

# Countrywide plc

Interim Results 2006

# Countrywide plc

## Contents

	Page
Chairman's statement .....	1
Consolidated interim income statement .....	7
Consolidated interim statement of recognised income and expense .....	8
Consolidated interim balance sheet .....	9
Consolidated interim statement of cash flows .....	10
Notes to the interim results .....	11
General information .....	16

## Highlights

	<b>6 Months 2006</b>	6 Months 2005	Change
Group operating profit before exceptional items	<b>£43.9m</b>	£2.4m	
Group operating profit	<b>£43.9m</b>	£5.2m	
Group profit before tax	<b>£62.8m</b>	£3.5m	
Earnings per share	<b>27.01p</b>	1.82p	
Interim dividend per share	<b>5.00p</b>	1.00p	
House sales exchanged	<b>48,126</b>	38,965	24%
Mortgages arranged	<b>28,651</b>	21,280	35%
Valuations and survey instructions	<b>347,016</b>	319,424	9%
Conveyances completed	<b>28,870</b>	20,490	41%
Life policies arranged	<b>23,473</b>	13,472	74%

## Financial calendar

<b>15 August 2006</b>	Interim results 2006 announced
<b>23 August 2006</b>	Ex-dividend date
<b>25 August 2006</b>	Dividend record date
<b>2 October 2006</b>	Dividend payment date
<b>13 March 2007 (tbc)</b>	Preliminary results 2006 announced
<b>April 2007 (tbc)</b>	AGM

## Forward-looking statements

This document may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of Countrywide plc. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of Countrywide plc including, amongst other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates, inflation, deflation, the impact of competition, changes in customer preferences, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the jurisdictions in which Countrywide plc and its affiliates operate. As a result, Countrywide plc's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements.

## BUSINESS REVIEW

I am delighted to report that profits for the six months to 30 June 2006 were significantly better than the same period last year. Operating profit before exceptional items was £43.9 million (2005: £2.4 million) whilst profit before tax, boosted by the profits on the disposal of part of our interests in Rightmove plc and TMG Holdings Ltd ("TMG") and the sale of our commercial surveying division, was a record £62.8 million (2005: £3.5 million).

The largest contribution to this improvement in performance came from a major turnaround in the operating profits of the UK residential estate agency business where, aided by a 24% increase in house exchanges, last year's loss of £6.4 million was turned into a profit of £19.0 million. Furthermore, both the financial services and surveying and valuation divisions saw material uplifts in profit, whilst the conveyancing division reduced its loss by some £3.5 million.

Since Rightmove is now listed on the London Stock Exchange, we are no longer able to incorporate its results in the group's results until they have been released to the market. Despite this reporting restriction, we are still required to account for the results of this investment as an associate. In future, we will therefore include our share of Rightmove's published results (currently 21.5%) in the first

financial statements which we will announce following the release of any relevant financial information produced by Rightmove.

Following the successful integration last year of the estate agency and lettings businesses we bought from Bradford & Bingley Group plc ("BBG") in 2004, the majority of our financial services sales force based in our estate agency offices is now successfully operating under our proven model. The integration of the Securemove survey and valuation business is substantially complete, and now only awaits the rollout of our Enterprise computer system, for which plans are in hand.

Subsequent to our Annual Report, the judgement of the High Court in April indicated that there are very limited circumstances in which overseas losses can be utilised for group relief. This is reinforced by the new rules introduced in the Finance Act 2006. Consequently, we have reversed the deferred tax asset of £1.9 million set up in the 2005 accounts. The profits on disposal of shares in Rightmove and TMG have been relieved by substantial shareholder exemptions. The net effect of these items is to reduce the effective tax charge for the six months period to 24.4%.

Cash flow in the six months to 30 June has been strong. In addition to the net cash flow from operating activities of £30.0 million (2005: £(18.0) million),

we realised £23.6 million from the proceeds of the disposals noted above. In May, the underlying strength of our cash flow gave us the confidence to cancel the three year Revolving Credit Facility originally taken out to fund the £85.0 million return of capital in 2004. Despite the purchase of two million shares into Treasury at a cost of £10.2 million, and a purchase of 555,854 shares at a cost of £3.0 million by the Employee Benefit Trust, as a hedge against awards made under the Performance Share Plan, we had positive cash balances at the half year of £35.2 million.

In the light of these excellent results and our strong cash flow, we have decided to pay an Interim Dividend of 5.00p per ordinary share. In addition, we have decided to distribute the profit on the partial disposal of our holding in Rightmove, which was approximately 9.31p per Countrywide share, by buying £20 million of the company's shares into Treasury. This will give a total cash return to shareholders so far this year of £44 million (approximately 25.2p per share).

We would anticipate maintaining a progressive dividend policy, based on the dividend being covered between 2 and 2.5 times by earnings on average through the business cycle. We also expect that periodically we may have capital in excess of that required to develop the business and

to maintain the dividend and we would propose to return such excess capital to shareholders by the most appropriate means at the time. □

# Chairman's statement *(continued)*

## Estate Agency Division

	6 Months 2006	6 Months 2005	Change
Turnover			
– UK Estate Agency	<b>£166.4m</b>	£117.9m	41%
– Lettings	<b>£21.7m</b>	£19.0m	14%
– Overseas	<b>£1.3m</b>	£1.3m	–
Operating profit/(loss)			
– UK Estate Agency	<b>£19.0m</b>	£(6.4)m	
– Lettings	<b>£3.7m</b>	£2.7m	37%
– Overseas	<b>£(0.2)m</b>	£(0.4)m	
Branches at 30 June			
– owned	<b>1,062</b>	1,072	–1%
– franchised	<b>120</b>	109	10%
House sales exchanged			
– owned	<b>48,126</b>	38,965	24%
– franchised	<b>2,700</b>	1,676	61%
Average commission	<b>1.68%</b>	1.63%	
Average house price	<b>£187,000</b>	£176,600	6%
Headcount (average FTE)	<b>7,277</b>	6,973	4%
Average employees per branch	<b>5.30</b>	5.02	6%
Closing pipeline	<b>£96.8m</b>	£76.3m	27%
Closing pipeline (Number of offers)	<b>28,991</b>	24,030	21%

### UK Estate Agency

The housing market has followed a more traditional pattern over the last twelve months and there have been no unusual factors affecting the trend of sales arranged, the pipeline and the stock of homes for sale, all of which followed normal seasonal trends. There now exists little reliable or timely data to give a guide to activity levels in the UK housing market. However, we estimate that the

increase in sales arranged per office of 25% achieved by our estate agency network is in line with the market or maybe slightly better. This improvement in activity, together with rising house prices, has resulted in some recent pressure on commission rates, although the rate achieved in June was still higher than in June 2005. The average commission per sale in the six months to June 2006 was £3,183, some 10% higher than

that achieved in the same period in 2005.

In response to the more active market the number of employees increased and this, together with higher semi-variable costs such as advertising and printing, has led to a 14.4% increase in total costs. Of the incremental income generated over 2005, 57.7% has benefited operating profit.

The residential estate agency benefits from residential sales generated from the Corporate Property Services business. This unit provides services to lenders in possession, house builders and companies relocating personnel and is also a residential maintenance contractor. Income in this business grew faster than the residential market, enabling it to make a worthwhile contribution to the division's profits.

The development of a dedicated Land and New Homes business supported by the estate agency branch network continues to progress. There are now 28 dedicated offices across the country, with further expansion planned. During the first six months of the year sales with a capital value of nearly £484 million have been agreed, which we believe makes this business the largest of its type in the country.

### Franchising

Our franchising business now has 120 operational branches and is the largest estate agency franchise

network in the United Kingdom. The management's emphasis in 2006 has been on further strengthening the franchisee support, development and training functions. The experienced agents that make up the support team have contributed to the 61.4% increase in the value of sales exchanged achieved by the franchise network, on a like-for-like branch basis, compared to the first 6 months of 2005.

### Lettings

Our provincial lettings business, Countrywide Residential Lettings continues to deliver excellent growth, with operating profit up 29% on 2005. This increase has been delivered through higher income which is up 14%. The number of properties let during the period has increased by 17% with a strong pipeline going forward into the busiest summer period. Productivity has improved by 13%. Rental levels have increased a little ahead of inflation at 3.7%. The development of the Lets-Cover.co.uk brand, which enables customers to instantly take out insurance for rental property online, has helped insurance sales to customers of the residential lettings business grow by 49%.

Countrywide Property Management, the corporate management arm of the business, has developed synergies with Land and New Homes teams, creating a total solution for developers of leasehold property.

The leasehold property management element of the business is expanding rapidly and the pipeline of new business stands at over 10,000 units and continues to grow. Countrywide Property Management is the leading provider of property management services to pension trustees offering SIPPs and is the number one provider of alternative accommodation services to the insurance industry providing accommodation to over 850 families in the first half of 2006.

The level of stock in our London business has fallen dramatically, partially due to investors taking advantage of the more buoyant market conditions to dispose of their portfolios, but also because low rental yields make it more difficult to cover interest payments. Despite this environment turnover rose by 13% during the period and profit was up by 96% compared to the same six

months last year. The profit margin improved from 10% to 17%. In January 2006, we transferred the administration of our client accounting to India, achieving cost and efficiency savings.

#### Overseas

Since we restructured our Spanish operation at the beginning of 2005 we have seen a significant increase in referral levels from our estate agency branches of potential buyers of properties in Spain. Increased confidence and improving transaction levels in the UK have also assisted, resulting in 17% more inspection flights from the UK which has translated into 24% more sales arranged. We believe our strategy of focusing the marketing of our Spanish proposition directly through our network of UK estate agency branches will continue to produce increased sales volumes. □

### Financial Services Division

	6 Months 2006	6 Months 2005	Change
Turnover	<b>£42.9m</b>	£32.8m	31%
Operating profit	<b>£9.9m</b>	£4.3m	130%
Total mortgages arranged	<b>28,651</b>	21,280	35%
Panel mortgages arranged	<b>26,019</b>	17,766	46%
– value	<b>£2.9bn</b>	£1.8bn	61%
Life protection policies arranged	<b>23,473</b>	13,472	74%
General insurance policies arranged	<b>25,504</b>	17,765	44%
Conversion rate			
– mortgages	<b>59.5%</b>	54.6%	
– life policies	<b>48.8%</b>	34.6%	
– general insurance	<b>53.0%</b>	45.6%	
Headcount (average FTE)	<b>1,446</b>	1,368	6%

Following the integration of the former BBG financial services sales force in October 2005, the consultant headcount has progressively been building, and at the end of June numbered 883 (2005: 833). This additional headcount, together with a material increase in productivity, has driven the number of mortgages placed with our select panel of leading lenders to record levels. These factors, with the additional benefit of more competitively priced products following last year's repricing, led to a significant rise in the life insurance conversion rate and the number of policies placed on risk. Although the repricing of the life products which we offer means the margins per case are lower, in the half

year to 30 June 2006 total income earned on the sale of life products increased by 30% over last year. The average mortgage size arranged increased by 11.6% over last year which, coupled with the increase in volume, gave rise to mortgage related income, some 46% up on the first half of 2005.

Despite the material increase in volumes, there has only been a marginal increase in the number of employees in our processing centres this year, and there has been a pleasing increase in productivity. This has contributed to a year-on-year increase in average margin across the division from 12.7% to 22.7%. □

# Chairman's statement *(continued)*

## Surveying and Valuation Division

	6 Months 2006	6 Months 2005	Change
Turnover	<b>£67.0m</b>	£56.6m	18%
Operating profit	<b>£14.6m</b>	£8.0m	83%
Profit on disposal of business	<b>£1.3m</b>	–	
Valuations and survey instructions completed	<b>347,016</b>	319,424	9%
Headcount (average FTE)	<b>1,487</b>	1,735	–14%

### Countrywide Surveyors

We have seen a good level of mortgage survey and valuation instructions for house purchases throughout the period, although both the level and the proportion of remortgage survey and valuation instructions has dropped. However, the total number of instructions received grew progressively, so that by April in some parts of the country we had reached capacity, despite productivity improving. However, as the rollout of our new tablet driven computer system, Enterprise, has gathered pace there has been some negative impact on productivity and capacity has reduced whilst our surveyors were trained on the new system. The rollout to the original Countrywide Surveyors offices is complete and plans are in progress to equip the Securemove offices.

The senior management of this division have spent an immeasurable amount of time preparing for the now aborted Home Condition Report. However, there has been no

significant direct expenditure or capital investment this year. It is fortuitous that only 27 surveyors had progressed through our internal Home Inspector training programme and had passed the external assessment. Equally fortuitously, whilst a great deal of groundwork had been undertaken to source potential Home Inspectors, recruitment of the additional anticipated employees had not yet commenced.

In March, we sold the Commercial Survey & Valuation business we had acquired with Securemove from BBG in 2004. This business operated in a sector of the market which we do not consider forms part of our core business, and we are sure the operation and its employees will fit more comfortably in the Erinaceous Group plc, the purchasers. We sold our interest for £3.6 million, realising a profit of £1.3 million over the book value. A potential further £1.0 million is receivable over the next 3 years, subject to certain conditions being met.

In May we further extended our operation in Scotland with the purchase of Kean Kennedy, a small business with gross assets of £83,000 based in Elgin. The expansion of our

Scottish representation is now enabling us to take advantage of the reciprocal business opportunities arising from our substantial estate agency presence in the west of Scotland. □

## Conveyancing Division

	6 Months 2006	6 Months 2005	Change
Turnover	<b>£10.4m</b>	£9.3m	12%
Operating loss	<b>£(1.2)m</b>	£(4.7)m	
Completions	<b>28,870</b>	20,490	41%
Headcount (average FTE)	<b>576</b>	608	–5%

### Countrywide Property Lawyers

The first few months of 2006 were critical for Countrywide Property Lawyers ("CPL") which needed to manage the successful implementation of its new computer system, whilst coping with the seasonal and market growth in the volume of new instructions. This critical point has now passed, and we have been able to progressively increase the proportion of instructions handled by the new system which at the end of June amounted to 74% of all live cases. The challenge is to grow capacity to meet the demand generated by our estate agency network. Accordingly the next stage of development will be devoted to enhancing the system and our internal processes to bring about increased efficiency and capacity. The first systems enhancement is

designed to provide the IT infrastructure which will enable non-critical parts of the process to be outsourced to India. This step will go some way to relieving the potential capacity constraints which could arise from the difficulty of recruiting sufficient suitably qualified conveyancing staff in the UK.

CPL's business is now substantially different from this time last year. During the comparable period in 2005 results suffered from the combined effects of constrained capacity and high fixed costs caused by problems with the previous computer system. Elimination of these issues has led to both higher income and lower fixed costs, resulting in an improvement of £3.0 million in CPL's contribution.

### **Title Absolute**

This business provides a conveyancing panel management service to both CPL and external clients. As CPL's own capacity has increased, so the proportion and volume of its instructions passed to the panel has decreased commensurately. However, this reduction has been more than compensated for by a material uplift in the volume of cases completed on behalf of other clients, which has grown by 88%. As a result the contribution to the division's operating profit has increased significantly.

### **Remortgage Conveyancing Matters**

In the Annual Report, we advised that this business had experienced some operating difficulties as a result of a rapid build up in workload. These problems have now been addressed, but once again the number of transactions being processed is insufficient to enable the unit to operate profitably. Since the start of the year we have seen a slow build up of instructions and although we have secured a further major lender client, and anticipate winning additional new business in the second half, we do not expect being able to trade profitably this year. □

### **Rightmove**

On 15 March 2006, Rightmove was admitted to trading on the London Stock Exchange. In order to assist the

creation of a meaningful free float, we sold 5.3 million shares as a result of which our holding has now reduced to 21.5% (28.5 million shares), from the previous 30%. We realised proceeds of £17.1 million and profit of £16.4 million from the sale. As at the close of business on 14 August 2006 the share price of Rightmove was 282p, making our holding worth £80.3 million.

As reported earlier, as a result of Rightmove's listed status, we no longer have access to up-to-date reportable information. Based on statements published by Rightmove, we believe that our share of post tax results of Rightmove for the six months to 30 June 2006, will not be material to the group's results. The group results therefore reflect no change in its investment in Rightmove since the year end. □

### **TMG Holdings (25% Ownership)**

In January 2006 the holdings in this company were restructured and as a result Countrywide plc now has an equal 25% holding together with Rightmove, Connells and Halifax Estate Agencies. Encouragingly, TMG continues to grow and turnover for the six months to June was up 31% over last year, whilst profit increased by 70%. □

### **Central costs**

Central costs at £3.2 million were £2.2 million higher than last year. This is partially due to an increase in

the provision for profit sharing bonuses, but also the prior year's comparative included the receipt of a £1 million dividend from the group's insurance cell which has not occurred this year. □

### **Cash flow and balance sheet**

As noted above, cash flow this year has been good reflecting the improvement in profit performance, reduced by the 2005 final dividend of £5.3 million and a payment of £3.0 million into trust in respect of a fully provisioned legal case under appeal. Capital expenditure amounted to £4.1 million in the six months (2005: £3.0 million). About half of this amount was incurred on IT expenditure by Countrywide Surveyors and Countrywide Property Lawyers, whilst the balance was largely expended on estate agency branch refurbishment. □

### **Developments**

This will be the last occasion on which I will report to shareholders with the company's progress. I would like to take this opportunity to say what a privilege it has been to chair the company over the last twenty years; to thank all my board colleagues and the group's employees for their contribution to the group's success; and to congratulate both Harry Hill on his appointment as Chairman to succeed me, and Grenville Turner on his appointment to replace Harry as Group Managing Director. I am

immensely proud of all that has been achieved since I formed the group in 1986, and wish it further success in the future.

The major development likely to impact the group's future is the Government's decision to abandon compulsory Home Condition Reports. This decision will seriously weaken the ability of Home Information Packs to transform the house buying process in the way the Government had intended. Countrywide remains a strong supporter of this intention and will continue to work with the Government and our colleagues in the industry to this end.

In the meantime, our focus remains on restoring the fortunes of our Conveyancing Division to capitalise on the opportunities which undoubtedly exist to provide a first class service to our estate agency clients; completing the rollout of Countrywide Surveyors' Enterprise system which will in the short term bring efficiency gains, and in the medium term may afford other benefits; and continuing to incentivise our devolved entrepreneurial management to seek new profit opportunities for example John D Wood have recently successfully introduced a property location and negotiation service for high net worth clients. □

## Chairman's statement *(continued)*

### **Outlook**

Whilst there are some signs the market is entering a seasonal lull, it shows no sign of extreme movement in either direction. We are disappointed that the Bank of England has chosen to increase interest rates at this time. However, we believe that the current market is sufficiently robust to absorb this increase, and provided this increase does not mark the first of a series of rate rises, and absent any other external shocks which might affect confidence, the market should continue to remain at

current levels subject to normal seasonal fluctuations. In this case house prices should continue to increase on a gentle upward trend. In this event, we are confident of the immediate future and anticipate a further strong profit and cash flow performance next year. □

### **C H Spborg**

Chairman

14 August 2006

# Unaudited condensed consolidated interim income statement

for the six months ended 30 June 2006

	Note	6 months 30 June 2006		6 months 30 June 2005		12 months 31 Dec 2005	
		£000	£000	£000	£000	£000	£000
Revenue	3		308,497		236,219		528,164
Other income			8,245		8,484		14,264
Profit on disposal of business			1,256		–		–
Exceptional income							
– Profit on disposal of freehold properties			–		2,807		4,982
			<u>317,998</u>		<u>247,510</u>		<u>547,410</u>
Employee benefits costs			(171,185)		(151,915)		(317,007)
Depreciation and impairment			(4,392)		(5,805)		(10,872)
Other expenses:							
Exceptional items:							
– Write down of computer software and associated contracts			–		–		(5,540)
Regular expenses			(98,490)		(84,565)		(182,608)
			<u>(98,490)</u>		<u>(84,565)</u>		<u>(188,148)</u>
<b>Operating profit before exceptional items</b>			<b>43,931</b>		<b>2,418</b>		<b>31,941</b>
– Exceptional items (net)			–		2,807		(558)
			<u>43,931</u>		<u>5,225</u>		<u>31,383</u>
<b>Operating profit</b>	3		<b>43,931</b>		5,225		31,383
Finance expense			(2,596)		(3,511)		(5,603)
Finance income			2,060		1,040		2,252
Share of profit of associates			170		160		70
Profit on part disposal of associated undertakings			19,206		–		2,621
Share of profit of joint ventures			–		779		1,591
Share of tax charge			–		(234)		(647)
			<u>–</u>		<u>545</u>		<u>944</u>
<b>Profit before taxation</b>			<b>62,771</b>		3,459		31,667
Taxation	4		(15,335)		(279)		(4,468)
			<u>47,436</u>		<u>3,180</u>		<u>27,199</u>
<b>Profit for the period</b>			<b>47,436</b>		<b>3,180</b>		<b>27,199</b>
Earnings per share – Basic	7		27.01p		1.82p		15.45p
– Diluted	7		26.82p		1.81p		15.37p

# Unaudited condensed consolidated interim statement of recognised income and expense

for the six months ended 30 June 2006

	<b>30 June 2006</b>	30 June 2005	31 Dec 2005
	<b>£000</b>	£000	£000
Foreign exchange translation differences	(1)	(2)	(6)
Actuarial losses arising in the pension scheme	-	-	(2,619)
Deferred tax adjustment arising on the pension scheme assets and liabilities	-	-	786
Share of deferred tax asset in respect of joint venture equity settled share options recognised directly in equity	-	-	500
	<hr/>	<hr/>	<hr/>
Income and expense recognised directly in equity	(1)	(2)	(1,339)
Profit for the period	<b>47,436</b>	3,180	27,199
	<hr/>	<hr/>	<hr/>
Total income and expense recognised for the period attributable to equity shareholders	<b>47,435</b>	3,178	25,860
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Unaudited condensed consolidated interim balance sheet

as at 30 June 2006

		30 June 2006	30 June 2005	31 December 2005		30 June 2006	30 June 2005	31 December 2005	
	Note	£000	£000	£000	Note	£000	£000	£000	
<b>Assets</b>					<b>Shareholders' equity</b>				
<b>Non-current assets</b>					<b>Share capital</b>				
Intangible assets:					6				
Goodwill					8,772				
Other intangible assets					6				
Property, plant and equipment					30,253				
Investments accounted for using the equity method:					50				
Investments in associates					Capital redemption reserve				
Investments in joint venture					(433,829)				
Other investments					Treasury share reserve				
Other receivables					(16,325)				
Deferred tax asset					ESOP share reserve				
Non-current assets held for sale					(3,588)				
Total non-current assets					Other reserves				
					1,109				
					Translation reserve				
					210				
					Retained earnings				
					466,252				
					Total shareholders' equity				
					52,904				
					7,586				
					23,423				
<b>Current assets</b>					<b>Non-current liabilities</b>				
Trade and other receivables					Financial liabilities – loans and borrowings				
Cash and cash equivalents					–				
Total current assets					Defined benefit scheme liabilities				
					15,922				
					Provisions				
					8,223				
					Other liabilities				
					1,204				
					Deferred income				
					17,211				
					Total non-current liabilities				
					42,560				
					100,494				
					48,228				
<b>Total assets</b>					<b>Current liabilities</b>				
					Financial liabilities – bank overdrafts				
					–				
					Trade and other payables				
					87,627				
					Provisions				
					7,274				
					Current tax liabilities				
					14,760				
					Total current liabilities				
					109,661				
					91,119				
					97,483				
					<b>Total liabilities</b>				
					152,221				
					191,613				
					145,711				
					<b>Total equity and liabilities</b>				
					205,125				
					199,199				
					169,134				

# Unaudited condensed consolidated interim statement of cash flows

for the six months ended 30 June 2006

	Note	6 months 30 June 2006		6 months 30 June 2005		12 months 31 Dec 2005	
		£000	£000	£000	£000	£000	£000
<b>Cash flows from operating activities</b>							
Cash generated from operations	5	35,850		(12,557)		45,021	
Interest paid		(2,153)		(2,661)		(5,800)	
Income taxes paid		(3,689)		(2,796)		(5,069)	
<b>Net cash from operating activities</b>			<b>30,008</b>		(18,014)		34,152
<b>Cash from investing activities</b>							
Acquisition of subsidiaries net of cash acquired		(181)		(985)		(1,008)	
Purchase of investments		(16)		(31)		(10)	
Purchase of property, plant and equipment		(2,813)		(2,574)		(5,510)	
Purchase of intangible assets		(1,265)		(376)		(1,407)	
Proceeds from sale of property, plant and equipment		350		5,695		11,021	
Proceeds from part disposal of associated undertakings		20,248		–		3,412	
Proceeds from disposal of intangible assets		3,350		–		–	
Dividends received		–		1,500		1,537	
Interest received		2,020		1,040		2,193	
<b>Net cash generated from investing activities</b>			<b>21,693</b>		4,269		10,228
<b>Cash flows from financing activities</b>							
Proceeds from issue of share capital		42		28,499		28,943	
Proceeds from disposal of own shares		–		–		268	
Repayment of term loans		(5,000)		(15,000)		(70,000)	
Buyback of shares		(10,211)		–		(6,300)	
Purchase of shares by EBT		(3,017)		–		–	
Dividends paid		(5,273)		(7,625)		(9,405)	
<b>Net cash used in financing activities</b>			<b>(23,459)</b>		5,874		(56,494)
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>28,242</b>		(7,871)		(12,114)
<b>Cash and cash equivalents at the beginning of the period (net of any bank overdrafts)</b>			<b>6,987</b>		19,101		19,101
<b>Cash and cash equivalents at the end of the period (net of any bank overdrafts)</b>			<b>35,229</b>		11,230		6,987

## 1. Basis of preparation

Countrywide plc prepares its Annual Report and Accounts on the basis of International Financial Reporting Standards (IFRS) as adopted for use by the European Union (EU). The financial information presented herein has been prepared in accordance with the accounting policies expected to be used in preparing the Countrywide plc Annual Report and Accounts for the year ended 31 December 2006, which do not differ significantly from those used for the Countrywide plc Annual Report and Accounts for the year ended 31 December 2005.

The financial information shown in this half year review is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The financial statements for the year ended 31 December 2005, which were prepared under IFRS, have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.

These interim results have been prepared consistent with the full year financial statements for 2005, the first period in which they were prepared and audited under IFRS; consequently some items at 30 June 2005 have been reclassified.

The group has reclassified computer software, £8,847,000, as an intangible asset from plant property and equipment. Liabilities amounting to £4,834,000 held within accruals were reclassified as provisions and £377,000 of banking fees amortisation was reclassified from unallocated expenses to finance expense.

## 2. Status of financial information

Countrywide plc is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the company for the six months ended 30 June 2006 comprise the company and its subsidiaries (together referred to as the group) and the group's interest in associates and jointly controlled entities.

The condensed consolidated interim financial statements were authorised for issuance on 14 August 2006. The Interim Report will be posted to shareholders and lodged with the Document Viewing Facility of the UKLA on 21 August 2006. Copies of which will also be available from the Company Secretary, Countrywide plc, Countrywide House, Perry Way, Witham, Essex CM8 3SX.

## Notes to the interim results *(continued)*

### 3. Segment results

6 months to 30 June 2006	Estate agency £000	Financial services £000	Surveying & valuation £000	Conveyancing £000	Eliminations £000	Consolidated £000
<b>Revenue</b>						
External sales	188,315	42,876	66,920	10,386	–	308,497
Inter-segment sales	1,109	13	–	–	(1,122)	–
Total revenue	<u>189,424</u>	<u>42,889</u>	<u>66,920</u>	<u>10,386</u>	<u>(1,122)</u>	<u>308,497</u>
Segment result	<u>22,540</u>	<u>9,944</u>	<u>15,895</u>	<u>(1,219)</u>	<u>–</u>	<u>47,160</u>
Unallocated expenses						<u>(3,229)</u>
Operating profit						<u><u>43,931</u></u>

6 months to 30 June 2005	Estate agency £000	Financial services £000	Surveying & valuation £000	Conveyancing £000	Eliminations £000	Consolidated £000
<b>Revenue</b>						
External sales	137,592	32,751	56,574	9,302	–	236,219
Inter-segment sales	611	–	–	–	(611)	–
Total revenue	<u>138,203</u>	<u>32,751</u>	<u>56,574</u>	<u>9,302</u>	<u>(611)</u>	<u>236,219</u>
Segment result	<u>(4,128)</u>	<u>4,258</u>	<u>8,019</u>	<u>(4,706)</u>	<u>–</u>	<u>3,443</u>
Unallocated expenses						<u>(1,025)</u>
Operating profit before exceptional items						2,418
Exceptional profit on disposal of freehold properties						2,807
<b>Operating profit</b>						<u><u>5,225</u></u>

### 3. Segment results (continued)

12 months to 31 December 2005	Estate agency £000	Financial services £000	Surveying & valuation £000	Conveyancing £000	Eliminations £000	Consolidated £000
<b>Revenue</b>						
External sales	316,489	74,473	118,075	19,127	–	528,164
Inter-segment sales	1,414	–	–	–	(1,414)	–
<b>Total revenue</b>	<u>317,903</u>	<u>74,473</u>	<u>118,075</u>	<u>19,127</u>	<u>(1,414)</u>	<u>528,164</u>
Segment result	<u>14,089</u>	<u>11,713</u>	<u>18,722</u>	<u>(7,657)</u>	<u>–</u>	<u>36,867</u>
Unallocated expenses						<u>(4,926)</u>
						31,941
Exceptional items:						
– Profit on disposal of freehold properties						4,982
– Write down of computer software and associated contracts				(5,540)		<u>(5,540)</u>
<b>Operating profit</b>						<u><u>31,383</u></u>

## Notes to the interim results (continued)

### 4. Taxation

	30 June 2006 £000	30 June 2005 £000	31 Dec 2005 £000
Current taxation	13,515	575	7,649
Deferred taxation	1,820	(296)	(3,181)
	<u>15,335</u>	<u>279</u>	<u>4,468</u>

Reconciliation of current tax charge to UK corporate tax rate:

	30 June 2006 £000	30 June 2005 £000	31 Dec 2005 £000
Profit on ordinary activities before tax	<u>62,771</u>	<u>3,459</u>	<u>31,667</u>
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 30% (2005: 30%)	18,831	1,037	9,500
Effects of:			
Utilisation of trading losses	–	–	(86)
Profits from joint venture and associates	(51)	(212)	(1,091)
Utilisation of unprovided capital losses	(300)	(1,097)	(2,056)
Overseas losses not relieved	1,972	134	(1,598)
Substantial shareholder exemptions	(5,762)	–	–
Items disallowed for tax	652	620	193
Share options	(7)	–	(394)
Prior year refunds	–	(203)	–
Total taxation charge	<u>15,335</u>	<u>279</u>	<u>4,468</u>

### 5. Cash flow from operating activities

	30 June 2006 £000	30 June 2005 £000	31 Dec 2005 £000
Profit before taxation	62,771	3,459	31,667
Adjustments for:			
Depreciation	3,544	4,497	8,102
Amortisation of intangible asset	849	1,308	2,770
Share-based payments	506	190	566
Profit on sale of investments	(20,462)	(2,807)	(7,603)
Income from joint ventures	–	(545)	(944)
Profit from associates	(170)	(160)	(70)
Movement on provisions	(3,118)	266	2,738
Profit on sales of fixed assets and intangibles	(153)	(40)	(232)
Exceptional write off of computer software and associated contracts	–	–	5,540
Finance expense	2,596	3,511	5,603
Finance income	(2,060)	(1,040)	(2,252)
Changes in working capital (excluding effects of acquisitions and disposals of group undertakings):			
Increase in trade and other receivables	(12,124)	(24,970)	(4,596)
Increase in trade and other payables	3,671	3,774	3,732
Cash generated operations	<u>35,850</u>	<u>(12,557)</u>	<u>45,021</u>

## 6 Capital and reserves

### Share capital and share premium

	Share capital		Share premium
	Number	£000	£000
Ordinary shares of 5p each			
At 1 January 2005	170,287,515	8,515	1,711
Placement of shares	8,456,416	423	28,059
Exercise of share options	13,015	–	16
<b>At 30 June 2005</b>	<b>178,756,946</b>	<b>8,938</b>	<b>29,786</b>
Purchase of Treasury shares	(1,686,652)	(84)	–
Exercise of share options	361,445	18	427
<b>At 31 December 2005</b>	<b>177,431,739</b>	<b>8,872</b>	<b>30,213</b>
Purchase of Treasury shares	(2,027,000)	(101)	–
Exercise of share options	35,961	1	40
<b>At 30 June 2006</b>	<b>175,440,700</b>	<b>8,772</b>	<b>30,253</b>

	<b>30 June 2006</b>	30 June 2005	31 Dec 2005
	<b>£000</b>	£000	£000
Treasury shares held by the company	<b>3,713,652</b>	–	1,686,652
Shares held by the EBT	<b>1,192,509</b>	844,840	645,962

### Dividends

The following dividends were paid by the group:

	<b>30 June 2006</b>	30 June 2005	31 Dec 2005
	<b>£000</b>	£000	£000
Final dividend 3.00p (2005: 4.50p)	<b>5,273</b>	7,625	7,625
Interim dividend (2005: 1.00p)	<b>–</b>	–	1,780
	<b>5,273</b>	7,625	9,405

The interim dividend of 5.00p per share for 2006 will be paid on 2 October 2006 to shareholders on the register at the close of business on 25 August 2006, the dividend record date, which will absorb an estimated £8.7 million of shareholders' funds. The ex-dividend date is 23 August 2006.

## 7. Earnings per share

An earnings per share has been calculated on the weighted average number of ordinary shares in issue during the period entitled to dividend of 175,606,000 (30 June 2005: 174,655,000, 31 December 2005: 176,082,000). Shares held by the Employee Benefit Trust and Treasury shares are excluded from the calculation. The fully diluted number of shares was 176,860,000 (30 June 2005: 175,569,000, 31 December 2005: 176,944,000), the difference representing the number of shares that would be issued for no consideration if all outstanding share options were to be exercised.

# General information

## DIRECTORS

### Directors

Christopher H Sporborg CBE\* (Chairman)  
Harry D Hill (Managing Director)  
Michael C Nower (Finance Director)  
Grenville Turner  
Andrew J Brown\*†  
Peter W Mason\*†  
Michael J Gordon\*†

\* Non-Executive

† Independent

### Executive Committee

Anthony H Ekins  
Gerald R Fitzjohn  
David B Fletcher  
Terry Marris  
Robert A Scarff  
Christopher P Shaw  
J Alan Snowball  
John Williams

### Secretary

Gareth R Williams

## GROUP HEAD OFFICE AND REGISTERED OFFICE

Countrywide House  
Perry Way  
Witham  
Essex CM8 3SX  
Tel: 01376 533700  
Fax: 01376 520758

### Website

[www.countrywideplc.co.uk](http://www.countrywideplc.co.uk)

### Company Number

4947152

## ADVISERS

### Bankers

Royal Bank of Scotland plc  
National Westminster Bank plc

### Stockbrokers

Hoare Govett Limited  
Panmure Gordon Limited

### Solicitors

Ashurst  
Pinsent Masons  
Watson Burton LLP

### Auditors

BDO Stoy Hayward LLP

### Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

## GROUP COMPANIES

### Residential Estate Agency Division

Countrywide Estate Agents  
Abbotts  
Adkin  
Alan de Maid  
Alder King  
Ambrose  
Austin & Wyatt  
Bairstow Eves  
Beresford Adams  
Bridgfords  
Buckell Ballard  
Carson & Company  
Chappell & Matthews  
Countrywide  
Constables  
Dixons  
Entwistle Green  
Evans & Evans  
Faron Sutaria  
Frank Innes  
Freeman Forman  
Fulfords  
Gascoigne Pees  
Geering & Colyer  
H2O Homes Overseas Countrywide  
Hawkins Countrywide  
Hetheringtons  
Januarys  
John D Wood & Co  
King & Chasemore  
Land and New Homes  
Locke & England  
Mann & Co  
Miller  
Morris Dibben  
Palmer Snell  
Parkinsons  
Poulters  
RA Bennett & Partners  
Rafferty Buckland  
Rentons Countrywide  
Slater Hogg Howison  
Spencers  
Stimpsons  
Stratton Creber  
Sykes Waterhouse

Taylor's  
Watson Bull & Porter  
Wilson Peacock  
Countrywide Country Houses  
Countrywide Property Auctions  
Countrywide Corporate Property  
Services

### Lettings

Countrywide Residential Lettings  
Countrywide Property Management  
PKL

Countrywide Franchising Limited

### Financial Services Division

Countrywide Estate Agents FS Limited  
Countrywide Principal Services Limited  
Slater Hogg Mortgages Limited

### Surveying & Valuation Division

Countrywide Surveyors Limited  
Kean Kennedy Limited  
Harvey Donaldson & Gibson Limited  
Palmer Snell Fulfords Limited  
Securemove Property Services Limited

### Conveyancing Division

Countrywide Property Lawyers Limited  
Remortgage Conveyancing Matters  
Limited  
TitleAbsolute Limited  
Trade Partners Limited

### Associated Companies

Rightmove plc  
T M G Holdings Limited  
Netsquared Limited



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