Interim Results for the six months ended 30 June 2020

22 October 2020

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Countrywide plc

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Countrywide plc (LSE: CWD) announces its results for the six months ended 30 June 2020

Countrywide today announces its results for the period ended 30 June 2020. It also announces a proposed recapitalisation of the business (the "Proposed Transaction") including an £90 million capital raise, which is being fully underwritten by Alchemy, a private equity investor and current shareholder in Countrywide (the "Capital Raise") and a new £75 million term loan facility (the "Term Loan") with existing lenders which is repayable at a point of four years from the first utilisation date. The Term Loan and a portion of the proceeds from the Capital Raise will be used to repay the Group's existing indebtedness. Full details are set out separately in our announcement RNS.

Resilient financial performance in context of COVID-19 outbreak on the UK economy and the housing market

During lockdown, the Group took swift and decisive action to manage its cost base and liquidity. 78% of colleagues were initially furloughed under the Government's Coronavirus Job Retention ("CJR") Scheme, the Chairman, the non-executive directors and the executive and leadership teams agreed to take reductions in salary ranging from 20% to 33%, and decisive action was taken on discretionary costs and capital expenditure.

On cash management, the Group curtailed all capital expenditure, including suspension of transformation of our IT estate; benefitting from the business rates relief of 100% (retail discount scheme, extended for estate agents); and agreeing with HMRC the deferral of VAT, PAYE and NI ("HMRC deferrals") of £44.6 million. In addition, in line with many others in the property services industry, we are moving mostly to monthly rent payments, and carefully balancing our payment obligations between smaller and larger suppliers to manage the working capital cycle. The majority of our landlords have been supportive of the change to monthly payments.

As a result, the Group traded positively at the adjusted EBITDA level and had strong liquidity through COVID-19.

HIGHLIGHTS

- Group income from continuing operations was £173.8 million (2019: £241.6 million); the Group continued to trade profitably with adjusted EBITDA(1) of £14.9 million (2019: £19.2 million(2)) in spite of loss of tenant fees of £8 million and COVID-19
- COVID-19 impacted the operational leverage of the business significantly during the period. Whilst employee costs during lockdown were mitigated in part through salary reductions and access to the Government's CJR Scheme, the Group continued to incur fixed costs of £4.6 million relating to unutilised premises and vehicles of employees in full during the period of lockdown, at a time when significantly reduced income was being generated
- Sales and Lettings delivered continued profitable growth with adjusted EBITDA of £10.8 million, up 23% year-on-year (2019: £8.8 million)
- Our income from complementary services (5) has increased from 49 pence in H1 2019 (FY 2019: 48p) to 50p in the £ during the first half of 2020
- Financial services adjusted EBITDA of £6.6 million (2019: £6.9 million) down 3%
- As at 30 June 2020, the Group's net debt(3) was £47.3 million (FY 2019: £82.9 million) against available liquidity of £135 million. The underlying net debt, after adjusting for HMRC deferrals, was £91.9 million. Net debt/adjusted EBITDA(3) was 2.1x (FY 2019: 3.4x)
- Operating profit of £7.9 million(4) (2019: £10.8 million(2)) before £51.8 million of exceptional costs - principally non-cash exceptional charges for goodwill, intangible and tangible asset impairments (2019: £42.8 million(2)) with resulting loss for the six months to June 2020 of £40.1 million (2019: £36.5 million)

Six months ended 30 June Continuing operations	**2020** **£'000**	2019(4) (Restated) £'000	Variance %
Total income	**173,811**	241,607	-28
Adjusted EBITDA(1)	**14,855**	19,197	-23
Operating profit before exceptional items(2)	**7,925**	10,807	-27
Exceptional items	**(51,794)**	(42,827)	-21
Loss for the period from continuing operations	**(40,147)**	(36,466)	-10
Loss for the period from discontinued operations	**(4,148)**	(2,413)	-72
Basic and diluted loss per share from continuing operations (pence)	**(122.66)p**	(111.41)p	-10
Basic and diluted loss per share from discontinued operations (pence)	**(12.68)p**	(7.37)p	-72

OUTLOOK

Current trading remains buoyant, with positive performance indicators across the Group. The Government's stamp duty holiday for properties up to £500,000 provides further stimulus to our principal markets. However, it is still too early to assess the long-term impact of COVID-19 on the economy, and specifically housing transactions and, as a result the Group is unable to provide guidance for the full year ending 31 December 2020.

(1) Earnings before interest, tax, depreciation, amortisation, exceptional items, employment-linked contingent consideration, share-based payments and share of profits from joint venture, referred to hereafter as adjusted EBITDA (see note 8 for reconciliation)

(2) Restated from prior year following the amendment of the Group's opening IFRS 16 transition adjustment and H1 2019 results as described in the Countrywide plc consolidated financial statements for year ended 31 December 2019 (see note 4) and the reclassification of Lambert Smith Hampton as discontinued operations

(3) Net debt calculated before the effect of IFRS16 and leverage calculated on the basis of net debt to adjusted EBITDA (pre-IFRS 16) on a rolling 12 month basis

(4) Operating profit before exceptional items, amortisation of acquired intangibles, employment-linked contingent consideration, share-based payments and share of profits from joint venture

(5) Additional income arising from complementary services, comprising Financial Services and Conveyancing, expressed as an amount compared to each £ of income from estate agency income

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IMPACT OF COVID-19

The Group has delivered a resilient financial performance for the six months to June 2020, benefitting from the strong pipeline from the first 12 weeks of the year in sales, lettings, financial services and conveyancing. During lockdown, the Group took swift and decisive action to manage its cost base and liquidity. 78% of colleagues were initially furloughed under the Government's Coronavirus Job Retention ("CJR") Scheme, the Chairman, the non-executive directors and the executive and leadership teams agreed to take reductions in salary ranging from 20% to 33%, and decisive action was taken on discretionary costs and capital expenditure. As a result, the Group traded positively at the adjusted EBITDA level and had strong liquidity through COVID-19.

Group income from continuing operations was £173.8 million (2019: £241.6 million) with the year-on-year decline reflecting the closure of all branches on 23 March 2020, in accordance with the Government's lockdown guidance until branches in England began to re-open from 18 May onwards, and in June for Wales and Scotland, following comprehensive risk assessments. The quarterly data below, and within the segmental results, illustrates the fall in volumes both in the run up to and, more pervasively, following the announcement of lockdown.

	Q1 2020	Q1 2019 [1]	Variance %	**Q2 2020**	Q2 2019[1]	Variance %	**H1 2020**	H1 2019[1]
Total income (£'000)	**105,036**	116,294	-10	**68,775**	125,313	-45	**173,811**	241,607
Adjusted EBITDA[2] (£'000)	**1,511**	3,278	-54	**13,344**	15,919	-16	**14,855**	19,197
House sales exchanged								
- UK	**7,590**	9,339	-19	**3,933**	9,780	-60	**11,523**	19,119
- London	**1,078**	1,140	-5	**700**	1,365	-49	**1,778**	2,505
Group total	**8,668**	10,479	-17	**4,633**	11,145	-59	**13,301**	21,624
Properties under management								
- UK	**62,451**	63,669	-2	**60,580**	63,464	-5	**61,516**	63,567
- London	**22,662**	22,767	-1	**22,171**	22,226	-	**22,416**	22,497
Group total	**85,113**	86,436	-2	**82,751**	85,690	-3	**83,932**	86,064
Mortgages arranged, number	**23,700**	25,472	-7	**20,320**	26,213	-22	**44,020**	51,685
Mortgages arranged, value (£bn)	**4.7**	4.8	-2	**4.0**	**5.0**	-20	**8.7**	9.8
Total valuations and surveys completed	**86,343**	93,469	-8	**52,450**	98,755	-47	**138,793**	192,224
Conveyances completed (excluding third party)	**6,494**	6,440	-1	**2,955**	6,807	-57	**9,449**	13,247
Income from complementary services, pence per £ of estate agency income[3]	**0.50**	0.49	2	**0.50**	0.48	4	**50**	49

(1) Restated from prior year following the amendment of the Group's opening IFRS 16 transition adjustment and H1 2019 results as described in the Countrywide plc consolidated financial statements for year ended 31 December 2019 (see note 4) and the reclassification of Lambert Smith Hampton as discontinued operations

(2) Earnings before interest, tax, depreciation, amortisation, exceptional items, employment-linked contingent consideration, share-based payments and share of profits from joint venture, referred to hereafter as adjusted EBITDA (see note 8 for reconciliation)

(3) Additional income arising from complementary services, comprising Financial Services and Conveyancing, expressed as an amount compared to each £ of income from estate agency income

We have not sought to report any costs as exceptional in relation to COVID-19, as incremental costs incurred during H1 2020 such as, for example, personal protective equipment which were not material (£0.4 million). In addition, we have not amended the definition of our alternative performance measure, adjusted EBITDA, to isolate the impacts of the pandemic.

However, COVID-19 has impacted the operational leverage of the business significantly during the period. Whilst employee costs during lockdown have been mitigated in part through salary reductions and through access to the Government's CJR Scheme, the Group continued to incur fixed costs relating to unutilised premises and vehicles of employees in full during the period of lockdown, at a time when significantly reduced income was being generated. The costs of unutilised premises and vehicles leases during the period of initial lockdown, from 24 March 2020 to the announcement on 12 May 2020 of re-opening of markets, amounted to a net £4.6 million (£5.3 million in respect of our continuing operations, which was only mitigated in part by £0.7 million of rates grants in respect of estate agency branches).

SEGMENTAL RESULTS

Management has determined the operating segments based on the operating reports reviewed by the Board that are used to assess both performance and strategic decisions. Management has identified that the Board is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating segments'. The Board considers the business to be split into three main types of business generating income: Sales and Lettings, Financial Services and Business to Business (B2B); and 'all other segments' comprising central head office functions, with Lambert Smith Hampton classified as discontinued operations.

Lambert Smith Hampton was classified as held for sale following shareholder approval on 27 December 2019. These operations, which were reported within the B2B segment in the 2019 condensed consolidated interim financial report were classified as a disposal group held for sale and presented separately in the balance sheet as at 31 December 2019 as related assets and liabilities and disclosed as discontinued operations in the income statement and related notes in both 2019 and the comparative year. These operations are still expected to be sold within 12 months from the original classification and so continue to be classified as a disposal group held for sale and presented separately in the balance sheet as at 30 June 2020 and disclosed as discontinued operations in the income statement for the six months then ended.

OPERATING REVIEW

SALES AND LETTINGS

Summary

	Q1 2020 £'000	Q1 2019 £'000	Variance %	**Q2 2020 £'000**	Q2 2019 £'000	Variance %	**H1 2020 £'000**	H1 2019 £'000	Variance %
Total income, including:	**68,546**	76,160	-10	**47,996**	81,694	-41	**116,542**	157,854	-26
- Sales	**30,593**	33,855	-10	**17,419**	38,250	-54	**48,012**	72,105	-33
- Lettings	**35,140**	39,405	-11	**29,963**	40,475	-26	**65,103**	79,880	-18
Adjusted EBITDA	**586**	223	163	**10,199**	8,542	19	**10,785**	8,765	23

Our Sales & Lettings business has delivered adjusted EBITDA growth year-on-year despite Q2 2020 being the most challenging period ever, with the business closing its doors for two months.

The year began well with sales agreed building year-on-year on the back of positive consumer sentiment following the election result in December 2019. The COVID-19 pandemic resulted in non-essential businesses being closed from 24 March 2020, which resulted in closure of our branches and we placed 82% of our colleagues on furlough, supported by the CJR Scheme. While the housing market re-opened from 18 May, the hiatus of nine weeks through the traditionally strong spring market has resulted in weaker income in the first half.

While income declined materially, we delivered profitable growth as the result of optimising the Government support, close management of our staffing levels and diligent control over our operating costs.

Sales

Estate agency sales income was impacted most severely, declining by 33% year-on-year, with Q2 reducing by 54%. We commenced re-opening of our branches in May and by the end of June 2020 88% of our branches were trading compliantly with COVID-secure policies and procedures. As our colleagues re-entered the business we finished the half year strongly, dealing with the demand that built up during lockdown. We finished June with the pipeline 9% lower overall, but a strong recovery in our Hamptons and John D Wood brands resulted in the pipeline in those businesses being down only 1% year-on-year.

Lettings

Lettings income was impacted by the loss of £8 million of tenant fees earned prior to 1 June 2019 with an 11% decline year-on-year. Our actions to mitigate the loss of tenant fees resulted in managed fee income increasing by 2% year-on-year in our UK network.

The number of properties under management was down only 2% in Q1, but the decline increased to 5% by 30 June due to the restrictions during the COVID-19 lockdown. Equally, with the branches closed for two months, our ability to attract new landlords and let new properties was impacted and consequently the number of lets achieved was 29% down year-on-year.

Income from complementary services

Our income from complementary services, comprising Financial Services and Conveyancing recognised in our Sales and Lettings business, has increased from 49p in H1 2019 (FY 2019: 48p) to 50p in the £ during the first half of 2020. This is the additional income driven from this activity expressed as an amount compared to each £ of income from sales exchanged income.

FINANCIAL SERVICES

Summary

	Q1 2020 £'000	Q1 2019 £'000	Variance %	**Q2 2020 £'000**	Q2 2019 £'000	Variance %	**H1 2020 £'000**	H1 2019 £'000	Variance %
Total income	**17,262**	19,220	-10	**11,979**	20,845	-43	**29,241**	40,065	-27
Adjusted EBITDA	**2,585**	2,694	-4	**4,052**	4,162	-3	**6,637**	6,856	-3

Between January and June 2020, the overall UK market for new mortgage lending fell by approximately 14% year-on-year, with overall gross lending of £130 billion. In comparison, Countrywide's new mortgage lending fell by 11% to £8.7 billion.

Financial Services income at £29 million was down year-on-year, although cost measures, including the use of the CJR Scheme, have largely protected adjusted EBITDA.

Mortgage completions in the first three months of the year were down 1% year-on-year. The mortgage market was severely impacted by lockdown during Q2 resulting in completions ending the half year 10% down year-on-year. Within the £8.7 billion mortgage completions, our alternative channels business (operating outside the branch network) fared better with completions down only 4.5% year-on-year.

Since lockdown has been lifted our branch based business has begun to rebuild both the coverage of mortgage and protection consultants in the branch network, but also the volumes of mortgages written. Written mortgages volumes in the last four weeks of June were 48% of the levels experienced in the 12 weeks of 2020 pre-lockdown, despite only having 31% of the branch based workforce active.

B2B

Summary

	Q1 2020 £'000	Q1 2019 £'000	Variance %	**Q2 2020 £'000**	Q2 2019 £'000	Variance %	**H1 2020 £'000**	H1 2019 £'000	Variance %
Total income, including:	**19,089**	20,871	-9	**8,757**	22,641	-61	**27,846**	43,512	-36
- Surveying	**15,005**	17,224	-13	**7,099**	18,443	-62	**22,104**	35,667	-38
- Conveyancing	**3,598**	3,143	14	**1,355**	3,697	-63	**4,952**	6,840	-28
Adjusted EBITDA	**2,194**	3,279	-33	**(422)**	5,445	-108	**1,772**	8,724	-80

B2B continuing operations adjusted EBITDA saw an 80% decline year-on-year directly attributable to the restrictions on our ability to conduct physical valuations due to the COVID-19 lockdown. We responded to the restriction of physical valuations and the closure of non-essential businesses by placing 80% of our surveyors and 85% of our conveyancing teams on furlough supported by the CJR Scheme grant.

Surveying

In Q2, the COVID-19 lockdown prohibited physical valuations, but the business swiftly converted to the delivery of desktop valuations for lower loan to value offerings. The level of valuations undertaken during the lockdown period totalled 36% of volumes over the same period in 2019.

The easing of lockdown in England in May 2020, followed by Northern Ireland, Wales and Scotland in June, enabled the build back of both surveying instructions and valuations, including working through the backlog of physical valuations from lender pipelines. June 2020 instruction volumes reached 89% of June 2019 levels and overall valuations undertaken during the half year were 28% lower than 2019.

Conveyancing

Having entered the year with a strong pipeline, the conveyancing business ended the first three months with a pipeline that was 27% higher than 2019. The business was heavily impacted by the closure of the housing market but has seen a steady recovery since the end of May, with exchanges during June 2020 reflecting 66% of the volumes experienced in June 2019. The closing pipeline at the half year was 87% of the June 2019 level.

Discontinued operations - Lambert Smith Hampton

Summary

	Q1 2020 £'000	Q1 2019 £'000	Variance %	**Q2 2020 £'000**	Q2 2019 £'000	Variance %	**H1 2020 £'000**	H1 2019 £'000	Variance %
Total income	**23,056**	24,047	-4	**19,039**	24,934	-24	**42,095**	48,981	-14
Adjusted EBITDA	**(556)**	1,129	-149	**2,594**	1,312	98	**2,038**	2,441	-17

A positive start for the UK commercial property markets in early 2020, reflecting more certainty in the economy and confidence in the outlook post-election, meant that despite the COVID-19 pandemic hitting in the second half of March, Q1 income was only 4% down on the prior year. However, this has been impacted in the wake of measures to contain the COVID-19 pandemic as lockdown has reduced occupier demand significantly. Consequently, Lambert Smith Hampton saw a Q2 year-on-year income decrease of 24%, resulting in an overall year-on-year decrease in income of 14%.

While income declined materially, adjusted EBITDA improved in Q2 2020 as a result of optimising Government support, close management of staffing levels and diligent management of operating costs.

FINANCIAL SUMMARY

The Group's adjusted EBITDA for the six months ended 30 June 2020 was £14.9 million (2019: £19.2 million) reflecting in the period the impact of the COVID-19 lockdown. The resulting margin in H1 2020 was 8.5% (2019: 7.9%). Statutory results were impacted by impairment charges and strategic restructuring costs, resulting in a loss for the period of £44.3 million (2019: loss of £38.9 million).

A reconciliation of total adjusted EBITDA before exceptional items to statutory loss for the period is provided as follows:

Six months ended 30 June	**2020**	2019[1]
Continuing operations	**£'000**	£'000
Group adjusted EBITDA before exceptional items	**14,855**	19,197
Depreciation on property, plant and equipment and amortisation of software	**(6,930)**	(8,390)
Group operating profit before exceptional items and amortisation	**7,925**	10,807
Amortisation arising on intangibles recognised through business combinations	**(1,028)**	(1,109)
Contingent consideration	**6,818**	149
Share-based payment costs	**(912)**	(979)
Net exceptional costs	**(51,794)**	(42,827)
Group operating loss	**(38,991)**	(33,959)
Net finance costs	**(5,356)**	(4,449)
Loss before taxation	**(44,347)**	(38,408)
Taxation	**4,200**	1,942
Loss after tax for continuing operations	**(40,147)**	(36,466)
Loss on discontinued operations	**(4,148)**	(2,413)
Loss for the period	**(44,295)**	(38,879)

[1] Restated from prior year following the amendment of the Group's opening IFRS 16 transition adjustment and H1 2019 results as described in the Countrywide plc consolidated financial statements for year ended 31 December 2019 (see note 4) and the reclassification of Lambert Smith Hampton as discontinued operations

The Group continued to make good operational progress in the execution of its turnaround plan and entered the year anticipating that the increase in activity in the UK property market following the decisive election victory in December 2019 would be sustained, and the Group saw the benefit of this in the first twelve weeks of 2020. However, following the COVID-19 pandemic and the resulting impact on GDP and unemployment, the Group revised its cashflow projections looking forward and this has resulted in further impairment charges since those taken at the full year.

Net exceptional costs incurred in the period amounting to £51.8 million (2019: £42.8 million) comprise items that have or will result in cash charges of £4.1 million and £47.7 million of non-cash charges as follows:

- Impairment charges of £46.3 million (2019: £36.4 million) in respect of:
  - £39.0 million of goodwill associated with the Professional Services and Countrywide Residential Development Services cash generating units;
  - £1.2 million of intangible assets (brands and customer contracts and relationships) associated with the Countrywide Residential Development services cash generating units;
  - £6.1 million of intangible (computer software) and tangible fixed assets associated with both the UK and Countrywide Residential Development Services cash generating units and assets within the central functions used to support those businesses;
- People-related restructuring costs of £nil (2019: £1.3 million), additional consultancy costs of £1.0 million (2019: £2.2 million) arising from our three year IT transformation programme, and £nil (2019: £2.9 million) of property closure costs;
- Fees in respect of aborted projects including in relation to the planned merger discussions with LSL Property Services plc amounting to £3.1 million (2019: £nil);
- Changes to committed loan facilities resulting in loan modification costs of £2.2 million arising from write-off of previously capitalised banking fees (2019: £nil); and
- Exceptional income of £0.7 million (2019: £nil) in relation to the motor vehicle fleet which will not recur in future years.

Amortisation of acquired intangibles has decreased to £1.0 million (2019: £1.1 million).

Contingent consideration is a net credit of £6.8 million (2019: credit of £0.1 million) to the income statement in respect of revisions to assessments of post-combination employment expenses, principally in relation to our Financial Services businesses.

Net finance costs have increased by £1.0 million during the period to £5.4 million.

Discontinued operations - Lambert Smith Hampton

In December 2019, the Group agreed the sale of our non-core commercial business, Lambert Smith Hampton (LSH). Following exchange of contracts and shareholder approval, the buyer, Mr John Bengt Moeller, failed to complete the transaction. The Group terminated the sale with Mr Moeller in March 2020, and is pursuing him for damages and costs. Meanwhile, the Group is continuing discussions with alternative buyers. These operations, which are expected to be sold within 12 months of the initial classification date, continue to be classified as a disposal group held for sale and presented separately in the balance sheet as related assets and liabilities and disclosed as discontinued operations in the income statement. At 30 June 2020, the anticipated proceeds less costs of disposal were lower than the year end estimate by £14 million and were less than the net book value of the assets and liabilities of the disposal group resulting in a fair value remeasurement of £3.2 million to write down the net assets to their fair value less costs of disposal.

Cashflow

The Group took swift and decisive measures through COVID-19 to reduce operating costs and capital expenditure. The actions taken included: reducing the costs of the Board and leadership team; using Government support through the Coronavirus Job Retention Scheme; materially reducing our discretionary spend, including our marketing spend, to reflect the current environment; curtailing all capital expenditure, including suspension of transformation of our IT estate; benefitting from the business rates relief of 100%; and agreeing with HMRC the deferral of VAT, PAYE and NI of £44.6 million. In addition, in line with many others in the property services industry, we are moving mostly to monthly rent payments, and carefully balancing our payment obligations between smaller and larger suppliers to manage the working capital cycle. The majority of our landlords have been supportive of the change to monthly payments.

In the statutory cashflow, cash generated from operations increased by £44.9 million principally due to an inflow of £58.2 million for the period (2019: inflow of £13.3 million as restated).

The non-GAAP cashflow presented below (including discontinued operations) shows operating cashflow of £65.1 million (2019: £20.5 million) driven by HMRC Deferrals but also by the other actions on cost and working capital referred to above. After repayment of finance leases, tax, interest and the steady state capital expenditure to support the business, cash from operations was £45.7 million compared with an outflow of £5.1 million in the corresponding period in 2019. Total cash inflow was £33.6 million (2019: £19.7 million outflow) and was after the Group's investment in its IT transformation as part of the three year transformation programme of our IT estate which commenced in 2018; and exceptional consultancy costs.

Non-GAAP cashflow	**Six months ended 30 June**	
	2020 **£m**	2019[(1)] £m
Adjusted EBITDA	**16.9**	21.6
Changes in working capital:		
Decrease in trade and other receivables	**12.2**	3.4
Decrease in trade and other payables	**(6.5)**	(7.2)
HMRC deferrals	**44.6**	—
(Decrease)/increase in provisions	**(2.1)**	2.7
Changes in working capital	**48.2**	(1.1)
Operating cashflow (OCF)	**65.1**	20.5
OCF conversion rate	**385.2%**	94.9%
Use of funds		
Capital expenditure (steady state)	**(0.4)**	(2.5)
Repayment of finance leases	**(11.0)**	(16.9)
Repayment of loan notes	**(1.6)**	—
Interest	**(4.5)**	(5.1)
Income tax received	**0.1**	0.9
Pension	**(2.0)**	(2.0)
Cash from operations	**45.7**	(5.1)
Deferred and contingent consideration	—	(4.5)
IT transformation	**(8.7)**	(8.9)
Restructuring	**(3.2)**	(1.2)
Proceeds from disposals	**0.5**	—
Financing fees paid	**(0.6)**	—
Investment in non-current deposits	**(0.1)**	—
Total cashflow inflow/(outflow)	**33.6**	(19.7)
RCF drawn	**25.0**	15.0
Net increase/(decrease) in cash and cash equivalents	**58.6**	(4.7)
Opening cash	**18.2**	17.4
Closing cash	**76.8**	12.7

(1) Restated from prior year following the amendment of the Group's opening IFRS 16 transition adjustment and H1 2019 results as described in the Countrywide plc consolidated financial statements for year ended 31 December 2019 (see note 4) and the reclassification of Lambert Smith Hampton as discontinued operations

Net debt, maturity and changes to committed bank facilities

The Group meets its working capital and funding requirements through a Revolving Credit Facility of £125 million which matures in September 2022. In April 2020, the Lenders agreed to provide an additional £20 million facility for an 18 month period, with £10 million available from 1 May 2020 and £10 million available from April 2021. The additional facility can only be accessed if liquidity headroom falls below pre-determined levels and therefore the availability of funds remains conditional. In view of the uncertainty arising as a result of COVID-19, the Lenders also agreed to waive the Group's debt covenants for the March 2020 covenant tests and to amend the covenants going forward in the short-term to be based on liquidity.

Since 30 June 2020, the composition of the Group's lending syndicate has changed and is majority owned by a specialist debt fund who have been part of the facility since September 2018, now controlling 79.5% of the Group's facilities.

As at 30 June 2020, the Group's net debt was £47.3 million. The underlying net debt, after adjusting for HMRC deferrals was £91.9 million.

In addition to Countrywide today announcing its results for the period ended 30 June 2020, it also announces a proposed recapitalisation of the business (the "Proposed Transaction") including an £90 million capital raise, which is being fully underwritten by Alchemy, a private equity investor and current shareholder in Countrywide (the "Capital Raise") and a new £75 million term loan facility (the "Term Loan") with existing lenders which is repayable at a point of four years from the first utilisation date. The Term Loan and a portion of the proceeds from the Capital Raise will be used to repay the Group's existing indebtedness. Full details are set out separately in our announcement RNS.

Going concern

The Board's assessment in relation to going concern is included in note 3 to the financial information.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of risks and uncertainties facing the business. These risks and uncertainties and mitigating factors are described in more detail on pages 42 to 47 of the Countrywide plc Annual Report for the year ended 31 December 2019 (a copy of which is available on the Group's website).

Except for the risk in relation to financing and capital structure, reassessment of which is set out more fully in the directors' assessment of going concern in note 3, there has been no other significant change to the assessment of these risks, since disclosure in the annual report, which are summarised below:

- COVID-19 pandemic;
- financing and capital structure;
- exposure to UK housing market trends;
- professional indemnity exposure;
- potential loss of a major business partner or contract;
- resilience of IT infrastructure and arrangements for the protection of data;
- changing regulatory environment;
- increasing competition in the evolving markets; and
- securing and retaining excellent people.

Whilst it is not possible to predict the outcome of the COVID-19 pandemic, the directors have considered specific threats to the business and methods to mitigate those risks, as outlined in the Group's 2019 Annual Report principal risks disclosures. During the first half, the Group took a series of actions to mitigate the effects of COVID-19, which delivered savings in the Group's direct and indirect costs that under-pinned the first half performance.

The Group Audit and Risk Committee continues to reassess their risk appetite and evaluate the development of principal risks and effectiveness of the business response plans and mitigations.

FORWARD LOOKING STATEMENTS

This report may contain certain 'forward-looking statements' with respect to some of the Group's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements that are not historical facts, including but not limited to statements about our beliefs and expectations, may be forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. By their nature, all forward-looking statements involve risk and uncertainty. A number of important factors could cause the Group's actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. We refer you to the Group's financial statements which can be downloaded from the Group's website: www.countrywide.co.uk/investor-relations. These documents contain and identify important factors that could cause the Group's actual results, performance or achievements to differ materially from those indicated in any forward-looking statement. The important factors in the Group's financial statements are not exhaustive and there may be other risks, including risks of which the Group is unaware, that could adversely affect the Group's results or the accuracy of the forward-looking statements in the report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that this condensed consolidated interim financial report has been prepared in accordance with International Accounting Standard 34 'Interim financial reporting', as adopted by the European Union and that the interim report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year;
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report; and
- The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

A list of the current directors is maintained on the Countrywide plc investor relations website:
www.countrywide.co.uk/investor-relations/board-of-directors.

On behalf of the Board

Peter Long	**Himanshu Raja**
Executive chairman	Chief financial officer
22 October 2020	22 October 2020

Condensed consolidated interim income statement

For the six months ended 30 June 2020

		2020 (unaudited)			2019 (Restated)[2] (unaudited)		
	Note	**Pre-exceptional items, amortisation, contingent consideration and share-based payments £'000**	**Exceptional items, amortisation, contingent consideration and share-based payments £'000**	**Total £'000**	Pre-exceptional items, amortisation, contingent consideration and share-based payments £'000	Exceptional items, amortisation, contingent consideration and share-based payments £'000	Total £'000
Continuing operations							
Revenue		**172,584**	**—**	**172,584**	238,248	—	238,248
Other income		**1,227**	**—**	**1,227**	3,359	—	3,359
	8	**173,811**	**—**	**173,811**	241,607	—	241,607
Employee benefit costs		**(101,966)**	**5,906**	**(96,060)**	(152,170)	(830)	(153,000)
Other operating costs		**(56,990)**	**—**	**(56,990)**	(70,240)	—	(70,240)
Adjusted EBITDA[1]		**14,855**			19,197		
Depreciation and amortisation	12,13,14	**(6,930)**	**(1,028)**	**(7,958)**	(8,390)	(1,109)	(9,499)
Group operating profit/(loss) before exceptional items		**7,925**	**4,878**	**12,803**	10,807	(1,939)	8,868
Employee benefit costs		**—**	**—**	**—**	—	(1,333)	(1,333)
Other operating costs		**—**	**(5,521)**	**(5,521)**	—	(5,051)	(5,051)
Impairment of goodwill and non-current assets		**—**	**(46,273)**	**(46,273)**	—	(36,443)	(36,443)
Exceptional items (net):	9	**—**	**(51,794)**	**(51,794)**	—	(42,827)	(42,827)
Operating profit/(loss)	8	**7,925**	**(46,916)**	**(38,991)**	10,807	(44,766)	(33,959)
Finance costs		**(5,374)**	**—**	**(5,374)**	(4,822)	—	(4,822)
Finance income		**18**	**—**	**18**	373	—	373
Net finance costs		**(5,356)**	**—**	**(5,356)**	(4,449)	—	(4,449)
Profit/(loss) before taxation		**2,569**	**(46,916)**	**(44,347)**	6,358	(44,766)	(38,408)
Taxation credit/(charge)	10	**1,763**	**2,437**	**4,200**	(99)	2,041	1,942
Profit/(loss) for the period from continuing operations		**4,332**	**(44,479)**	**(40,147)**	6,259	(42,725)	(36,466)
Discontinued operations							
Profit/(loss) for the period from discontinued operations	24	**1,328**	**(5,476)**	**(4,148)**	(976)	(1,437)	(2,413)
Profit/(loss) for the period		**5,660**	**(49,955)**	**(44,295)**	5,283	(44,162)	(38,879)
Loss per share from continuing operations attributable to owners of the parent							
Basic and diluted loss per share[3]	11			**(122.66)p**			(111.41)p
Loss per share attributable to owners of the parent							
Basic and diluted loss per share[3]	11			**(135.34)p**			(118.78)p

1. Adjusted EBITDA is a non-GAAP measure of earnings before interest, tax, depreciation, amortisation, exceptional items, contingent consideration, share-based payments and share of profits/(losses) from joint venture.
2. Restated from prior year following the amendment of the Group's opening IFRS 16 transition adjustment and H1 2019 results as described in the Countrywide plc consolidated financial statements for year ended 31 December 2019 (see note 4) and the reclassification of Lambert Smith Hampton as a discontinued operation in December 2019
3. Loss per share for 2019 has been restated for the impact of the share consolidation undertaken on 30 December 2019 (see note 11).

The notes are an integral part of this condensed consolidated interim financial report.

Condensed consolidated interim statement of other comprehensive income

For the six months ended 30 June 2020

	Note	2020 (unaudited) £'000	2019 (Restated)[1] (unaudited) £'000
Loss for the period		**(44,295)**	(38,879)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Actuarial loss arising in the pension scheme	23	**(572)**	(928)
Deferred tax arising on the pension scheme		**109**	176
		(463)	(752)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences[1]	22	**15**	(7)
Other comprehensive income/(expense) for the period		**(448)**	(759)
Total comprehensive expense for the period		**(44,743)**	(39,638)
Total comprehensive expense for the period arising from:			
Continuing operations		**(40,610)**	(37,218)
Discontinued operations[1]		**(4,133)**	(2,420)

1. Restated from prior year following the amendment of the Group's opening IFRS 16 transition adjustment and H1 2019 results as described in the Countrywide plc consolidated financial statements for year ended 31 December 2019 (see note 4) and the reclassification of Lambert Smith Hampton as a discontinued operation in December 2019

The notes are an integral part of this condensed consolidated interim financial report.

Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2020

		Attributable to owners of the parent (unaudited)				
	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings/ (losses) £'000	Total £'000
Audited balance at 31 December 2018 as originally presented		16,413	329,357	(18,254)	(107,249)	220,267
Original 2019 IFRS16 transition adjustment[1]	4	—	—	—	(70,601)	(70,601)
Correction to 2019 IFRS transition adjustment booked in full year 2019		—	—	—	(12,428)	(12,428)
Audited restated total equity at 1 January 2019		16,413	329,357	(18,254)	(190,278)	137,238
Loss for the period[1]	4	—	—	—	(38,879)	(38,879)
Other comprehensive expense						
Currency translation differences	22	—	—	(7)	—	(7)
Actuarial loss arising on the pension fund		—	—	—	(928)	(928)
Deferred tax movement relating to pension		—	—	—	176	176
Total other comprehensive expense		—	—	(7)	(752)	(759)
Total comprehensive expense		—	—	(7)	(39,631)	(39,638)
Transactions with owners						
Share-based payment transactions		—	—	—	1,188	1,188
Deferred tax on share-based payments		—	—	—	(117)	(117)
Utilisation of treasury shares for DSBP options	22	—	—	6	(6)	—
Transactions with owners		—	—	6	1,065	1,071
Unaudited balance at 30 June 2019[1]		16,413	329,357	(18,255)	(228,844)	(98,671)
Audited balance at 31 December 2019		16,413	—	(18,299)	99,449	97,563
Loss for the period		—	—	—	(44,295)	(44,295)
Other comprehensive income/(expense)						
Currency translation differences	22	—	—	15	—	15
Actuarial loss on the pension fund		—	—	—	(572)	(572)
Deferred tax movement relating to pension		—	—	—	109	109
Total other comprehensive income/(expense)		—	—	15	(463)	(448)
Total comprehensive income/(expense)		—	—	15	(44,758)	(44,743)
Transactions with owners						
Reclassification of nominal value of deferred shares cancelled to capital redemption reserve	21,22	(16,085)	—	16,085	—	—
Share-based payment transactions		—	—	—	1,073	1,073
Deferred tax on share-based payments		—	—	—	(145)	(145)
Transactions with owners		(16,085)	—	16,085	928	928
Unaudited balance at 30 June 2020		**328**	—	**(2,199)**	**55,619**	**53,748**

[1] Restated from prior year following the amendment of the Group's opening IFRS 16 transition adjustment and H1 2019 results as described in the Countrywide plc consolidated financial statements for year ended 31 December 2019 (see note 4)

The notes are an integral part of this condensed consolidated interim financial report.

Condensed consolidated interim balance sheet

As at 30 June 2020

	Note	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
Assets			
Non-current assets			
Goodwill	12(a)	**155,212**	**194,204**
Other intangible assets	12(b)	**26,628**	**32,422**
Property, plant and equipment	13	**1,967**	**3,397**
Right-of-use assets	14	**21,735**	**24,672**
Investments accounted for using the equity method:			
Investments in joint venture	15	**1,768**	**1,768**
Financial assets at fair value through profit or loss	15	**153**	**153**
Other receivables		**982**	**899**
Deferred tax assets		**23,590**	**19,573**
Total non-current assets		**232,035**	**277,088**
Current assets			
Trade and other receivables	16	**50,912**	**52,236**
Cash and cash equivalents		**76,750**	**17,773**
Total current assets		**127,662**	**70,009**
Assets classified as held for sale	24	**51,275**	**67,524**
Total assets		**410,972**	**414,621**
Equity and liabilities			
Share capital	21	**328**	**16,413**
Other reserves	22	**(2,199)**	**(18,299)**
Retained earnings		**55,619**	**99,449**
Total equity		**53,748**	**97,563**
Liabilities			
Non-current liabilities			
Borrowings	18	**124,027**	**98,525**
Lease liabilities	14	**47,646**	**55,914**
Net defined benefit scheme liabilities	23	**2,305**	**3,597**
Provisions	20	**9,221**	**9,231**
Deferred income	19	**65**	**97**
Trade and other payables	17	**2,791**	**10,779**
Deferred tax liability		**4,493**	**4,640**
Total non-current liabilities		**190,548**	**182,783**
Current liabilities			
Borrowings	18	**—**	**2,158**
Lease liabilities	14	**22,125**	**21,395**
Trade and other payables	17	**98,922**	**62,541**
Deferred income	19	**2,578**	**1,559**
Provisions	20	**11,776**	**13,498**
Total current liabilities		**135,401**	**101,151**
Liabilities directly associated with assets classified as held for sale	24	**31,275**	**33,124**
Total liabilities		**357,224**	**317,058**
Total equity and liabilities		**410,972**	**414,621**

The notes are an integral part of this condensed consolidated interim financial report.

Condensed consolidated interim cash flow statement

For the six months ended 30 June 2020

	Note	**2020 (unaudited) £'000**	2019[1] (Restated) (unaudited) £'000
Cash flows from operating activities			
Loss before taxation		**(48,783)**	(41,145)
Adjustments for:			
Depreciation	13,14	**5,433**	8,317
Amortisation of intangible assets	12	**2,525**	5,609
Share-based payments		**1,073**	1,188
Impairment of goodwill and other intangible assets	12,24(a)	**45,339**	32,576
Impairment of property, plant and equipment	13 ,24(a)	**3,045**	3,867
Impairment of right-of-use assets	14,24(a)	**1,779**	—
Exceptional income	9	**(738)**	—
Profit on disposal of fixed assets		**(477)**	(4)
Finance costs		**5,863**	5,495
Finance income		**(33)**	(373)
		15,026	15,530
Changes in working capital (excluding effects of acquisitions and disposals of Group undertakings):			
Decrease in trade and other receivables		**11,706**	3,312
Increase/(decrease) in trade and other payables		**33,568**	(8,211)
(Decrease)/increase in provisions		**(2,082)**	2,651
Net cash generated from operating activities[2]		**58,218**	13,282
Pension paid	23	**(2,000)**	(2,000)
Interest paid		**(4,518)**	(5,116)
Income tax received		**54**	901
Net cash inflow from operating activities		**51,754**	7,067
Cash flows from investing activities			
Deferred consideration paid in relation to prior year acquisitions		**(13)**	(667)
Purchase of property, plant and equipment	13	**(3,266)**	(7,378)
Purchase of intangible assets	12	**(2,289)**	(1,826)
Proceeds from sale of property, plant and equipment		**479**	4
Investment in a non-current deposit		**(83)**	—
Interest received		**33**	8
Net cash outflow from investing activities		**(5,139)**	(9,859)
Cash flows from financing activities[2]			
Term and revolving facility loan drawn	18	**25,000**	15,000
Financing fees paid		**(556)**	—
Principal elements of loan notes payments	18	**(1,590)**	—
Principal elements of lease payments		**(10,951)**	(16,945)
Net cash inflow/(outflow) from financing activities		**11,903**	(1,945)
Net increase/(decrease) in cash and cash equivalents		**58,518**	(4,737)
Cash and cash equivalents at 1 January		**18,232**	17,426
Cash and cash equivalents at 30 June		**76,750**	12,689
Cash and cash equivalents classified as held for sale	24	**—**	(1,801)
Cash and cash equivalents at 30 June[3]		**76,750**	10,888

[1] Restated from prior year following the amendment of the Group's opening IFRS 16 transition adjustment and H1 2019 results as described in the Countrywide plc consolidated financial statements for year ended 31 December 2019 (see note 4)

[2] Net cash generated from operating activities includes £4.1 million (2019: £3.4 million) of net cash expended on exceptional items.

[3] Cash and cash equivalents includes £3.6 million within accounts that are subject to restrictions on withdrawal and are therefore not available for general use by the entities within the Group and £7.5 million of cash deposits held by HSBC who have charges over those accounts in respect of two letters of credit issued by the Group (see note 18).

The notes are an integral part of this condensed consolidated interim financial report.

Notes to the condensed consolidated interim financial report

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 income and transaction volumes in 2019. It offers estate agency and lettings services, together with a range of complementary services, and has a significant presence in key areas and property types which are promoted through locally respected brands. The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK (registered number: 08340090). The address of its registered office is Greenwood House, 1st Floor, 91-99 New London Road, Chelmsford, Essex, CM2 0PP.

This condensed consolidated interim financial report was approved for issue on 22 October 2020.

This condensed consolidated interim financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Consolidated financial statements for Countrywide plc for the year ended 31 December 2019 were approved by the Board of directors on 21 May 2020 and delivered to the Registrar of Companies. The report of the auditor on those accounts was (i) unqualified, although included an emphasis of matter in respect of material uncertainty around going concern and (ii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

This condensed consolidated interim financial report has been reviewed, not audited by PricewaterhouseCoopers LLP.

2. Basis of preparation

This condensed consolidated interim financial report for the six months ended 30 June 2020 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim financial reporting', as adopted by the European Union. The condensed consolidated interim financial report should be read in conjunction with the annual financial statements of Countrywide plc for the year ended 31 December 2019, which have been prepared in accordance with IFRSs as adopted by the European Union.

During the period, the Group adopted the following new and amended IFRS for the first time for their reporting commencing 1 January 2020: IAS 1 and IAS 8. These standards do not have a material impact on the Group in the current or future reporting periods. There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

The areas of critical accounting judgements and key sources of estimation uncertainty remain consistent with those disclosed in the 2019 Annual Report and Accounts.

3. Going concern

This condensed consolidated interim financial report (the "interim financial statements") has been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due.

The Group currently meets its working capital and funding requirements through a Revolving Credit Facility ("RCF") of £125 million which matures in September 2022 and a £20 million super-senior debt facility which matures in October 2021. Both facilities are subject to a minimum liquidity headroom covenant which is currently in force, and leverage and interest coverage covenants which will be tested from September 2021.

In assessing the Group's ability to continue as a going concern, the Board reviewed its trading and cash flow forecasts against the available financing facilities and covenants and identified that, without action being taken to address the Group's capital structure, it is forecast that the leverage and interest coverage covenants would be breached in September 2021.

In response to the need to address the Group's capital structure, on 22 October 2020 the Board announced a proposed recapitalisation of the business (the "Proposed Transaction") including an £90 million capital raise, which is being fully underwritten by Alchemy, a private equity investor and current shareholder in Countrywide (the "Capital Raise") and a new £75 million term loan facility (the "Term Loan") with existing lenders which is repayable at a point of four years from the first utilisation date. The Term Loan and a portion of the proceeds from the Capital Raise will be used to repay the Group's existing RCF.

The Proposed Transaction is conditional on, among other things, shareholder and regulatory approvals.

On the assumption that the Proposed Transaction will be completed successfully, the Board reviewed its trading and cash flow forecasts against the post-transaction financing facilities and covenants. Covenants on the Term Loan require the Group to maintain minimum liquidity of £5 million to the second anniversary of the first utilisation date, then £10 million to the third anniversary of the first utilisation date and then £20 million thereafter.

The Board's assessment includes consideration of a base case and a severe but plausible downside case which includes the impact of mitigating actions that are within the control of the directors.

The base case scenario reflects the latest forecasts and three year plan that was approved by the Board in October 2020 which reflects the Board's current view on the likely impact of COVID-19 and Brexit. The key assumptions used in the base case include estimates of the volume of UK housing market transactions and the Group's market share; house prices; and costs associated with the Group's ongoing IT transformation programme and the customer excellence programme; as well as the impact of the closure of a number of loss making branches.

The severe but plausible downside scenario assumes a series of stricter COVID-19 disease containment measures will be re-introduced on a regional basis over the winter months, resulting in lower housing market transactions and house prices and other consequential impacts. The severe but plausible downside scenario also reflects the impact of various mitigating actions that would be available to the Board.

In both the base case and the severe but plausible downside scenario, on the basis that the Proposed Transaction completes successfully, the Board's assessment shows that the Group will be able to operate in compliance with the new Term Loan covenant requirements for at least 12 months from the approval date of these interim financial statements.

Material uncertainty

The successful completion of the Proposed Transaction is subject to shareholder and regulatory approvals and subsequent receipt of the £90 million proceeds from the Capital Raise. Failure to successfully complete the Proposed Transaction would result in the Group having to explore other options to address the forecast breach of covenants in the existing RCF in September 2021.

Without the additional liquidity that will be provided by the Proposed Transaction, it is forecast that the Group would breach its existing leverage and interest coverage covenants in September 2021. Due to both shareholder and regulatory approvals and subsequent successful receipt of the £90 million proceeds being outside of the control of the directors, the directors have drawn attention to this matter as a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Therefore, the interim financial statements do not include any adjustments that would result if the going concern basis of preparation was inappropriate.

Despite this material uncertainty, the directors are of the view that it is probable that shareholders and the regulator will approve the transaction and that the £90 million proceeds will be received such that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that they can adopt the going concern basis in preparing the interim financial statements.

4. Accounting policies

The accounting policies adopted in the preparation of this condensed consolidated interim financial report are consistent with those of the previous financial year and corresponding interim reporting period, except for items stated below:

- Taxes on income in the interim periods are accrued using the forecast tax rate that would be applicable to expected total annual profit or loss.
- Grants from the Government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Grant income has been recognised in 2020 as follows:
    - £30.2 million from reimbursement of employment costs under the Coronavirus Job Retentions Scheme are included in employee benefit costs; and
    - £0.7 million relating to funds received under the rates grant scheme are included in other income.

  There are no unfulfilled conditions or other contingencies associated with these grants. The Group did not benefit directly from any other forms of Government assistance.
- Discontinued operations: On 29 November 2019, the Board announced the proposed sale of Lambert Smith Hampton and the business was classified as held for sale following shareholder approval on 27 December 2019. These operations, which are expected to be sold within 12 months of the classification date, continue to be classified as a disposal group held for sale and presented separately in the balance sheet as related assets and liabilities and disclosed as discontinued operations in the income statement. At 30 June 2020, the anticipated proceeds less costs of disposal were lower than the year end estimate by £14 million and were less than the net book value of the assets and liabilities of the disposal group resulting in a fair value remeasurement of £3.2 million to write down the net assets to their fair value less costs of disposal.

4.1 Prior year restatement in respect of IFRS 16 'Leases'

The Group adopted IFRS 16 'Leases' on 1 January 2019 and elected not to restate comparative information from prior periods. The Countrywide plc consolidated financial statements for the year ended 31 December 2019 noted that, subsequent to the Group's 2019 Interim Results for the period ended 30 June 2019, the Group's initial application of IFRS 16 at 1 January 2019 was revised as a result of the identification of missing leases, the change in assumptions around held over leases and further information in respect of certain leases and judgements made regarding extension options. This resulted in an amendment of the Group's opening transition adjustment within the consolidated financial statements for the year ended 31 December 2019. The impact on the balance sheet as at 30 June 2019 and the income statement for the six month period ended 30 June 2019 is set out in the tables below.

Consolidated balance sheet (extract)

	30 June 2019 As previously reported (unaudited) £'000	Impact of IFRS16 Revision (unaudited) £'000	30 June 2019 Restated (unaudited) £'000
Non-current assets			
Property, plant and equipment	8,344	(230)	8,114
Goodwill	189,336	-	189,336
Other intangible assets	64,704	(3,750)	60,954
Right-of-use assets	38,973	6,195	45,168
Deferred tax assets	30,732	(11,222)	19,510
Impact on non-current assets	332,089	(9,007)	323,082
Current assets			
Trade and other receivables	79,803	(881)	78,922
Total impact on assets	411,892	(9,888)	402,004
Equity and liabilities			
Accumulated losses	(215,239)	(13,606)	(228,845)
Non-current liabilities			
Lease liabilities	80,827	(888)	79,939
Provisions	12,985	1,851	14,836
Deferred tax liability	5,905	231	6,136
Total impact on liabilities	99,717	1,194	100,911
Current liabilities			
Lease liabilities	24,001	3,516	27,517
Trade and other payables	71,374	(2,843)	68,531
Provisions	8,192	1,851	10,043
Total impact on current liabilities	103,567	2,524	106,091
Total impact on equity and liabilities	(11,955)	(9,888)	(21,843)

Consolidated income statement (extract)	Six months ended 30 June 2019 As previously reported (unaudited) £'000	Impact of IFRS16 Revision (unaudited) £'000	Six months ended 30 June 2019 Restated (unaudited) £'000
Employee benefit and other operating costs	(271,290)	1,318	(269,972)
Adjusted EBITDA	20,205	1,318	21,523
Depreciation and amortisation	(12,990)	(936)	(13,926)
Exceptional items	(41,133)	(1,580)	(42,713)
Finance costs	(5,143)	21	(5,122)
Loss before taxation	(39,968)	(1,177)	(41,145)
Taxation credit	2,266	-	2,266
Loss for the period	(37,702)	(1,177)	(38,879)

Consolidated cashflow statement (extract)	Six months ended 30 June 2019 As previously reported (unaudited) £'000	Impact of IFRS16 Revision (unaudited) £'000	Six months ended 30 June 2019 Restated (unaudited) £'000
Net cash generated from operating activities	2,885	4,182	7,067
Net cash outflow from financing activities	2,232	(4,177)	(1,945)

New standards and interpretations not yet adopted

Certain new accounting interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. None of these new standards or interpretations is expected to have a material impact on the consolidated financial statements of the Group.

5. Critical accounting judgements and estimates

The preparation of the condensed consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2019 with the exception of the update in relation to the going concern judgement (detailed in note 3).

6. Financial risk management and financial instruments

Financial risk factors

The Group's activities expose it to a variety of financial risks: cash flow and fair value interest rate risk; liquidity risk; counterparty credit risk; and price risk.

The condensed consolidated interim financial report does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no changes in the operation of risk management and risk management policies since those detailed in the 2019 Annual Report issued in May 2020, in response to COVID-19.

Liquidity risk

Compared to the year end, there has been a material change in the contractual financial liabilities (see note 18) following the additional draw down against the revolving credit facility. There has been a change in the covenants levels applicable in respect of the revolving credit facility since the year end, as disclosed in the financial summary, as the lenders agreed to waive the Group's debt covenants for the March 2020 covenant tests and to amend the covenants going forward until September 2021 to be based on liquidity.

On 22 October 2020, the Group announced a proposed recapitalisation of the business (the "Proposed Transaction") including an £90 million capital raise, which is being fully underwritten by Alchemy, a private equity investor and current shareholder in Countrywide (the "Capital Raise") and a new £75 million term loan facility (the "Term Loan") with existing lenders which is repayable at a point of four years from the first utilisation date. The Term Loan and a portion of the proceeds from the Capital Raise will be used to repay the Group's existing indebtedness. Full details are set out separately in our announcement RNS.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined, in accordance with IFRS 13 'Fair value measurement', as follows: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2020:

	Level 3 £'000
Assets	
Financial assets at fair value through profit or loss	**153**
Liabilities	
Contingent consideration	**2,767**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019:

	Level 3 £'000
Assets	
Financial assets at fair value through profit or loss	153
Liabilities	
Contingent consideration	8,163

The contingent consideration relates to amounts payable in the future on three (2019: three) acquisitions undertaken in prior years, requiring the Group to pay in cash a potential undiscounted maximum aggregate amount of £14.7 million (2019: £14.7 million). The amounts payable are based on the amounts agreed in the contracts and based on the future profitability of each entity acquired. In valuing each liability, estimates have been made as to the future profitability of each entity based on management's expectation of performance, consistent with operating plans approved.

Each of these contingent consideration arrangements require the vendors to remain in employment and as such have been treated as a post-combination employment expense and are being accrued over the relevant periods of up to two years (2019: one to three) specific to each of the agreements, with remaining periods of up to two years (2019: three years). Each contingent consideration arrangement is also subject to performance conditions being satisfied. There are target adjusted EBITDA levels which must be achieved in order to realise the full payment, with a reduced payment made if targets are not fully met. Accruals for contingent consideration are reviewed at each period end as future earn-out assumptions are revisited and any credits to the income statement in respect of downward revisions to estimates will be treated in the same way. £0.8 million (2019: £0.9 million) of this potential contingent consideration is payable in less than one year and there is no material difference in out-turn anticipated. £13.8 million (2019: £13.8 million) of the potential contingent consideration is payable on a material acquisition six years after the acquisition dates (with a residual period of less than two years remaining), depending on the profitability of those subsidiaries in the relevant years and the former owners being continuously employed over the earn-out period. The fair value of the related contingent consideration liability, estimated by applying the income approach, was revisited at the period end and accrued at £2.8 million (2019: £8.2 million), based on assumed profitability. If the future profitability of the entity with less than a two year out-turn was to increase, with:

- a 10% increase in adjusted EBITDA, the size of the total contingent consideration would increase by approximately £0.9 million;
- An increase of 1 in the earning multiple applied, the size of the total contingent consideration would increase by approximately £1.3 million; and
- Both sensitivities disclosed above applying concurrently, the size of the total contingent consideration would increase by approximately £2.4 million.

Fair value measurements using significant unobservable inputs (Level 3) and valuation processes

	2020		2019	
	Financial assets at FV through profit or loss £'000	**Contingent consideration £'000**	Financial assets at FV through profit or loss £'000	Contingent consideration £'000
Opening balance at 1 January	**153**	**(9,585)**	153	(12,240)
Contingent consideration paid	**—**	**—**	—	3,883
Gains recognised in profit or loss	**—**	**6,818**	—	194
Closing balance at 30 June	**153**	**(2,767)**	153	(8,163)

Contingent consideration relates to amounts payable in the future on acquisitions undertaken in prior years. The amounts payable are based on the amounts agreed in the contracts and based on the future profitability of each business acquired. In valuing each provision, estimates have been made as to the future profitability of each business at this date.

The Group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values where appropriate. This team reports directly to the Chief Financial Officer and the Group Audit and Risk Committee. Discussions of valuation processes and results are held between the Chief Financial Officer, Group Audit and Risk Committee and the valuation team in line with the Group's half-yearly reporting dates.

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

7. Seasonality of operations

The UK housing market is seasonal, with peaks in the summer months. Typically, more income is recognised in the second half of the year. In 2019 income was split 49% in the first half and 51% in the second half. This trend is expected to be further exacerbated in the current year by the impact of lockdown in H1 2020. The Group's operating profits are typically higher in the second half than in the first half of the year because, while fixed costs (such as wages, salaries and finance costs, which are not seasonal) tend to be consistent throughout the year, volumes of transactions in the second half are typically higher and therefore there is a higher marginal contribution over such fixed costs.

8. Operating segment information

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

The Board considers the business to be split into three main types of business generating income: Sales and Lettings, Financial Services and Business to Business (B2B); and 'all other segments' comprising central head office functions, with Lambert Smith Hampton classified as discontinued operations.

Lambert Smith Hampton was classified as held for sale following shareholder approval on 27 December 2019. These operations, which were reported within the B2B segment in the 2019 condensed consolidated interim financial report were classified as a disposal group held for sale and presented separately in the balance sheet as at 31 December 2019 as related assets and liabilities and disclosed as discontinued operations in the income statement and related notes in both 2019 and the comparative year. These operations are still expected to be sold within 12 months from the original classification and so continue to be classified as a disposal group held for sale and presented separately in the balance sheet as at 30 June 2020 and disclosed as discontinued operations in the income statement for the six months then ended (see note 24).

The Sales and Lettings network combines estate agency and lettings operations. Estate agency generates commission earned on sales of residential property and Lettings earns fees from the letting and management of residential properties and fees for the management of leasehold properties. The Financial Services division receives commission from the sale of insurance policies, mortgages and related products under contracts with financial service providers. Business to Business (B2B) services comprise all lines of business which are delivered to corporate clients, including Surveying Services and Conveyancing Services. Surveying Services generates surveying and valuation fees which are received primarily under contracts with financial institutions with some survey fees being earned from home buyers. Conveyancing

Services generates income from conveyancing work undertaken from customers buying or selling houses through our network. Other income generated by head office functions relates primarily to sub-let rental income or other sundry fees.

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of exceptional items, share-based payments charges, employment-linked contingent consideration and income from joint ventures. Finance income and costs are not allocated to segments as this type of activity is driven by the central treasury function which manages the cash and debt position of the Group.

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

The following table presents income and profit information regarding the Group's operating segments for the six months ended 30 June 2020 and 2019 respectively.

Total income

	Six months ended 30 June 2020			Six months ended 30 June 2019		
Continuing operations	**Total segment income £'000**	**Inter-segment income £'000**	**Total income £'000**	Total segment income (Restated) [1] £'000	Inter-segment Income (Restated) [1] £'000	Total income (Restated) [1] £'000
Sales and Lettings	**112,262**	**4,280**	**116,542**	152,302	5,552	157,854
Financial Services	**28,407**	**834**	**29,241**	38,847	1,218	40,065
B2B	**32,960**	**(5,114)**	**27,846**	50,282	(6,770)	43,512
All other segments	**182**	**—**	**182**	176	—	176
	173,811	**—**	**173,811**	241,607	—	241,607

[1] Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations

Disaggregation of segment revenue

Continuing operations Six months ended 30 June 2020	**Sales and Lettings £'000**	**Financial Services £'000**	**B2B £'000**	**All other segments £'000**	**Total revenue £'000**
Major service lines					
Sales	48,012	—	790	—	**48,802**
Lettings	64,465	—	—	—	**64,465**
Financial Services	—	28,017	—	—	**28,017**
Surveying	182	22	22,104	—	**22,308**
Conveyancing	3,113	826	5,011	—	**8,950**
Other	—	—	—	41	**41**
	115,772	**28,865**	**27,905**	**41**	**172,583**
Timing of revenue recognition					
Services transferred at a point in time	52,537	18,176	27,905	41	98,659
Services transferred over a period of time	63,235	10,689	—	—	73,924
	115,772	**28,865**	**27,905**	**41**	**172,583**

Continuing operations Six months ended 30 June 2019	**Sales and Lettings £'000**	**Financial Services £'000**	**B2B[1] £'000**	**All other segments £'000**	**Total revenue £'000**
Major service lines					
Sales	72,105	—	1,005	—	**73,110**
Lettings	78,974	—	—	—	**78,974**
Financial Services	—	38,127	—	—	**38,127**
Surveying	373	60	35,667	—	**36,100**
Conveyancing	4,079	1,195	6,628	—	**11,902**
Other	—	—	—	34	**34**
	155,531	**39,382**	**43,300**	**34**	**238,247**
Timing of revenue recognition					
Services transferred at a point in time	78,692	25,527	43,300	34	147,553
Services transferred over a period of time	76,839	13,855	—	—	90,694
	155,531	**39,382**	**43,300**	**34**	**238,247**

[1] Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations

Adjusted EBITDA before exceptional items

Continuing operations	Six months ended 30 June 2020 £'000	2019 (2) £'000
Sales and Lettings (1)	**10,785**	8,765
Financial Services (1)	**6,637**	6,856
B2B (1)	**1,772**	8,724
Segment adjusted EBITDA before exceptional items	**19,194**	24,345
All other segments (1)	**(4,339)**	(5,148)
Group adjusted EBITDA before exceptional items	**14,855**	19,197

1. Restated from prior year following the amendment of the Group's opening IFRS 16 transition adjustment and H1 2019 results as described in the Countrywide plc consolidated financial statements for year ended 31 December 2019 (see note 4)
2. Restated from prior year following the reclassification of Lambert Smith Hampton as a discontinued operation in December 2019

Reconciliation of adjusted EBITDA to statutory operating loss and loss before income tax

A reconciliation of total adjusted EBITDA before exceptional items to statutory operating loss and loss before income tax is provided as follows:

Six months ended 30 June **Continuing operations**	**2020** **£'000**	2019(2) £'000
Group adjusted EBITDA before exceptional items (1)	**14,855**	19,197
Depreciation on property, plant and equipment and amortisation of software (1)	**(6,930)**	(8,390)
Group operating profit before exceptional items and amortisation	**7,925**	10,807
Amortisation arising on intangibles recognised through business combinations (1)	**(1,028)**	(1,109)
Contingent consideration	**6,818**	149
Share-based payment costs	**(912)**	(979)
Exceptional costs (1)	**(51,794)**	(42,827)
Group operating loss	**(38,991)**	(33,959)
Net finance costs (1)	**(5,356)**	(4,449)
Loss before taxation	**(44,347)**	(38,408)
Taxation (1)	**4,200**	1,942
Loss after tax for continuing operations	**(40,147)**	(36,466)
Loss on discontinued operations	**(4,148)**	(2,413)
Loss for the period	**(44,295)**	(38,879)

(1) Restated from prior year following the amendment of the Group's opening IFRS 16 transition adjustment and H1 2019 results as described in the Countrywide plc consolidated financial statements for year ended 31 December 2019 (see note 4)

(2) Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations

There has been a material change in segment total assets or liabilities from the amount disclosed in the last annual financial statements principally due to the impairments arising in Professional Services (see note 9) and retention of cash within all other segments as a result of HMRC payment deferrals agreed.

	Sales and Lettings £'000	**Financial Services £'000**	**B2B £'000**	**All other Segments £'000**	**Total £'000**
30 June 2020					
Total assets	91,471	86,028	101,604	80,594	359,697
Total liabilities	610,493	178,908	125,020	(588,472)	325,949
31 December 2019					
Total assets	88,729	84,410	142,881	31,077	347,097
Total liabilities	610,578	181,735	145,126	(653,505)	283,934

Adjusted items

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

The columnar presentation of our income statement separates exceptional items as well as adjusting items, specifically amortisation of intangibles arising on business acquisitions, contingent consideration and share-based payments, to illustrate consistently the Group's underlying business performance.

The Board believes that excluding each of the adjusted items, considered to be exceptional or non-operational in nature, in arriving at adjusted EBITDA is necessary to provide a more consistent indication of the trading performance of the Group. This alternative performance measure provides additional useful information to shareholders on the underlying trends and comparable performance of the Group over time. We seek to present a consistent measure of trading performance which is not impacted by the volatility in profile of:

- exceptional items (costs or income): these are specific items which are material by their nature, size or incidence and are highlighted, with further descriptions, in note 9 to the condensed consolidated interim financial report;
- amortisation of intangibles arising on acquisitions (excluding software): charges can vary significantly dependent on the level and size of acquisitions undertaken in each period, and the related brand names, customer relationships and contracts recognised. In addition, we do not believe the amortisation charge provides insight into the costs of running our business as these assets are supported and maintained by marketing costs which are reflected within our operating costs. The directors note that the intangibles acquired in business combinations are used in the business to generate revenue, but that there is no equivalent adjustment made to eliminate this revenue;
- contingent consideration: charges can vary significantly depending on the level and size of acquisitions undertaken and the associated performance criteria linked to the ongoing service requirement. We reassess the fair value of the resulting liabilities across these arrangements at each reporting period end, reflecting our best estimates of future performance. However, these estimates are inherently judgemental as we are required to look beyond our normal three year budgeting and planning cycle for the five year agreements in place. Remeasurement could cause material volatility in our reported results over the earn out periods which would not be reflective of the business' performance in the period; and
- share-based payments: as the Group is now in a turnaround situation, it is anticipated that the incentivisation of performance will be driven by award of future LTIPs which, provided Group performance meets these LTIP targets, will see the share-based payment charge continue to increase and re-introduce material volatility into the income statement.

The use of an adjusted EBITDA profit measure, as a consistent measure of underlying performance, is also aligned with management's internal financial reporting (including monthly management information reports reviewed by the Board as the chief operating decision maker) and executive director remuneration (being a factor of both the LTIP scheme and annual bonus disclosed in the Remuneration Committee report within the 2019 Annual Report and Accounts) and senior management incentive targets.

9. Exceptional items

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

	Six months ended 30 June	
Continuing operations	**2020 £'000**	2019[2] £'000
Exceptional income	**738**	—
Exceptional costs		
People-related restructuring costs	—	(1,333)
IT transformation project consultancy costs	**(979)**	(2,151)
Property closure costs [1]	—	(2,900)
Write off of capitalised banking fees	**(2,159)**	—
Project consultancy costs	**(3,121)**	—
Total strategic and restructuring costs, excluding impairment	**(6,259)**	(6,384)
Impairment of goodwill	**(38,992)**	(30,365)
Impairment of brand names	**(876)**	—
Impairment of customer contracts and relationships	**(333)**	—
Impairment of non-current assets	**(6,072)**	(6,078)
Total impairment charge	**(46,273)**	(36,443)
Total exceptional costs	**(52,532)**	(42,827)
Net exceptional costs	**(51,794)**	(42,827)

1. Restated from prior year following the amendment of the Group's opening IFRS 16 transition adjustment and H1 2019 results as described in the Countrywide plc consolidated financial statements for year ended 31 December 2019 (see note 4)
2. Restated from prior year following the reclassification of Lambert Smith Hampton as a discontinued operation in December 2019

2020

Net exceptional costs comprise items that have or will result in cash charges of £4.1 million and £47.7 million of non-cash charges as follows:

Exceptional income

Exceptional income comprises one-off income of £0.7 million (2019: £nil) in relation to the motor vehicle fleet which will not recur in future years.

Exceptional costs

Strategic and restructuring costs

During the first half of 2020 the Group progressed a strategic transformation agenda for the fundamental turnaround of the business, which is expected to take place over a period of around three years, resulting in exceptional costs in relation to various projects. The principal elements are:

- £1.0 million (2019: £2.2 million) in respect of restructuring costs, comprising third party consultancy costs in the main arising from our IT transformation projects (commenced in 2018 and running over a three year period, with costs being capitalised where applicable in notes 12 and 13) and related strategic initiatives which are being project managed centrally and routinely reporting progress to the Group Executive Committee;
- Changes to committed loan facilities resulting in loan modification costs of £2.2 million (2019: £nil) arising from write-off of previously capitalised banking fees (see note 18); and
- £3.1 million (2019: £nil) fees including in respect of aborted projects in relation to the planned merger discussions with LSL Property Services plc.

Impairment charges

Progress was made with the turnaround plan during the period. However, the continued subdued external environment as a result of COVID-19 and the deterioration in trading, which became apparent after conclusion of the 2020 business planning process that underpinned the 2019 impairment review, resulted in further impairment charges since those taken at the full year.

The Group incurred the following impairment charges, deemed to be exceptional given their size, arising from the impairment review of goodwill and indefinite-life intangible assets undertaken outside of the annual cycle as a result of continuing triggers for impairment (including the market capitalisation level of the Group), and the associated review of other intangible and tangible fixed assets impacted by the impairment review:

	Note	UK Sales and Lettings £'000	B2B – Professional Services £'000	B2B -Countrywide Residential Development Solutions £'000	Total £'000
Goodwill	12(a)	-	38,224	768	38,992
Brands	12(b)	-	-	876	876
Customer contracts and relationships	12(b)	-	-	333	333
Computer software	12(b)	2,371	-	108	2,479
Property, plant and equipment	13	2,864	-	71	2,935
Right-of-use assets	14(a)	652	-	6	658
Total impairment		5,887	38,224	2,162	46,273

The UK Sales and Lettings write-down includes £4.1 million and the B2B – Countrywide Residential Development Solutions write-down includes £0.2 million in respect of the write-down of Head Office assets (principally IT related) which are allocated, within the impairment review methodology, to both cash generating units (see notes 12, 13 and 14). Both cash generating units are being impaired in full following the assessment of the recoverable amount, calculated on a value in use basis and compared against the carrying value of assets.

2019

Exceptional costs

Exceptional costs comprise items that have or will result in cash charges of £3.4 million and £39.4 million of non-cash charges as follows:

Strategic and restructuring costs

During the first half of 2019 the Group progressed a strategic transformation agenda for the fundamental turnaround of the business, which is expected to take place over a period of around three years, resulting in a number of exceptional costs in relation to the project and related restructuring costs. The principal elements are:

- £1.3 million relating to redundancy costs, principally arising from the branch rationalisation programme that occurred during the period to progress the achievement of an appropriate organisational structure;
- £2.2 million in respect of restructuring costs, comprising third party consultancy costs in the main arising from our IT transformation projects (commenced in 2018 and running over a three year period, with costs being capitalised where applicable in note 13) and related strategic initiatives which are being project managed centrally and routinely reporting progress to the Group Executive Committee; and
- £2.9 million of property closure costs in respect of property dilapidations provision costs in respect of properties that have been identified for closure.

Impairment charges

Progress has been made with the turnaround plan during the period. However, the continued subdued external environment and the deterioration in trading, which became apparent after conclusion of the 2019 business planning process that underpinned the 2018 impairment review, has resulted in further impairment charges since those taken at the full year.

The Group incurred the following impairment charges, deemed to be exceptional given their size, arising from the impairment review of goodwill and other non-current assets undertaken outside of the annual cycle as a result of continuing triggers for impairment (including the market capitalisation level of the Group), and the associated review of other intangible and tangible fixed assets impacted by the impairment review:

	UK Sales and Lettings £'000	Financial Services £'000	B2B -Countrywide Residential Development Solutions £'000	Total £'000
Goodwill	-	**29,498**	**867**	**30,365**
Computer software	**2,033**	-	-	**2,033**
Property, plant and equipment	**3,868**	-	-	**3,868**
Right-of-use assets	**177**	-	-	**177**
Total impairment	**6,078**	**29,498**	**867**	**36,443**

The UK Sales and Lettings write-down includes £4.1 million in respect of the write-down of Head Office assets (principally IT related) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit.

10. Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2020 is 9.5% (six months ended 30 June 2019: 5.7%). The low tax rate in H1 2020 is principally as a result of impairment of non-qualifying goodwill in H1 2020 of £39.0 million.

The net deferred tax asset has increased by £4.2 million predominantly due to the effect of the standard rate of tax remaining at 19% rather than reducing to 17% as previously substantively enacted and changes in accelerated capital allowances.

11. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares of Countrywide plc.

	2020	2019 (Restated)[2,4]
Loss for the period attributable to the ordinary equity holders of the company (£'000)		
From continuing operations [(1)]	**(40,147)**	(36,466)
From discontinued operations (see note 24) [(1)]	**(4,148)**	(2,413)
	(44,295)	(38,879)
Weighted average number of ordinary shares in issue [3]	**32,729,811**	32,729,811
Basic and diluted loss per share (in pence per share)		
From continuing operations [(1)]	**(122.66)p**	(111.41)p
From discontinued operations [(1)]	**(12.68)p**	(7.37)p
Total basic and diluted loss per share attributable to the ordinary equity holders of the Company [(1)]	**(135.34)p**	(118.78)p

1.Restated from prior year following the amendment of the Group's opening IFRS 16 transition adjustment and H1 2019 results as described in the Countrywide plc consolidated financial statements for year ended 31 December 2019 (see note 4)

2. Restated from prior year following the share consolidation undertaken on 30 December 2019 (see note 21).
3. Weighted average number of ordinary shares in issue excludes any deferred shares in issue as they have no rights to dividend (see note 21).
4. Restated from prior year following the reclassification of Lambert Smith Hampton as a discontinued operation in December 2019.

For diluted earnings per share, the weighted average number of ordinary shares in existence is adjusted to include all dilutive potential ordinary shares arising from share options. All potential ordinary shares were anti-dilutive in 2020 and 2019 and therefore no adjustment was required in either period.

	Continuing 2020 £'000	Discontinued 2020 £'000	Continuing 2019 (Restated)[1,2] £'000	Discontinued 2019 (Restated)[1,2] £'000
Adjusted (loss)/earnings				
Loss for the period attributable to owners of the parent	**(40,147)**	**(4,148)**	(36,466)	(2,413)
Adjusted for the following items, net of taxation:				
Amortisation arising on intangibles recognised through business combinations	**962**	**—**	920	1,383
Contingent consideration	**(6,818)**	**—**	(149)	(44)
Share-based payments charge	**753**	**84**	793	98
Exceptional income	**(738)**	**—**	—	—
Exceptional costs	**50,320**	**5,392**	41,161	—
Adjusted earnings/(loss), net of taxation	**4,332**	**1,328**	6,259	(976)
Adjusted basic and diluted earnings/(loss) per share (in pence per share)	**13.24p**	**4.05p**	19.12p	(2.98)p

1. Restated from prior year following the reclassification of Lambert Smith Hampton as discontinued operations.
2. Restated from prior year following the share consolidation undertaken on 30 December 2019 (see note 21).

12. Intangible assets

a) Goodwill

	£'000
Net book value at 1 January 2020	194,204
Impairment (note 9)	(38,992)
Net book value at 30 June 2020	**155,212**

Goodwill impairment charges of £38.2 million and £0.8 million have been made in relation to the B2B - Professional Services and Countrywide Residential Development Solutions cash generating units respectively following an assessment of the recoverable amount against the carrying value. These charges have been included within exceptional items (note 9).

b) Other intangible assets

	Computer software £'000	Brand names £'000	Customer contracts and relationships £'000	Other intangibles £'000	Assets under construction £'000	Total £'000
Net book value at 1 January 2020	5,806	20,924	2,578	210	2,904	32,422
Additions	52	-	-	-	848	900
Disposals	(481)	-	-	-	-	(481)
Amortisation	(1,497)	(776)	(228)	(24)	-	(2,525)
Impairment (note 9)	(673)	(876)	(333)	-	(1,806)	(3,688)
Net book value at 30 June 2020	**3,207**	**19,272**	**2,017**	**186**	**1,946**	**26,628**

The assessment of recoverable amount against carrying value resulted in impairment charges of £2.5 million against computer software and software assets under construction primarily associated with Head Office. The Head Office write-down arose as a result of the intangible and tangible asset carrying values exceeding the recoverable amount within both the UK (£2.4 million) and B2B – Countrywide Residential Development Solutions (£0.1 million) cash generating units and triggering an impairment of the assets within Head Office supporting both cash generating units. These charges have been included within exceptional items (note 9).

c) Other intangible assets

The carrying amounts of various brand names owned by the Group are disclosed below:

	30 June 2020 £'000	31 December 2019 £'000
Brand names		
Hamptons International	**10,035**	10,422
John D Wood	**2,927**	3,040
Bairstow Eves	**1,842**	1,913
Other brands	**4,468**	5,549
Net book value	**19,272**	20,924

(c) Impairment

Cash generating units (CGUs) represent the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other groups of assets. The determination of CGUs is a judgement made by management in applying the Group's accounting policies. The CGUs are designated as: UK Sales and Lettings; London Sales and Lettings; Countrywide Residential Development Solutions; Financial Services; and B2B – Professional Services. These then aggregate into our reporting segments: Sales and Lettings; Financial Services; and B2B; with 'All other segments' comprising central head office functions. The assets held within Head Office are allocated, within the impairment review methodology, to the various cash generating units (excluding B2B – Commercial) and where their own assets are being impaired following the assessment of the recoverable amount, arising from value in use (excluding B2B – Commercial which is measured at fair value less costs of disposal as disclosed in note 24), against the carrying value of assets this would also apply to centrally held assets supporting that CGU. These CGUs are used for the impairment testing of goodwill and other assets.

Each individual branch is not considered to be a CGU on the basis that branches do not operate autonomously and that other parts of the business partially use the branch network to generate income. As a result, branches do not generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Branches can receive income across products within Sales and Lettings, Financial Services and also generate sales for Conveyancing (within our B2B segment). Accordingly, this judgement drives the determination of the Group's CGUs for the impairment testing of assets other than goodwill and CGUs to which goodwill has been allocated.

In many cases the operations of the acquired businesses have been fully integrated with existing businesses and due to the cross pollination between product lines, segments and physical locations, cash inflows are not all independently generated on smaller groups of assets. Where necessary, assets have been reallocated to the goodwill-level CGUs that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is monitored by management at the level of the CGUs, identified above, as follows:

	UK £'000	London £'000	Countrywide Residential Development Solutions £'000	Financial Services £'000	B2B - Professional Services £'000	Total £'000
Goodwill						
Net book value at 1 January 2020	—	—	768	60,386	133,050	194,204
Impairment (note 9)	—	—	(768)	—	(38,224)	(38,992)
Net book value at 30 June 2020	**—**	**—**	**—**	**60,386**	**94,826**	**155,212**

Impairment reviews

Management performed impairment reviews as at 30 June 2020, as a result of impairment indicators, and as at 31 December 2019, as the annual assessment, in accordance with IAS 36 'Impairment of assets' by comparing the carrying value of each CGU against its recoverable amount.

The recoverable amount of each CGU was based on its value in use which was calculated by discounting pre-tax cash flow projections derived from formally approved strategic budgets or forecasts. Cash flow projections for each CGU were based on the latest forecast and three-year plan (i.e. 2020-2022 (as updated by reforecast in June 2020) for the June 2020 review and 2020-2022 for the December 2019 review that was endorsed by the Board. For the purpose of the impairment review, cash flows beyond the period of the plan were extrapolated using a terminal value which includes a growth rate into perpetuity. Cash flows were discounted using pre-tax discount rates reflecting the weighted average cost of capital assigned to each CGU.

For each of the CGUs with significant amounts of goodwill, the key assumptions used in the value in use calculation are set out below.

Key assumptions used for value in use calculations

A range of assumptions with varying significance drive the value in use models used for the impairment reviews.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

Financial services	**June 2020**	**December 2019**	June 2019
Budgeted adjusted EBITDA margin (%)	**23**	23	16
Long term growth rate (%)	**1**	1	1
Pre-tax discount rate (%)	**16.16**	14.74	14.03
Professional services			
Budgeted adjusted EBITDA margin (%)	**19**	25	20
Long term growth rate (%)	**1**	1	1
Pre-tax discount rate (%)	**15.96**	14.72	14.13

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determining values**
Budgeted adjusted EBITDA margin	Average annual growth rate over the three-year forecast period; based on past performance and management's expectations of strategic plan development.
Long term growth rate	This is the growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	Reflect specific risks relating to the relevant segments in which they operate.

Outcome of June 2020 impairment review

The impairment charges arising as a result of the impairment reviews are summarised in tabular format for the period within exceptional items (note 9).

Goodwill

The goodwill impairment review at 30 June 2020 concluded that impairment charges of £38,992,000 were appropriate against goodwill held by the Countrywide Residential Development Solutions (£768,000) and Professional Services (£38,224,000) CGUs respectively (see note 9).

The review concluded that the recoverable amount for the Financial Services CGU to which goodwill is allocated exceeded its carrying values, resulting in no further indication of impairment.

Other intangible and tangible assets

The impairment review resulted in further impairment charges (see note 9) of:

- Countrywide Residential Development Solutions CGU: £876,000 against brand names; £333,000 against customer relationships and contracts; £108,000 against computer software; £71,000 against property, plant and equipment; and £6,000 against right-of-use assets;
- UK Sales and Lettings CGU: £2,371,000 against computer software associated within the UK Sales and Lettings CGU (which relate to the write-down of Head Office assets (principally IT related) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit); £652,000 against Head Office right-of-use assets (IT assets) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit; and £2,864,000 against property, plant and equipment associated with the UK Sales and Lettings CGU (which includes £1,638,000 in respect of the write-down of Head Office assets (principally IT related) which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit). The Head Office write-down is in respect of an impairment of the assets held within Head Office which are allocated, within the impairment review methodology, to the UK Sales and Lettings cash generating unit whose own assets are being impaired following the assessment of the recoverable amount, arising from value in use, against the carrying value of assets.

Cumulative impairments, including the goodwill, brand names, customer contracts and relationships, and computer software impairments identified during the current period, combined with previous impairments, amount to the following:

	Goodwill £'000	Brand names £'000	Customer contracts & relationships £'000	Computer software £'000	Assets under construction £'000	Total £'000
Cash generating unit						
UK Sales and Lettings	388,441	101,897	10,452	6,219	–	507,009
London Sales and Lettings	131,160	78,494	4,331	1	–	213,986
Countrywide Residential Development Solutions	2,112	876	333	–	–	3,321
Financial Services	143,885	–	–	–	–	143,885
B2B – Professional Services	78,224	–	100	10,500	–	88,824
Total cash generating units	743,822	181,267	15,216	16,720	–	957,025
All other segments	–	–	–	5,543	6,802	12,345
	743,822	181,267	15,216	22,263	6,802	969,370

Impact of possible changes in key assumptions

Financial Services CGU

The recoverable amount of the Financial Services CGU is estimated to exceed the carrying amount of the CGU at 30 June 2020 by £26.0 million (31 December 2019: £51.1 million).

The directors and management have considered and assessed reasonably possible changes for key assumptions and have not identified any instances that could cause the carrying amount of the Financial Services CGU to exceed its recoverable amount.

B2B-Professional Services CGU

The recoverable amount of the Professional Services CGU is identical to the carrying amount of the CGU at 30 June 2020 (31 December 2019: headroom £6.5 million) following the £38.2 million impairment charge during the period.

There is therefore a potentially material impairment to the carrying amount of the CGU arising from the sensitivity of reasonably possible changes to key assumptions as follows:

- 10% reduction in adjusted EBITDA £12.1 million
- 10% increase in pre-tax discount rate £10.2 million
- Terminal growth rate of 0% into perpetuity £6.3 million

Capital commitments

As at 30 June 2020, the Group had entered into contractual commitments for the acquisition of computer software amounting to £1.0 million, which have not yet been incurred and which relate to the year ending 31 December 2020 and subsequent year (31 December 2019: £3.9 million). These commitments relate to the Group's computer software and hardware refresh programme which the Group has committed to under agreements with a supplier for outsourcing of IT arrangements.

13. Property, plant and equipment

	£'000
Net book value at 1 January 2020	3,397
Additions	1,927
Disposals: Cost	(6)
Depreciation	(420)
Disposal: Accumulated depreciation	4
Impairment (note 9)	(2,935)
Net book value at 30 June 2020	**1,967**

The assessment of recoverable amount against carrying value resulted in impairment charges of £2.9 million against tangible assets associated with the UK cash generating unit (£1.3 million) and Head Office (£1.6 million). The Head Office write-down arose as a result of impairments identified exceeding the intangible and tangible asset carrying values within the UK (£1.5 million) and B2B – Countrywide Residential Development Solutions (£0.1 million) cash generating units, triggering an impairment of assets within Head Office supporting both cash generating units. These charges have been included within exceptional items (note 9).

Capital commitments

As at 30 June 2020, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1.6 million, which have not yet been incurred and which relate to the year ending 31 December 2020 and subsequent year (31 December 2019: £0.2 million). These commitments relate to the Group's computer software and hardware refresh programme which the Group has committed to under agreements with a supplier for outsourcing of IT arrangements.

14. Leases

Right-of-use assets	Right-of-use Property Assets £'000	Right-of-use Vehicle Assets £'000	Right-of-use IT Assets £'000	Total Right-of-use Assets £'000
Net book value at 1 January 2020	23,250	880	542	24,672
Additions	2,805	-	-	2,805
Disposals	-	(71)	-	(71)
Depreciation	(4,415)	(431)	(167)	(5,013)
Impairment (note 9)	(635)	-	(23)	(658)
Net book value at 30 June 2020	**21,005**	**378**	**352**	**21,735**

Lease liabilities	Property lease liabilities £'000	Vehicle lease liabilities £'000	IT lease liabilities £'000	Total lease liabilities £'000
At 1 January 2020	70,796	3,740	2,773	77,309
Additions	2,805	-	-	2,805
Disposals	-	(809)	-	(809)
Payments	(8,945)	(1,643)	(932)	(11,520)
Interest	1,849	82	55	1,986
At 30 June 2020	**66,505**	**1,370**	**1,896**	**69,771**
Current	**20,141**	**933**	**1,052**	**22,125**
Non-current	**46,365**	**437**	**844**	**47,646**

The table below analyses the Group's lease liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

	2020 £'000	2019 £'000
In less than one year	**25,902**	24,859
In more than one year but not more than two years	**16,331**	18,322
In more than two years but less than three years	**11,964**	13,933
In more than three years but not more than four years	**9,027**	10,430
Over five years	**20,410**	24,093
	83,634	91,636

The expense related to short term and low value leases amounted to £0.3 million (2019: £1.1 million).

15. Investments

	Investment in joint venture £'000	Financial assets at fair value through profit or loss £'000
At 1 January 2020 and 30 June 2020	1,768	153

16. Trade and other receivables

	30 June 2020 £'000	31 December 2019 £'000
Current		
Trade receivables	**25,720**	31,730
Less: Provision for impairment of receivables	**(3,212)**	(2,383)
Trade receivables – net	**22,508**	29,347
Other receivables	**15,236**	8,547
Prepayments	**5,160**	6,556
Accrued income	**7,971**	7,446
Corporation tax asset	**37**	340
	50,912	52,236

17. Trade and other payables

	30 June 2020 £'000	31 December 2019 £'000
Trade payables	**10,494**	13,349
Deferred consideration	**800**	783
Contingent consideration	**2,767**	9,585
Other tax and social security payable	**56,400**	15,067
Accruals and other payables	**31,252**	34,536
	101,713	73,320
Current	**98,922**	62,541
Non-current	**2,791**	10,779
	101,713	73,320

18. Borrowings

	30 June 2020 £'000	31 December 2019 £'000
Non-current		
Bank borrowings	**125,000**	100,000
Other loans	**1,000**	1,000
Capitalised banking fees	**(1,973)**	(2,475)
	124,027	98,525
Current		
Other loans	–	2,158
Total borrowings	**124,027**	100,683

Analysis of net debt

	1 January 2020 £'000	**Cash flow £'000**	**Non-cash changes £'000**	**30 June 2020 £'000**
Cash and cash equivalents	17,773	58,977	–	**76,750**
Capitalised banking fees	2,475	556	(1,058)	**1,973**
Other loans	(3,158)	2,216	(58)	**(1,000)**
Revolving credit facility due after one year	(100,000)	(25,000)	–	**(125,000)**
Lease liabilities due after one year	(55,914)	–	8,268	**(47,646)**
Lease liabilities due within one year	(21,395)	9,522	(10,252)	**(22,125)**
Total	(160,219)	46,271	(3,100)	**(117,048)**

Cash and cash equivalents

The cash at bank and in hand at 30 June 2020 includes the following restricted amounts: £3.6 million within two accounts which are subject to restrictions on withdrawal and are therefore not available for general use by the entities within the Group (2019: £4.0 million) and £7.5 million of cash deposits held by HSBC who have charges over those accounts in respect of two letters of credit issued by the Group (2019: £4.5 million). These amounts are readily convertible to cash without significant financial penalty.

Borrowings and other loans

The Group meets its working capital and funding requirements through a revolving credit facility of £125 million which matures in September 2022. In April 2020, the lenders agreed to provide an additional £20 million facility for an 18 month period, with £10 million available from 1 May 2020 and £10 million available from April 2021. In view of the uncertainty arising as a result of COVID-19, the lenders also agreed to waive the Group's debt covenants for the March 2020 covenant tests, and to amend the monitoring going forward until September 2021 to be based on maintaining liquidity headroom. At September 2021, leverage and interest cover ratios are reinstated.

Interest was payable on the £125 million revolving credit facility at LIBOR plus a margin of 3.75%. The margin is linked to the leverage ratio of the Group and the margin rate is reviewed four times a year (and can vary between 1.75% and 6.0%). Interest will be payable on the £20 million additional facility at LIBOR plus a margin of 7.0%. The RCF is available for utilisation subject to satisfying fixed charge, interest cover and leverage covenants. Interest was payable based on the £125 million revolving credit facility at LIBOR plus a margin of 3.75%.

Previously capitalised banking fees were extinguished in full during the period as a result of substantial loan modifications during the period (see below) and fees incurred during the period are being amortised over the duration of the RCF, until September 2022.

On 22 October 2020, the Group announced a proposed recapitalisation of the business including an £90 million capital raise, which is being fully underwritten by Alchemy, a private equity investor and current shareholder in Countrywide and a new £75 million term loan facility with existing lenders which is repayable at a point of four years from the first utilisation date. The Term Loan and a portion of the proceeds from the Capital Raise will be used to repay the Group's existing indebtedness. Full details are set out separately in our announcement RNS.

'Other loans' disclosed above comprise £1 million of unsecured loan notes which are non-interest bearing, repayable in 2029, which arose on the purchase of Mortgage Intelligence Holdings Limited.

Loan modifications

During the period, the Group renegotiated the terms of the revolving credit facility. In line with the requirements of IFRS 9, management performed a quantitative assessment and compared the present value of the cash flows under the new terms with the present value of the remaining cash flows of the original liability, using the original effective interest rate, and determined that the difference in the present values is less than 10***%.***

- As the 10% test was passed, management exercised an accounting policy choice to perform a qualitative assessment of the revised terms. The qualitative analysis considered the revisions to the terms of the liability with respect to: the increase in available facility and related higher interest on the additional facility; waiver of covenants at March 2020 and operation under liquidity only covenants until September 2021; and revision to various lender information provisions.
- Management determined that the revision to the terms of the liability were significant, on a qualitative basis, as they significantly affected the economic risks of the liability and hence the existing liability was de-recognised and a new financial liability was recognised.
- Thus, the refinancing resulted in the recognition of a modification loss of £2.2 million which has been recognised as an exceptional expense (refer note 9) in the income statement.

19. Deferred income

	£'000
At 1 January 2020	1,656
Movement	987
At 30 June 2020	**2,643**
Current	2,578
Non-current	65
	2,643

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 is received and amortised over the life of the contracts to which they relate.

20. Provisions

	Onerous contracts						
	Closed Property £'000	Loss making branches £'000	Property repairs £'000	Clawback £'000	Claims and litigation £'000	Other £'000	Total £'000
At 1 January 2020	1,363	739	6,756	3,631	9,772	468	22,729
Utilised in the period	(137)	–	(413)	(1,529)	(697)	(326)	(3,102)
Charged to income statement	–	–	9	1,142	367	170	1,688
Credited to income statement	–	–	(9)	(120)	(189)	–	(318)
At 30 June 2020	**1,226**	**739**	**6,343**	**3,124**	**9,253**	**312**	**20,997**
Current	409	309	3,067	2,204	5,475	312	11,776
Non-current	817	430	3,276	920	3,778	–	9,221
	1,226	**739**	**6,343**	**3,124**	**9,253**	**312**	**20,997**

Claims and litigation provisions comprise the amounts set aside to meet claims by customers below the level of any professional indemnity excess, the estimation of incurred but not received claims and any amounts that might be payable as a result of any legal disputes. The provisions represent the directors' best estimate of the Group's liability, having taken professional advice.

21. Share capital

Called up issued and fully paid share capital

	Number of shares	Share capital £'000
Ordinary shares of 1 pence each		
At 1 January 2020 and 30 June 2020	**32,826,068**	**328**
Deferred shares of 1 pence each		
At 1 January 2020	1,608,477,371	16,085
Deferred share cancellation in March 2020	(1,608,477,371)	(16,085)
At 30 June 2020	–	–
Total at 30 June 2020	**32,826,068**	**328**

Deferred share capital cancellation

In March 2020, the Company cancelled all deferred shares in issue and transferred the nominal value of the deferred shares, amounting to £16,085,000, from share capital to a capital redemption reserve.

22. Reserves

The following table provides a breakdown of 'Other reserves' shown on the consolidated statement of changes in equity.

	Foreign exchange reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Total £'000
Balance at 1 January 2019	(312)	(17,942)	—	(18,254)
Currency translation differences	(7)	—	—	(7)
Utilisation of treasury shares for DSBP options	—	6	—	6
Balance at 30 June 2019	**(319)**	**(17,936)**	—	**(18,255)**
Balance at 1 January 2020	(363)	**(17,936)**	—	(18,299)
Currency translation differences	15	—	—	15
Deferred share cancellation in March 2020	—	—	16,085	16,085
Balance at 30 June 2020	**(348)**	**(17,936)**	**16,085**	**(2,199)**

23. Pensions

During the period the Group made a contribution of £2.0 million (30 June 2019: £2.0 million) into the defined benefit pension scheme. The significant actuarial assumptions used in the valuation of the Group's material defined benefit pension schemes as at 31 December 2019 have been reviewed. The discount and inflation rates used to value the pension liabilities, as well as the updated asset valuations and the net pension liabilities, have moved since 31 December 2019 and an actuarial loss before taxation of £0.6 million (30 June 2019: actuarial loss of £0.9 million) has been recognised in the consolidated statement of comprehensive income. The net pension liability stands at £2.3 million at 30 June 2020 (30 June 2019: £3.8 million).

24. Assets held for sale

On 29 November 2019, the Board announced the proposed sale of Lambert Smith Hampton to John Bengt Moeller for £38 million and the assets and liabilities were classified as held for sale following shareholder approval on 27 December 2019. Following protracted efforts to effect completion, Mr Moeller failed to complete the transaction in accordance with the final timetable set for completion of 11 March 2020. The Board is continuing discussions with alternative buyers. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the balance sheet as related assets and liabilities and disclosed as discontinued operations in the income statement.

At 31 December 2019, the anticipated proceeds less costs of disposal were less than the net book value of the assets and liabilities of the disposal group resulting in a fair value remeasurement of £3.9 million to write down the net assets to their fair value less costs of disposal. Fair value was using Level 2 valuation techniques, derived from John Bengt Moeller's offer.

At 30 June 2020, the anticipated proceeds less costs of disposal were lower than the year end estimate by £14 million and were less than the net book value of the assets and liabilities of the disposal group resulting in a fair value remeasurement of £3.2 million to write down the net assets to their fair value less costs of disposal. Fair value was using Level 2 valuation techniques, derived from a new third party offer.

The business unit was reported as a discontinued operation in the 2019 annual report. Financial information relating to the discontinued operation is set out below.

(a) Financial performance and cash flow information

	30 June 2020 £'000	30 June 2019 £'000
Income	**42,095**	48,981
Expenses	**(42,641)**	(51,718)
Loss before income tax	**(546)**	(2,737)
Income tax (credit)/expense	**(451)**	324
Loss after income tax of discontinued operation	**(997)**	(2,413)
Loss recognised on the measurement to fair value of assets, less costs to sell	**(3,890)**	—
Income tax gain	**739**	—
Loss from discontinued operations	**(4,148)**	(2,413)
Currency translation differences	**15**	(7)
Other comprehensive income from discontinued operations	**(4,133)**	(2,420)
Net cash inflow from operating activities	**994**	6,710
Net cash outflow from investing activities	**(42)**	(1,294)
Net cash outflow from financing activities	**(1,411)**	(1,963)
Net (decrease)/increase in cash generated by the business unit	**(459)**	3,453

A reconciliation of the retained loss from discontinued operations to adjusted earnings, net of taxation from discontinued operations is presented in note 11.

(b) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were classified as held for sale in relation to the discontinued operation as at the following balance sheet dates:

	30 June 2020 £'000	**31 December 2019 £'000**
Other intangible assets[1]	**22,163**	**24,767**
Property, plant and equipment[1]	**915**	**1,020**
Right-of-use assets[1]	**9,358**	**11,683**
Trade and other receivables	**16,024**	**27,612**
Deferred tax assets	**2,815**	**1,983**
Cash and cash equivalents	**—**	**459**
Total assets associated with assets classified as held for sale	**51,275**	**67,524**
Trade and other payables	**(11,887)**	**(11,179)**
Deferred tax liability	**(3,766)**	**(3,331)**
Deferred income	**(23)**	**(56)**
Provisions	**(514)**	**(860)**
Lease liabilities	**(15,085)**	**(17,698)**
Total liabilities associated with assets classified as held for sale	**(31,275)**	**(33,124)**
Net assets of disposal group	**20,000**	**34,400**

1. Net of loss recognised on the measurement to fair value of assets, less costs to sell.

(c) Disposal group previously classified as held for sale

The assets and related liabilities classified as held for sale as at 30 June 2019, but not deemed to be discontinued operations, were a separate disposal group which is no longer classified as held for sale as the proposed sale did not proceed. No significant adjustments were made to the carrying value of the assets or liabilities when classified or declassified as held for sale.

25. Related party transactions

Transactions with key management personnel

Key management compensation amounted to £1.4 million for the six months ended 30 June 2020 (30 June 2019: £1.8 million). See below for details:

	30 June 2020 £'000	30 June 2019 £'000
Wages and salaries	**1,264**	1,615
Short term non-monetary benefits	**4**	4
Defined contribution pension costs	**7**	—
Share-based payments	**148**	131
	1,423	1,750

Trading transactions

		Transaction amount		Balance (owing)/owed	
Related party relationship	Transaction type	**Six months ended 30 June 2020 £'000**	Six months ended 30 June 2019 £'000	**30 June 2020 £'000**	30 June 2019 £'000
TM Group (UK) - Joint venture	Purchases by Group	**(862)**	(1,299)	**(110)**	(274)
TM Group (UK) – Joint venture	Rebate received/receivable	**65**	112	**7**	33
TM Group (UK) - Joint venture	Management services fee receivable	—	750	—	2,231
Vibrant Energy Matters –non-executive directorship held	Purchases by Group	**(321)**	(397)	**(45)**	(160)
Mr Ying Tan	Loan payable	**(94)**	(81)	—	(2,074)
Oaktree Capital Management	Director's fee paid	**(20)**	(20)	**(10)**	(10)

These transactions are trading relationships which are made at market value. The loan payable within The Buy to Let Group Limited of £1,590,000 was payable to the joint shareholder and director, Mr Ying Tan, after February 2019, once performance thresholds were met, with interest payable at 8% per annum. This was repaid in full during June 2020. The Company has made the following provision for bad or doubtful debts in respect of related party debtors during 2020: £494,000 in respect of management services fees receivable from TM Group (UK). The Company has not given any guarantee during 2020 regarding related party transactions.

During the six month period ended 30 June 2020, the Group incurred £20,000 of directors' fees from Oaktree Capital Management (30 June 2019: £20,000).

26. Contingent liabilities

As at 30 June 2020, the Group had contingent liabilities of £9.0 million (2019: £9.0 million) in respect of three letters of credit. All three of these, amounting to £7.5 million (2019: £4.5 million), are supported by cash deposits held by HSBC who have charges over those accounts (see note 18), although the third letter of credit amounting to £4.5 million is only partially cash backed to a value of £3.0 million (2019: £4.5 million not cash backed).

27. Events after the reporting period

On 22 October 2020, the Group announced a proposed recapitalisation of the business (the "Proposed Transaction") including an £90 million capital raise, which is being fully underwritten by Alchemy, a private equity investor and current shareholder in Countrywide (the "Capital Raise") and a new £75 million term loan facility (the "Term Loan") with existing lenders which is repayable at a point of four years from the first utilisation date. The Term Loan and a portion of the proceeds from the Capital Raise will be used to repay the Group's existing indebtedness. Full details are set out separately in our announcement RNS.

Independent review report to Countrywide plc

Report on the condensed consolidated interim financial report

Our conclusion

We have reviewed Countrywide plc's condensed consolidated interim financial report (the "interim financial statements") in the Interim Results of Countrywide plc for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

Emphasis of matter

Without modifying our conclusion on the interim financial statements, we have considered the adequacy of the disclosure made in note 3 to the interim financial statements concerning the Group’s ability to continue as a going concern. The Group’s forecasts and projections assume that the capital raise announced on 22 October 2020 receives shareholder and regulatory approvals and subsequently, successful receipt of £90m proceeds. Without the additional liquidity that will be provided by the capital raise, it is forecast that the Group would breach its existing leverage and interest coverage covenants in September 2021. As both shareholder and regulatory approvals and subsequent successful receipt of the £90m proceeds are outside of the control of the directors, as described in note 3, this indicates the existence of a material uncertainty that may cast significant doubt upon the Group’s ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated interim balance sheet as at 30 June 2020;
- the condensed consolidated interim income statement and the condensed consolidated interim statement of other comprehensive income for the period then ended;
- the condensed consolidated interim cash flow statement for the period then ended;
- the condensed consolidated interim statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Results have been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’ issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
22 October 2020

Company information

Contacts

Executive chairman

Peter Long

Chief financial officer

Himanshu Raja

Company secretary

Gareth Williams

Website

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Registered in England

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Corporate headquarters

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Registrar

Link Asset Services*

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Corporate advisors

Independent auditors

PricewaterhouseCoopers LLP

Bankers

Royal Bank of Scotland plc
HSBC Bank plc
Abbey National Treasury Services plc
Barclays Bank Plc
AIB Group (UK) plc

Brokers

Jefferies Hoare Govett

Barclays Bank plc, acting through its investment bank

Solicitors

Slaughter and May

***Shareholder enquiries**

The Company's registrar is Link Asset Services. They will be pleased to deal with any questions regarding your shareholding or dividends. Please notify them of your change of address or other personal information. Their address details are above.

Link Asset Services is a trading name of Link Market Services Limited.

Link shareholder helpline:	0871 664 0300 (calls cost 12p per minute plus network extras) (Overseas: +44 371 664 0300)
Email:	enquiries@linkgroup.co.uk
Share portal:	www.countrywide-shares.co.uk

Shareholders are able to manage their shareholding online and facilities included electronic communications, account enquiries, amendment of address and dividend mandate instructions.