,149**	1,364
	3,437	4,313

31. Client monies

At 31 December 2013, client monies held by subsidiaries in approved bank and building society accounts amounted to £248,995,000 (2012: £158,453,000). Neither the cash asset nor any corresponding obligation has been recognised by the Group. These client monies are subject to the following regulations: £20,956,000 Council for Licenced Conveyancers; and £228,039,000 Royal Institute of Chartered Surveyors.

Notes to the financial statements continued

32. Financial instruments

Financial instruments by category

Assets as per balance sheet	31 December 2013 Loans and receivables £'000	Available for sale £'000	Total £'000
Available-for-sale financial assets	—	42,877	42,877
Trade and other receivables excluding prepayments	73,468	—	73,468
Cash and cash equivalents	36,325	—	36,325
	109,793	42,877	152,670

Liabilities as per balance sheet	31 December 2013 Liabilities at fair value through profit and loss £'000	Other financial liabilities at amortised cost £'000	Total £'000
Borrowings (excluding finance lease liabilities)	—	74,040	74,040
Finance lease liabilities	—	10,704	10,704
Put options	4,955	—	4,955
Trade and other payables excluding non-financial liabilities	—	77,274	77,274
	4,955	162,018	166,973

Assets as per balance sheet	31 December 2012 Loans and receivables £'000	Available for sale £'000	Total £'000
Available-for-sale financial assets	—	14,370	14,370
Trade and other receivables excluding prepayments	53,000	—	53,000
Cash and cash equivalents	46,544	—	46,544
	99,544	14,370	113,914

Liabilities as per balance sheet	31 December 2012 Liabilities at fair value through profit and loss £'000	Other financial liabilities at amortised cost £'000	Total £'000
Borrowings (excluding finance lease liabilities)	—	249,774	249,774
Finance lease liabilities	—	371	371
Put options	5,560	—	5,560
Trade and other payables excluding non-financial liabilities	—	39,950	39,950
	5,560	290,095	295,655

33. Financial risk management

Financial risk factors

The Group is exposed through its operations to one or more of the following financial risks:

- cash flow and fair value interest rate risk;
- liquidity risk;
- counterparty credit risk; and
- price risk.

The policy for managing these risks is set by the Board following recommendations from the chief finance officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The interest profile of the Group's financial assets and liabilities are as follows:

	2013 £'000	2012 £'000
Floating rate assets	13,822	29,044
Fixed rate assets	22,503	17,500
Interest free assets	116,345	67,370
Total financial assets	**152,670**	113,914
Floating rate liabilities	73,040	—
Fixed rate liabilities	10,704	250,000
Interest free liabilities	83,229	45,655
Total financial liabilities	**166,973**	295,655

The average rate at which the fixed rate liabilities were fixed in 2013 was 3.59% (2012: 10%) and the average period for which the liabilities were fixed was 180 days (2012: 366 days).

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

The interest payable on the Senior Secured Fixed Rate Notes was fixed; therefore, the Group was not exposed to the risk of cash flow risk arising from changes in the interest rates. The interest payable on the term loan facility is at variable rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's liabilities secured on a floating basis which are managed on a central basis. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of liabilities exposed to the floating rates.

	2013 £'000	2012 £'000
Increase in basis points	100	100
Effect on profit before tax (£'000)	(750)	(99)
Decrease in basis points	(50)	(50)
Effect on profit before tax (£'000)	375	50

Notes to the financial statements continued

33. Financial risk management continued

Financial risk factors continued

Liquidity risk

The liquidity risk of each Group entity is managed centrally by the Group treasury function who monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs whilst maintaining sufficient headroom on its undrawn committed borrowing facilities.

The Group aims to mitigate liquidity risk by managing cash generation of its operations and acquisition strategy. Acquisitions are carefully selected with authorisation limits operating up to Group Board level and cash payback periods as applied as part of the investment appraisal process. The Group is also cash generative as demonstrated by the cash from operations. The requirement to pay creditors is managed through future cash generation and, if required, revolving credit facility.

The Group monitors its risk to a shortage of funds by daily cash reporting. This reporting considers maturity of both its financial investments and financial assets (e.g. trade receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility for potential acquisitions.

All surplus cash held by the operating entities is transferred to Group treasury and managed centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements. The Group maintains an overdraft facility with a major banking corporation to manage any unexpected short term cash shortfalls.

The Group has a £75 million term loan facility which incurs interest payments quarterly. The Group also has a £25 million revolving credit facility which provides additional liquidity resource.

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

	2013 £'000	2012 £'000
Trade payables	13,625	15,290
Put options	4,955	5,560
Deferred consideration	2,174	1,768
Borrowings	74,040	249,774
Finance lease liabilities	10,704	371
Accruals and other payables	61,475	22,892
	166,973	295,655

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.

	2013 £'000	2012 £'000
In less than one year	85,579	40,322
In more than one year but not more than two years	12,048	1,800
In more than two years but less than three years	23,202	—
In more than three years but not more than four years	46,123	3,850
In more than four years but less than five years	1,333	—
Over five years	1,592	251,000
	169,877	296,972

Counterparty credit risk

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

	2013 £'000	2012 £'000
Cash and cash equivalents	36,325	46,544
Trade receivables	63,452	43,427
Amounts due from customers for contract work	1,346	—
Other receivables	8,670	9,573
	109,793	99,544

As stated in note 17 trade and other receivables are current assets and expected to convert to cash over the next twelve months.

33. Financial risk management continued

Financial risk factors continued

Counterparty credit risk continued

The Group is exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of major new customers before entering contracts. The majority of customers use the Group's services as part of a housing transaction and consequently the sales are paid from the proceeds of the house sale. The following table presents a breakdown of the gross trade receivables between the three main types of customer:

	2013 £'000	2012 £'000
Individual customers	41,076	27,995
Major lenders	9,899	11,391
Other commercial customers	16,325	9,034
	67,300	48,420

The Group treasury function manages the Group's cash balances and seeks to achieve reasonable rates of interest, but preservation of the capital is the overriding priority. A list of accepted deposit institutions is maintained and their credit ratings are kept under review. The following table presents a breakdown of cash at bank and short term deposits (the rest of 'cash and cash equivalents' is cash in hand):

	2013 £'000	2012 £'000
A2	9,922	15,000
A3	26,375	7,500
BA1	28	16,044
BA2	—	8,000
	36,325	46,544

Price risk

The group is exposed to price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale amounting to £42,877,000 (2012: £14,370,000). This investment is not held in a publicly traded company, but if the price used in the 2013 year-end valuation had increased/decreased by 5% the carrying value of the investment and the unrealised gain recorded within the statement of comprehensive income would have reduced by £2.1 million.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of debt (subject to certain restrictions under the term loan facility), adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group defines capital as the total of equity shareholders' funds and long term borrowings net of available cash balances:

	2013 £'000	2012 £'000
Borrowings (note 20)	84,744	250,145
Cash and cash equivalents (note 18)	(36,325)	(46,544)
Net debt	48,419	203,601
Shareholders' equity	520,723	241,798
Total capital	569,142	445,399
Gearing ratio	9%	46%

During the year, the Group have complied with any capital restrictions and covenant requirements in respect of leverage and interest cover ratios associated with the term loan facility.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined below:

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to the financial statements continued

33. Financial risk management continued

Fair value estimation continued

The following table presents the Group's financial assets and liabilities that are measured at fair value at each year end. See note 16(c) for disclosures in respect of available-for-sale financial assets.

	2013		2012	
	Level 3 £'000	Total £'000	Level 3 £'000	Total £'000
Assets				
Available-for-sale financial assets	42,877	42,877	14,370	14,370
Liabilities				
Put options	4,955	4,955	5,560	5,560

The following changes were made in level 3 instruments for the years under review:

	2013		2012	
	Assets available for sale £'000	Liabilities £'000	Assets available for sale £'000	Liabilities £'000
Opening balance	14,370	5,560	317	8,389
Acquisitions	1,054	—	13,122	—
Gains and losses recognised in profit or loss	(22)	(605)	(22)	(2,829)
Gains and losses recognised in total comprehensive income	27,475	—	953	—
Closing balance	42,877	4,955	14,370	5,560

As noted in note 16(c), the fair value of the Zoopla shares was assessed at the year end by reference to the recent transaction price paid for additional shares purchased in December 2013 (by the Group and other shareholders in Zoopla). In addition, other valuation methods were used to support the valuation adopted: a discounted cash flow was prepared and an appropriate discount rate was applied to reflect the fact that there is no liquid market for these shares (which are also subject to pre-exemption rights and restrictions up to 2015); and a valuation using an earnings multiple was undertaken. The year-end valuation was reviewed in light of available data at 31 December 2013, and resulted in a £27.5 million uplift in valuation.

As noted in note 19, the fair value of put options is undertaken using a discounted cash flow based on management's expectation of performance of the underlying entities, consistent with operating plans approved.

These methods continue to be based on unobservable market data, and therefore there have been no changes in valuation techniques adopted in the year and no changes in fair value hierarchies as defined by IFRS 13.

The Group's finance department performs the valuations of financial instruments measured at fair value required for financial reporting purposes, including Level 3 fair values. This team reports directly to the CFO and Audit Committee.

34. Related party transactions

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

Trading transactions

		Transaction amount		Balance owed/(owing)	
Related party relationship	Transaction type	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Joint venture	Purchases by Group	**(2,190)**	(2,278)	**(183)**	97
Joint venture	Rebate received	**975**	1,059	**32**	—
Joint venture	Dividend received	**778**	748	**—**	—
Apollo Management	Management fee paid	**180**	750	**—**	—
Apollo Management	Directors fee paid	**19**	—	**—**	—
Oaktree Capital Management	Management fee paid	**180**	750	**—**	—
Oaktree Capital Management	Directors fee paid	**35**	—	**(10)**	—

With the exception of dividends and management fees, these transactions are trading relationships which are made at market value. The company has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given during 2013 regarding related party transactions.

Prior to the IPO, Oaktree Capital Management and Apollo Management LP both owned in excess of 20% of the share capital of the Group. Following the IPO, each entity had a director on the board of the Company until Apollo Management LP divested their shareholding in the second half of 2013.

During the year ended 31 December 2013, the Group incurred £359,000 (2012: £1,500,000) split equally between Apollo Management and Oaktree Capital Management, in respect of management fees. Following the IPO, management fees have not been incurred but fees have been payable in respect of each of the respective directors appointed to the Board at a rate of £40,000 per annum.

35. Events after the reporting period

During the first few weeks of the year the Group has acquired 6 businesses for £15.1 million. At the time of preparing these financial statements, management is in the process of assessing the impact of these acquisitions on the Group.

The Group has also invested £7.0 million in the first rental property investment for our private residential sector portfolio.

The Group debt facility has also been restructured in February 2014, resulting in an increase in the facility and reduction in interest margins payable. For further details please refer to the group financial review within the strategic report.

Independent auditors' report

To the members of Countrywide Plc

Report on the Parent Company financial statements

Our opinion
In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The Parent Company financial statements, which are prepared by Countrywide plc, comprise:

- the Parent Company balance sheet as at 31 December 2013; and
- the notes to the Parent Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent 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.

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

Other matters on which we are required to report by exception continued

Other information in the Annual Report
Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Parent Company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Directors' Responsibilities Statement set out on page 58, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other Matter

We have reported separately on the group financial statements of Countrywide plc for the year ended 31 December 2013.

Darryl Phillips
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2014

Company balance sheet
As at 31 December 2013

	Note	2013 £'000
Fixed assets		
Investment in subsidiaries	4	147,657
Current assets		
Debtors	5	271,423
Cash at bank and in hand		6,835
		278,258
Creditors: amounts falling due within one year	6	(6,875)
Net current assets		271,383
Total assets less current liabilities		419,040
Creditors: amounts falling due after more than one year	7	(68,040)
Net assets		351,000
Capital and reserves		
Called up share capital	8	2,194
Share premium account	9	211,841
Treasury reserve	9	(226)
Profit and loss account	9	137,191
Total shareholders' funds	10	351,000

The notes on pages 111 to 114 form an integral part of the parent company financial statements.

These financial statements on pages 110 to 114 were approved by the Board of directors and signed on its behalf by:

Jim Clarke
Chief financial officer
27 February 2014

Notes to the Company financial statements

1. General information and accounting policies

(a) Basis of preparation

The separate financial statements of Countrywide plc (the 'Company') are presented, for the period from incorporation until 31 December 2013. They have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below and have been applied consistently throughout the period.

As permitted under Section 408 of the Act the Company has elected not to present its own profit and loss account for the period. The loss after tax for the period was £11,870,000. The results of the parent company are disclosed in the reserves reconciliation in note 9.

The Company has taken advantage of the exemption in paragraph 2D of FRS 29 'Financial instruments: Disclosures', and has not disclosed information required by the standard as the consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 'Financial instruments: Disclosures'.

The Company has taken advantage of the exemption available under FRS 8 'Related party disclosures' and not disclosed related party transactions with wholly owned subsidiary undertakings.

(b) Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the accounts.

(c) Investments

Investments in subsidiaries are held at historical cost less provision for impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(d) Income tax

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

(e) Share-based payments

The cost of granting share options and other share-based remuneration to employees and directors is recognised through the profit and loss account. These are equity-settled and therefore the fair value is measured at the grant date. Where the share awards have non-market related performance criteria the Company has used the Binomial Lattice and Black Scholes option valuation models to establish the relevant fair values. Where the share awards have a TSR market related performance criteria the Company has used the Monte Carlo simulation valuation model to establish the relevant fair values. The resulting values are amortised through the income statement over the vesting period of the options and other grants. For awards with non-market related criteria, the charge is reversed if it appears probable that the performance criteria will not be met.

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

(f) Dividend income

Dividend income from subsidiary undertakings is recognised at the point the dividend has been declared.

(g) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet.

(h) Dividend distribution

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

(i) Share capital

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

Notes to the Company financial statements continued

2. Employee costs

The only employees of Countrywide plc are the executive and non-executive directors. Details of the employee costs associated with the directors are included in the directors' remuneration report and summarised below.

	2013 £'000
Wages and salaries	1,842
Share-based payments	2,693
Post-employment benefits – defined contribution and salary supplement	91
	4,626

The information as disclosed in the Group's consolidated financial statements under IFRS 2, Share Based Payment, is comparable with the UK GAAP disclosure requirements under FRS 20, Share Based Payment, therefore please refer to note 26 to the consolidated financial statements for further information regarding the Company's equity-settled share-based payment arrangements.

3. Dividends

	2013 £'000
Amounts recognised as distributions to equity holders in the year:	
– interim dividend for the year ended 31 December 2013 of 2.0 pence (net) per share	4,389
Total	4,389

A final dividend in respect of the year ended 31 December 2013 of 6.0 pence (net) per share, amounting to a total dividend of £13,166,698, is to be proposed at the annual general meeting on 30 April 2014. In accordance with IAS 10, 'Events after the balance sheet date', dividends declared after the balance sheet date are not recognised as a liability in these financial statements.

4. Investments

	2013 £'000
Cost	
At 21 December 2012	–
Additions	147,657
At 31 December 2013	147,657
Accumulated impairment	
At 21 December 2012 and at 31 December 2013	–
Net book amount	147,657

The Company owns directly the whole of the issued and fully paid ordinary share capital of its subsidiary undertaking, Countrywide Holdings, Ltd, a company registered in the Cayman Islands whose principal activity is that of investment holding company. Interests in Group undertakings, held indirectly by the Company, are detailed within note 16 of the consolidated financial statements.

5. Debtors

	2013 £'000
Amounts falling due within one year:	
Amounts owed by subsidiary undertakings	271,413
Other debtors	10
	271,423

Amounts owed by subsidiary undertakings are unsecured and payable on demand. Interest is received at base rate plus 2.25% per annum.

6. Creditors: amounts falling due within one year

	2013 £'000
Bank borrowing	5,000
Other creditors	1,875
	6,875

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

	2013 £'000
Bank borrowing	70,000
Capitalised banking fees	(1,960)
	68,040

On 20 March 2013 the Company entered into a £100 million Term and Revolving Credit Facility Agreement which terminates in March 2017. The facilities are split between £75 million Term Loan and £25 million Revolving Credit Facility (RCF), which is repaid, £5 million on the first anniversary, £10 million on the second anniversary, £25 million on the third anniversary and the balance on termination. Interest is payable based on LIBOR plus a margin of 3%. The RCF is available for utilisation subject to satisfying fixed charge and leverage covenants (see note 20 of the consolidated financial statements).

8. Called up share capital

Number of shares	Ordinary shares of £0.01 each	Ordinary shares of £1.00 each	A Class Ordinary shares of £1.00 each	B Class Ordinary shares of £0.01 each	C Class Ordinary shares of £0.01 each	Deferred shares of £0.01 each
On incorporation						
Issue 100 ordinary shares	—	100	—	—	—	—
Subdivide and redesignate £1 ordinary shares as C shares	—	(100)	—	—	100	—
Issue shares for share for share exchange	—	—	146,066,312	146,066,312	12,960,429	—
Reorganisation of share capital						
Each A and B share receives 1 Ordinary share £0.01 and 1 deferred share £0.01	146,066,312	—	(146,066,312)	(146,066,312)		146,066,312
Each C shares redesignated	10,464,164	—	—	—	(12,960,529)	2,496,365
Capital reduction	—	—	—	—	—	(148,562,677)
New shares issued on IPO	62,914,485	—	—	—	—	—
At 31 December 2013	**219,444,961**	**—**	**—**	**—**	**—**	**—**

£'000	Ordinary shares of £0.01 each	Ordinary shares of £1.00 each	A Class Ordinary shares of £1.00 each	B Class Ordinary shares of £0.01 each	C Class Ordinary shares of £0.01 each	Deferred shares of £0.01 each
On incorporation						
Issue 100 ordinary shares	—	100	—	—	—	—
Subdivide and redesignate £1 ordinary shares as C shares	—	(100)	—	—	—	—
Issue shares for share for share exchange	—	—	146,066	1,461	129	—
Reorganisation of share capital						
Each A and B share receives 1 Ordinary share £0.01 and 1 deferred share £0.01	1,461	—	(146,066)	(1,461)		146,066
Each C shares redesignated	104	—	—	—	(129)	25
Capital reduction	—	—	—	—	—	(146,091)
New shares issued on IPO	629	—	—	—	—	—
At 31 December 2013	**2,194**	**—**	**—**	**—**	**—**	**—**

Details of movements in shares are also given in note 25 to the consolidated financial statements.

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, 39,375 shares were held in relation to matching shares of the SIP scheme.

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Notes to the Company financial statements continued

9. Reserves

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Treasury share reserve £'000	Total £'000
At 21 December 2012	—	—	—	—	—
Loss for the year	—	—	(11,870)	—	(11,870)
Issue of shares	147,656	—	—	—	147,656
Cancellation of deferred shares	(146,091)	—	146,091	—	—
Shares issued at initial public offering	629	219,371	—	—	220,000
Transactional costs of shares issued	—	(7,530)	—	—	(7,530)
Share-based payment transactions	—	—	7,359	—	7,359
Treasury shares	—	—	—	(226)	(226)
Dividends paid	—	—	(4,389)	—	(4,389)
Balance at 31 December 2013	**2,194**	**211,841**	**137,191**	**(226)**	**351,000**

10. Reconciliation of movement in shareholders' funds

	2013 £'000
Loss for the financial period	**(11,870)**
Initial issue of shares	**147,656**
Employee benefit trust purchase of treasury shares	**(226)**
IPO issue of shares (net of transactional costs)	**212,470**
Dividends paid	**(4,389)**
Share-based payment transactions	**7,359**
Net increase in shareholders' funds	**351,000**
Opening shareholders' funds	**—**
Closing shareholders' funds	**351,000**

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

11. Auditor's remuneration

The auditor's remuneration for the audit of the Company is disclosed in note 7 to the consolidated financial statements. Fees paid to the auditor for non-audit services to the Company are not required to be disclosed in the Company's financial statements because consolidated financial statements are prepared which disclose such fees.

12. Post balance sheet events

The Group debt facility, to which the Company is a party, has also been restructured in February 2014, resulting in an increase in the facility and reduction in interest margins payable. For further details please refer to the Group financial review within the strategic report of the consolidated financial statements.

Company information

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Lloyds Bank plc
HSBC Bank plc
Abbey National Treasury Services plc
Barclays Bank Plc
AIB Group (UK) plc

Broker
Jefferies Hoare Govett

Solicitors
Slaughter and May

Financial calendar

AGM	30 April 2014
Ex-dividend date for final dividend	26 March 2014
Record date for final dividend	28 March 2014
Payment date for final dividend	7 May 2014
Interim results	31 July 2014
Record date for interim dividend	15 August 2014
Interim dividend paid	15 September 2014

*Shareholder enquiries

The Company's registrar is Capita Registrars. They will be pleased to deal with any questions regarding your shareholding or dividends. Please notify them of your change of address or other personal information. There address details are above.

Capita Registrars is a trading name of Capita Registrars Limited.

Capita shareholder helpline:	0871 664 0300 (calls cost 10 pence per minute plus network extras) (Overseas: +44 02 8639 3399)
Email:	ssd@capitaregistrars.com
Share portal:	www.capitashareportal.com

Shareholders are able to manage their shareholding online and facilities included electronic communications, account enquiries, amendment of address and dividend mandate instructions.

Forward-looking statements

This report includes forward-looking statements, which involve risks and uncertainties. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will' or 'should' or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies, the industry in which we operate and potential acquisitions. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this report.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, the development of the industry in which we operate and the effect of acquisitions on us may differ materially from those made in or suggested by the forward-looking statements contained in this report. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- a decline in the number of transactions, prices or commission levels in the UK residential property market, whether due to the impact of macro-economic factors or otherwise;
- increased or reduced competition in the industry in which we operate;
- changes in, or our failure or inability to comply with, government laws or regulations;
- the loss of any of our important commercial relationships; and
- any increase in our professional liabilities or any adverse development in the litigation or other disputes to which we are a party.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. We urge you to read the operating and financial review for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this report may not occur.

We undertake no obligation, and do not expect, to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this report.

Awards

The ESTAS 2013

Equity Release Awards

Mortgage Finance Gazette Awards

Shares Awards 2013

2013 Mortgage Strategy Awards

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