PRESS RELEASE

26 February 2015

Countrywide plc

("Group"/ the "Company")

Preliminary statement of annual results
for the year ended 31 December 2014

Countrywide reports record financial performance and significant progress in diversifying revenue streams

Countrywide plc, the UK's largest integrated property services group, announces its results for the year ended 31 December 2014.

FINANCIAL HIGHLIGHTS

- Record financial performance in terms of income, EBITDA and margins:

	2014	2013	% increase
• Total income	£702.2m	£584.8m	+20
• Adjusted EBITDA*	£121.1m	£86.6m	+40
• Operating profit	£84.9m	£56.0m	+52
• Profit before taxation**	£102.4m	£62.9m	+63
• Basic EPS	30.8p	16.5p	+87
• Adjusted basic EPS**	36.7p	24.4p	+50
• Dividend	24.0p	8.0p	+200

- Strong financial result underpinned by market leadership in our core businesses and breadth of our Group offering (by geography and business line)
- Continued diversification of the Group with circa 40% of profits generated from business streams not directly related to the housing transactions cycle
- Group adjusted EBITDA margin now at highest ever level of 17% (2013: 15%)
- Appropriate capital structure now in place to maximise future growth opportunities
    - o net debt remains modest at £103.1 million (2013: £48.4 million)
    - o access to additional funding if required (revised £250 million revolving credit facility agreed in February 2015).
- Final dividend proposed of 10.0p per share payable on 7 May 2015 (total dividend 24.0p per share, including special dividend of 9.0p per share) representing an increase of 200% on 2013
- The Board announces an extension to the existing share repurchase programme with plans to spend up to an additional £20 million subject to market conditions

OPERATIONAL HIGHLIGHTS

- Strong operational performance with increased volumes across all the Group's KPIs.

	Number 2014	Number 2013	Variance %
House sales exchanged			
- Estate Agency	**66,022**	59,471	+11
- London & Premier	**6,383**	6,338	+1
- Group total	**72,405**	65,809	
Lettings retail properties under management	**65,334**	52,181	+25
Mortgages arranged	**70,529**	60,640	+16
Value	**£10.3 billion**	£8.3 billion	+24
Total valuations and surveys completed	**332,290**	330,121	+1
Conveyances completed (excluding third party)	**36,441**	33,285	+10

* Earnings before interest, tax, depreciation, amortisation, exceptional items, management fee, share-based payments and share of profits from joint venture, referred to hereafter as "EBITDA" (see note 4 for reconciliation)

** Before exceptional items, amortisation of acquired intangibles and share based payments (net of taxation impact)

Grenville Turner, Chairman at Countrywide plc, commented:

"The Group has delivered a record set of results for 2014, its first full year of trading since IPO, which show strong growth in both income and profits, underpinned by robust recurring revenues. We anticipate some sluggishness in market trends over the first half of 2015 in the lead up to the election. However, the resilience we derive from our broad-based business, our low leverage and our proven ability to deliver growth in a challenging market positions us well to take advantage of sustainable growth in our Lettings and Commercial businesses and capitalise quickly on the upturn as the residential sales market recovers in the medium to long term."

Alison Platt, Chief Executive, added:

"Throughout the year we have built on Countrywide's position as the clear market leader in all of its core UK businesses and been successful in delivering the strategy set out at the time of the Company's IPO. Of particular note is the significant progress we have made diversifying our revenue streams into more property activities that are independent of the housing transaction cycle and this trend remains a key tenet of our vision for how the business will continue to grow. Countrywide is already a highly integrated player, but there is a clear opportunity to expand further by fully leveraging the expertise and customer base of our substantial network of regional offices to offer our customers multiple services.

We will also continue to grow our lettings business, both through property management and by increasing our investment in the Private Rented Sector. I believe that these activities, together with the escalation of our commercial real estate activities, where there are also many opportunities to grow recurring revenue streams, position us well to achieve our aim of building a broad-based business that can perform well and deliver robust shareholder returns throughout the market cycle.

"I look forward to leading the Group through the next chapter of growth for the benefit of our customers, employees and shareholders."

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CHAIRMAN'S STATEMENT

In my first term as Chairman of the Group I am pleased to report record financial results from Countrywide plc in 2014 against the background of a sluggish UK housing market which emerged during the second half of 2014. Income grew by 20% to £702.2 million and adjusted EBITDA increased by 40% to reach £121.1 million.

2014 was definitely a year of two halves: the first six months saw the UK housing market grow strongly compared to 2013, but demand declined in the second half primarily at the top end of the London market. However, the strategic acquisitions and developments we have made over the past six years, underpinning our broad geographical reach and diversified operations, enabled us to deliver income growth across all divisions.

Strategic investment continued throughout 2014: we acquired 38 businesses at a cost of £48.9 million and invested £13.3 million of seed capital in a residential property fund aimed at the Private Rental Sector ('PRS'), which we have launched in conjunction with Hermes Investment Management, one of the UK's leading property fund managers. Our fledgling investment in Zoopla Property Group from 2010 reaped rewards for our shareholders, by way of a subsequent return of cash when the company floated on the London Stock Exchange in June 2014. Following partial disposal of our shareholding for proceeds of £20 million, which was returned to shareholders via a 9.0 pence per share special dividend, our residual investment was worth £33.2 million at the year end.

Return of capital and dividend policy

In July 2014 we announced that our ordinary dividend policy would target a return of 35% to 45% of the annual reported Group profits after tax but before amortisation. In addition, we declared that, in the absence of a major acquisition and assuming continued recovery in the residential housing market, the Board anticipated that starting in 2015 the combined value of the ordinary dividend and any supplemental return of cash would be between 60% and 70% of reported Group profits after tax but before any amortisation, which would be further augmented by the realisation of value from our remaining Zoopla shareholding. Our stated intention was that supplemental return of cash would be by way of a special dividend or a share repurchase programme depending on prevailing market conditions and views of our shareholders. Accordingly, we returned the £20 million proceeds from the partial disposal of our Zoopla shareholding by paying a special dividend of 9.0 pence per share in September 2014 and then accelerated our capital return policy by commencing a share buyback programme in October 2014, purchasing 2.9 million shares at a cost of £13.3 million before the year end.

The Board announces an extension to the existing share repurchase programme with plans to spend up to an additional £20 million subject to market conditions.

On the basis of our strong results, the Board has recommended a final dividend of 10.0 pence per share, giving a total 2014 dividend, including the special dividend, of 24.0 pence per share (2013: 8.0 pence per share). Subject to approval at the AGM, to be held on 29 April 2015 the dividend will be paid on 7 May 2015 to shareholders on the register at 27 March 2015.

Professional indemnity provision

In 2012, the Group established an exceptional provision to cover the estimated cost of claims arising in our Surveying & Valuation Division relating to surveys carried out in the years 2004 to 2007. The second half of 2014 was always seen as a key period in assessing this issue as the six year primary statutory limitation period came to an end. It is disappointing to see that high levels of claims continue to be an issue across the industry.

We have performed a detailed review of the latest data and trends on professional indemnity and, consequently believe it is prudent to increase our provision which has resulted in an exceptional charge in the 2014 financial results of £15.2 million, consistent with the expected charge noted in our Trading Update on 22 January 2015. The principal reason behind this charge is an unexpected level of claims brought about under common law outside of the primary statutory limitation period rather than under contract law, together with a slight deterioration of claims previously notified and an increase in the average loss per claim.

Board update

I was delighted to welcome Alison Platt as Chief Executive Officer from 1 September 2014, at which point I assumed the role of non-executive Chairman, ensuring continuity, and David Watson became Deputy Chairman and Senior Independent Director. Alison brings a wealth of experience and renewed energy to the Board.

During 2014 we also welcomed Jane Lighting, Richard Adam and Rupert Gavin as independent non-executive directors, with Richard taking the role of Chairman of the Audit & Risk Committee. We also accepted the resignation of Sandra Turner who we thank for her support to the Board during our first year as a listed company. The process of refreshing the Board allowed for further evaluation of the balance of skills, experience, capabilities and diversity within our new appointments, ensuring that the Board has the complementary cumulative experience to provide effective leadership and strategic direction to the Group.

Corporate governance
One of the Board's responsibilities is ensuring that the Group applies good corporate governance to facilitate effective management of the Company. As the Company's Chairman I am pleased to note that the Group is fostering an environment of innovation and progress in a framework of strong governance and risk management.

Outlook
As noted in our January 2015 Trading Update, the slow-down in residential property market growth in the second half of the year, recent negative trends in mortgage approvals and potential uncertainty regarding the general election in May, are likely to create some sluggishness in market trends over the first half of 2015. However, the resilience we derive from our broad-based business, our low leverage and our proven ability to deliver growth in a challenging market position us well to take advantage of sustainable growth in our Lettings and Commercial businesses and capitalise quickly on the upturn as the residential sales market recovers in the medium to long term. Notwithstanding the market challenges evident going into 2015, I am confident the Group is in a strong position to meet the Board’s expectations.

Our success this year would not have been possible without the passion and commitment of our outstanding employees. On behalf of the Board, I would like to thank everyone across the Group for their contribution in making this a record-breaking year for Countrywide.

Grenville Turner
Chairman

26 February 2015

CHIEF EXECUTIVE'S REVIEW

2014 proved to be a progressive and successful year for Countrywide plc, marking our first full year as a public company and continuing our track record of delivering strong financial results.

As the Chairman has already mentioned, the market for house sales during 2014 can be split into two distinct halves: a strong first half continued the recovery started in late 2013, indicating that total market volumes were on a trajectory back towards pre-2008 levels; a challenging latter half of 2014 highlighted the sensitivity of consumers to changes in the lending environment, concern about interest rate rises and uncertainty in fiscal changes impacting the cost of house moves.

The slowdown in house sales transactions was particularly acute in central London as the impact of consistently escalating prices over the last few years began to rebalance to a more sustainable level. By contrast to housing sales, 2014 was another strong year for the residential lettings market.

The breadth of our business, built over the last few years, has paid significant dividends despite a market that has housing transactions below the long-term average. The continued strong growth in our private residential lettings business coupled with our wide geographic base has enabled us to deliver not only strong revenue growth but another year of margin improvement. The fact that circa 40% of our profit is now generated from non-cyclical activities, which are not directly related to the residential transactions market, is a strong endorsement of the progress made in our strategy to diversify revenues, and we believe there is significant scope to grow these non-cyclical businesses further.

Investment in broadening the business continued in 2014 and saw significant investment in the residential lettings business, as well as Lambert Smith Hampton's acquisition of BTW Shiells in Northern Ireland. The continued programme of growth in the Lettings business, which now accounts for circa 19% of total revenues, has enabled us to build a robust model for integrating acquired businesses, whilst generating strong recurring revenues. Our ability to achieve consistently improved margins through the adoption of improved back office processes has been particularly pleasing this year and further validates our business model.

During 2014 we continued to focus on finding innovative ways to combine our core capabilities and bring new propositions to the market. The best example of this was our residential property fund in partnership with Hermes Investment Management ('Hermes'), one of the UK's leading property fund managers which from a standing start already has around £14 million of assets under management. The fund is focused on owning and managing residential properties across the country for the UK's growing private rented sector and sees us combining Hermes' ability to bring capital with our expertise in utilising our data and property management capability.

The evolving market

The aspiration towards home ownership remains a core part of the UK consumer landscape, and the market is evolving to reflect the changing priorities of the generations. 2014 was another strong year for first time buyers entering the market, although the average age of those buyers crossed the 30 year old barrier for the first time. This dynamic is also evident in the growth of the private rented housing market in the UK. While the growth of the private rented sector has slowed in recent years, a product of better access to finance, it still seems likely that 100,000 more people (net) will become tenants in 2015. This rate of growth will continue to place upward pressure on rents for the foreseeable future. It is important to recognise that for many people renting is now a choice, rather than a necessity, with a much improved selection of product available to them, together with the flexibility that renting offers over home ownership.

Access to credit also remains a key driver and the introduction of the Mortgage Market Review in April 2014 undoubtedly slowed demand in the housing sales market. Whilst the changes placed significant demand on the market, requiring considerable changes to the way a customer accesses mortgage credit, we welcome the change. We believe the underlying robustness of stress testing affordability and evidencing with customers, which supports the selection of the most appropriate choice of product and lender for them, underpins a strong and more secure future for the housing market going forward. Every one of our 600 plus mortgage consultants is trained and fully qualified to the FCA's required standard and our commitment to a robust quality and compliance framework remains resolute.

Consumers remained sensitive to wider economic conditions in 2014 and sensitivity to potential rate rises coupled with worries about fiscal changes, was a feature of slowing demand in the second half. The changes to Stamp Duty and Land Tax in both Scotland, and then latterly England and Wales impacted sales more acutely at the high end of the market where the impact was punitive - slowing sales in London being a particular outcome.

Our customers
Our emphasis on best in class service provision, sector expertise and efforts on behalf of our customers as well as our approach to investing in our employees, were recognised again in 2014 with our external awards reaching record levels. We received the following awards during the period:

- Lettings Agency of the Year – Countrywide (RESI Awards 2014);
- Best Large Chain (ESTAS 2014: Estate Agent Awards and Letting Agent Awards)
- Large Lettings Agency of the Year (The Negotiator Awards 2014)
- Property Management Company of the Year (The Negotiator Awards 2014)
- Employer of the Year – Countrywide (The Negotiator Awards 2014)
- National Estate Agency of the Year Gold Award (The Sunday Times Award 2014)
- Best Surveyor/Valuer – Panel Managers (Mortgage Strategy Awards 2014)

Our people
2014 was another strong year for the performance of Countrywide's people. We invested in the creation of 1,400 jobs across our network and placed increased emphasis on bringing in young people starting their careers in the property sector. In our professional services businesses, we continued our commitment to training 92 new surveyors, with ages ranging from 24 to 55, who achieved a 93% qualification rate. Our conveyancing business took 34 graduates into its academy who are due to take their assessments during 2015. The success of our Hamptons Academy proved the value of creating fast track careers for school leavers and graduates and we will seek to widen these initiatives across the network in coming years.

External partners
Throughout the year we remained focused on building strong relationships with our partners in the interests of our mutual customers. We remained resolutely focused on working with the leading banks and financial services brands in the UK to bring improved products and services to the market. 2014 marked a milestone, with HSBC choosing Countrywide as its first ever intermediary partner for mortgage distribution in the UK – further underlining the importance of our ability to offer ready access to skilled and qualified advisers.

On behalf of Britain's top mortgage lenders, our 400 strong professional surveying team delivered over 300,000 valuations on homes across the UK, representing a substantial percentage of all the valuations undertaken in the UK, and our life and general insurance business, in partnership with AXA and Friends Life, delivered insurance products to in excess of 150,000 customers for their personal protection needs.

Strategic opportunities
Throughout the year we have built on Countrywide's position as the clear market leader in all of its core UK businesses and been successful in delivering the strategy set out at the time of the Company's IPO. Of particular note is the significant progress we have made diversifying our revenue streams into more property activities that are independent of the housing transaction cycle and this trend remains a key tenet of our vision for how the business will continue to grow. Countrywide is already a highly integrated player, but there is a clear opportunity to expand further by fully leveraging the expertise and customer base of our substantial network of regional offices to offer our customers multiple services.

We will also continue to grow our lettings business, both through property management and by increasing our investment in the private rented sector. I believe that these activities, together with the escalation of our commercial real estate activities, where there are also many opportunities to grow recurring revenue streams, position us well to achieve our aim of building a broad-based business that can perform well and deliver robust shareholder returns throughout the market cycle.

As well as delivering strong growth in a challenging market, we have launched the 'Building Our Future' programme which is aimed at defining our ambitions for the future and establishing the ways in which we can become the stand out player in all of the markets and sectors in which we operate.

I look forward to helping to navigate the Group through the next chapter of growth for the benefit of our customers, employees and shareholders.

Alison Platt

Chief executive officer

26 February 2015

SEGMENTAL RESULTS

Segment results		**Total income**			**EBITDA**	
	2014	**2013**	Variance	**2014**	**2013**	Variance
	£'000	**£'000**	%	**£'000**	**£'000**	%
Estate Agency	**210,495**	192,968	+9	**28,195**	16,131	+75
London & Premier	**118,843**	115,634	+3	**23,274**	24,176	-4
Lettings	**134,629**	112,515	+20	**39,266**	28,624	+37
Financial Services	**73,720**	64,944	+14	**16,386**	12,213	+34
Surveying Services	**57,986**	53,621	+8	**13,603**	11,834	+15
Conveyancing Services	**28,570**	25,695	+11	**9,310**	8,435	+10
Lambert Smith Hampton	**72,798**	16,582	n/a	**8,357**	2,304	n/a
Central services	**5,160**	2,809	+84	**(17,288)**	(17,087)	-1
Total Group	**702,201**	584,768	+20	**121,103**	86,630	+40

OPERATING REVIEW

Estate Agency

The Estate Agency division saw a 9% increase in income to £210 million. With a relatively small increase in operating costs, the additional income contributed to growth in EBITDA of 75%.

2014 saw continued growth in the UK housing market with market transactions at their highest level for seven years. The second half of the year did see a slow-down in growth with uncertainty caused by the Mortgage Market Review (MMR), as well as the timing and scale of interest rate rises. Estate Agency house exchange volumes increased by 11% over the previous year, comprising 20% growth in the first half and 4% in the second half of 2014.

Transactional growth was seen across the country with all our regional businesses experiencing a higher level of exchange volumes than the previous year. Growth rates were marginally higher in the South (11%) than the North (9%). Despite increased competition in the Estate Agency market, the division saw a modest increase in the average fee generated per exchange.

Performance on cross sales into other divisions remained strong in 2014 with penetration rates into our Conveyancing, Financial Services and Surveying divisions remaining stable in 2014. The most significant area of growth came in our high value conveyancing service where instruction levels increased 63% versus the prior year.

We achieved further consolidation of our back office functions during the year with administrative support for our Auctions and Land and New Homes business moving to our National Sales Support Centre in Cheadle, Greater Manchester. This continues to provide the division with significant cost savings compared to our previous model of branch and regionally based administration, as well as improvements in the quality and consistency of processing. This has ultimately provided a better service for our customers. The centre also assisted our branch network in a number of customer support functions. This has included handling call overflow from our branches, dealing with complaints, handling leads from portals and assisting in the progression of sales through to exchange. As well as supporting the Estate Agency division, the centre also generated a number of appointments for our branch-based mortgage consultants.

With the increase in divisional exchange volumes of 11%, the greatest area of investment was in our employees, with average headcount increasing by 5%. The efficiencies offered by the National Sales Support Centre are illustrated by headcount in our branch network increasing by only 3%. Careful management of our cost base ensured that 69% of the additional income generated by the division dropped through to bottom line profit.

Branch numbers in the division increased by 11 in the year to 815. This included new office openings, new co-located offices with our Lettings colleagues and the successful integration post-acquisition of Tucker Gardner in Cambridgeshire and Lampons in East Sussex. Tucker Gardner in particular has enjoyed a successful first year of operation, exceeding sales and profits targets set as well as achieving some of the best sales rates per office seen across the division.

Market challenges

The improving transaction volumes bring new entrants to the market and increased competition for new instructions and pressure on fees, particularly from low cost 'no frills' agents. The Estate Agency division did, however, experience improving fee rates on new instructions in the second half of the year as the market began to tighten. The rate at which the pipeline of sales agreed converted to income also slowed in the year, as larger, more complex chains of housing transactions became more difficult to convert in the year.

The Stamp Duty changes announced during the Government's autumn budget statement will mean that less stamp duty will be paid by purchasers on the vast majority of house sales handled within the Estate Agency division.

The year also saw the emergence of a new funded-by-agents property portal, OnTheMarket.com. Inclusion on this portal requires the agent to move away from either Rightmove or Zoopla, something Countrywide believes is not in the best interest of the vendor.

Land & New Homes

Income in our Land & New Homes division increased 8% in 2014. With improved market conditions the division has seen a shift towards SME developers and away from the larger PLCs who sell more plots ahead of build and without assistance from Estate Agents during periods of higher demand.

With the lack of housing still an issue in the UK, 2014 was the third year of substantial investment in this area of the business with headcount growing 9% in the year and further increases planned in 2015.

Asset management

Despite repossession volumes estimated to fall by 25% in 2014, our Asset Management business, Countrywide Corporate Property Services (CCPS), saw an increase in the number of repossession mandates it received in the year. During the year the division managed to secure a significant new contract with Lloyds Banking Group as well as retaining contracts with RBS and Santander. In Q3 2014, CCPS handled one in every five of all repossessions in the market.

London & Premier

In spite of overall revenue growth and geographic expansion, 2014 was a challenging year for London & Premier. The strong first half of the year, was followed by a slower second half as segments of the London property market cooled, in particular at the top end of the prime central London market. Whilst the surprise December Stamp Duty changes led to a flurry of exchanges on the day of announcement, this did not inject enough momentum into the end of the year to offset the general slower market sentiment of the second half of 2014.

Annual revenues across the division were 3% higher than in 2013 supported by the acquisition programme undertaken during the year. Preston Bennett, Humphreys Skitt and the lettings portfolio of Humberts were all acquired in 2014, alongside several smaller lettings portfolios. These acquisitions performed well and were successfully integrated into the division and Group. Removing the impact of the acquisitions, like-for-like estate agency exchanges were virtually identical year on year.

As a consequence of a slower prime central London market and relative growth in our country and outer London branches (where the margins are lower), overall EBITDA margin dropped from 21% to 20%. It remains our medium term aim to improve this and take it beyond 25%.

The slowing of the London prime markets also impacted our average fee, contributing to the overall reduction in estate agency income streams of 3%. This decline in revenue was in spite of the expansion of the division's geographic footprint.

This expansion saw us move into the markets of Stanmore (Preston Bennett), Greenwich and Blackheath (Humphreys Skitt) via acquisitions and new branch openings in Salisbury, Sherborne and Taunton (supported by the Humberts lettings acquisition). With the exception of Preston Bennett, all of these new and acquired branches were branded under the Hamptons International banner. During 2014 our average fee dropped from 1.41% in 2013 to 1.37% due to the increased weighting of transactions outside London.

Our transactional volumes outside of prime central London increased by 5% year on year which, while diluting out the cash average fee from £12,689 to £12,203, also provided valuable protection to our revenues in 2014 following the decline of central London sales. Average house prices for the division in both years remained flat at just under £900,000. The reality of these statistics is that we saw transactional and house price growth in outer London and our country markets, with the opposite being true in the capital. Many London homeowners elected to "cash in" on their home and move out of the capital to acquire a larger property, accepting a longer commute at the same time.

Lettings and management revenues grew by 6% due to Hamptons International's branch expansion, a robust lettings market in London and an ever growing portfolio of managed units. Further expansion of our lettings business into the residential agency branch network remains an ongoing priority.

London & Premier's New Homes division was bolstered significantly by the acquisition of Preston Bennett in Stanmore; a business with a considerable new homes operation and pipeline. Combining the Hamptons International and Preston Bennett offerings in this area across North London and beyond remains one of the most exciting opportunities in 2015.

Our International department grew further with strategic partnerships now established in the USA, the Caribbean, France, Italy, Spain, Portugal, Cyprus, Switzerland, South Africa, Dubai and Oman. We represent in excess of 100,000 international listings and consistently identify international opportunities from our network of UK offices. 2015 will see the extension of the Hamptons 'International' model into other Group brands starting with John D Wood & Co. The weakening Euro is likely to create increased interest from British second home buyers this year.

During the year we decided to dispose of our Sotheby's International Realty franchise business as part of a strategic refocus on our wholly owned branded estate. Looking forward to 2015, we expect to see a quiet start to the year with the general election looming large on the horizon in May. History tells us that activity levels running up to general elections of the past have cooled, to be followed by an increase in market transactions for the rest of the year.

Lettings

Summary and market
The Lettings market remained stable throughout 2014 with continued demand for renting with Countrywide registered 490,000 applicants and agreed 49,000 lets, a record number for the business. Retail properties under management increased by 25% to 65,334 at the end of the year.

Although demand continued to grow, this was not matched by the growth of available properties in the market. Supply has been constrained by limited levels of new build activity and mortgage financing for Buy-to-Let properties. The Countrywide Rental Price Index that we publish monthly has shown that the rent for new lets in 2014 has increased at 3.8% per annum as a result of demand exceeding supply. However, the overall rent paid by existing tenants increased below inflation at 1.8% with over 70% of renewals not seeing any increase to their rent.

Our customers
We continue to look for ways to enhance the experience of our customers, whether they are Landlords or Tenants, making dealing with us simpler and more satisfying. Improved online systems for Landlords, extended opening hours and call overflow supported by our support teams all go towards these goals which continue to be our ongoing priority.

Working with other parts of the Group means we can help our customers with any of their property needs. This could include referring them to our Financial Services division in relation to re-mortgages or our sales division if a landlord wished to buy or a tenant wishes to enter the property ladder. The reverse is also true with our Estate Agency and Financial Service divisions which are able to refer their own Buy-to-Let customers for us to help them with their letting needs.

People development

We recognise that committed and engaged people will provide great customer service and we have worked hard to help our people deliver for our customers. We provide a fantastic range of training opportunities led through our innovative online learning management system 'i-learn' which we have continued to update throughout the year. We made available 95 courses during 2014 and our employee network of 2,435 employees completed 37,000 training courses. This includes mandatory training for all new employees as part of their induction to ensure that Countrywide delivers an industry leading standard with fully trained employees.

The Countrywide graduate programme is now entering its fourth year with the first set of graduates fully integrated throughout the business in various roles. The business also offers a senior management programme for the next generation of senior managers with both internal and external training to support our succession strategy.

Our commitment to our people has been recognised by winning the Employer of the Year award at the prestigious industry Negotiator Awards 2014

Growing our network

Balancing the strong organic growth through our New Start and New Opening programmes, we have continued to selectively acquire businesses that add value to our network and can be readily integrated to the wider business without affecting the ongoing customer relationships that these businesses have built up over years. During 2014 we acquired 28 businesses including some larger businesses and brands such as Tucker Gardner in Cambridge and the upper market businesses of CHK Mountford and APW in Surrey. Most acquisitions are, however, small single branch businesses which are quickly integrated and adopt the trading name of the most appropriate Group business. As businesses are integrated they benefit from the systems, services and scale economies that we can deliver whilst still retaining the things their customers value. Our core business model often means that new revenue streams, for example, insurance sales and cross referrals, can be delivered.

Our New Opening programme continued our expansion into the rental market across the UK by opening a further 11 branches. The number of new branches that Countrywide has opened over the last four years now stands at 168. All branches opened as part of our New Starts programme in 2010-2012 are now fully integrated into the business and contributed £19 million of revenue through organic growth.

Supporting the business

We continue to invest in systems and processes that support our customers and the business. The Landlord Portal continues to be developed and is being increasingly used by our customers as a valuable tool to access key information. We will continue to develop this over the coming years. Our support teams continually review processes and ways to ensure that engagement with customers is seamless – the introduction of new a national phone system has meant that customers receive a more immediate and better quality service.

Awards

As previously mentioned, we are delighted that the hard work and dedication of our wonderful people has been recognised by winning 18 awards during 2014 including;

- Lettings Agency of the Year – Countrywide (RESI Awards 2014);
- Best Large Chain (ESTAS 2014)
- Large Lettings Agency of the Year (The Negotiator Awards 2014)
- Property Management Company of the Year (The Negotiator Awards 2014)
- Employer of the Year – Countrywide (The Negotiator Awards 2014)

Financial Services

Market conditions in the first four months of 2014 were very encouraging, with signs of UK economic recovery gathering pace and the Government's "Help To Buy 2" (HTB2) initiative for First Time Buyers fully deployed across most lenders. This contributed to strong consumer optimism, making it easier for borrowers to access mortgages and enabling more First Time Buyers to enter the housing market. Implementation of the Mortgage Market Review regulations in late April slowed consumer sentiment, with some concerns about affordability of borrowing, although the regulatory changes have generally been well deployed. Across the industry both lenders and mortgage advisers alike have taken time to become accustomed to the changes in requirements, and mortgage productivity has slowed in the second half of 2014 as a result of embedding these regulatory changes. Despite this, 2014 Group mortgage advances completed totalled £10.3 billion; a 24% increase on the prior year.

In October we launched a new partnership with HSBC; the first time they have entered the Intermediary Broker market, where they delivered a range of exclusive mortgage products to the Countrywide Estate Agency customers. This new relationship reflects the confidence of our lender partners in the Group's ability to reach customers and the growing importance of distribution of mortgage products through the intermediary channel. Consumers are increasingly selecting brokers because of the choice, convenience and advice they get from the channel, particularly when discussing the affordability of their mortgage.

This year we have achieved exceptional results in partnership with our chosen general insurance providers – delivering both high quality insurance products for our customers as well as 18% growth in our insurance income. An element of the increased profitability has been attributed to the stable weather conditions experienced in the UK in 2014, coupled with the finalisation of profit share payments relating to prior periods. This enabled the profit share for household insurance sales to be £2.7 million higher than expected; a situation that is not expected to be repeated in 2015.

Overall, despite the weakening market sentiment in the second half of 2014, our income is 14% higher than last year and we have been able to utilise our infrastructure to deliver a strong profit performance in 2014 with 34% EBITDA growth.

Market 'mix':
The Estate Agency distribution was unsurprisingly oriented around home movers and First Time Buyers and benefitted more from HTB2 and 95% lending than some other brokers. A large element of our Estate Agency growth has been seen in second-hand house transactions, with Mortgage Intelligence benefiting more from remortgages and buy-to-let opportunities. As outlined earlier, this was driven as a result of positive housing market sentiment in the first half of the year.

Recruitment
The significant investment made in retaining and growing the Estate Agency mortgage consultant sales force during the second half of 2013 and the first half of 2014 assisted our revenue growth as the market gained momentum in early 2014. Total mortgage consultant headcount closed the year at 681; an increase in headcount of 70 in comparison to the end of December 2013 (headcount of 611). Due to the extensive training and mortgage lead times, new recruits take up to six months to become revenue generating, so it is satisfying to see that that this investment is starting to pay dividends. We enter 2015 with a sufficient workforce to be able to service our customer requirements in the current climate and have no plans to increase further.

Mortgage market
The recent Bank of England decision to hold base interest rates steady provides borrowers with shelter from interest rate instability in the near to medium term and will not lead to any dramatic increase in remortgaging activity. This coupled with the backdrop of the upcoming general election, the uncertain consumer sentiment, and elevated Quarter 1 2014 activity pre MMR and HTB2 will dampen comparable mortgage activity in the first half of 2015.

The regulatory environment continues to evolve and we will continue to invest strongly in our infrastructure, resourcing and systems in order to maintain our high quality service, and ensuring we offer expert advice and positive outcomes for all our customers.

Despite the inherent uncertainty in the market, the Financial Services division is seeing positive momentum in 2015, with an average loan value 7% higher than last year.

Surveying Services

2014 saw further growth for the Surveying division; mainly delivered by the investments made in our industry-leading trainee programme, started at the end of 2013. The results have provided significant growth in our in-house surveyor capacity (+26%). This increased scale has been underpinned by a growing customer base of blue chip lenders with targeted contracts being successfully won in the year and also impressive growth in work derived from B2C customers.

We saw a 15% increase in our trading EBITDA to £13.6 million. This was achieved via income growth of £4.4 million above 2013 levels, undertaking ten thousand more surveys whilst also importantly improving our average fee by 8%. The growth in headcount and investment in the trainee programme increased our cost base by 10%. The trainee programme costs in the region of £1.5 million, in line with expectations, with the first six months of the year having no associated income assigned to this cost. The unquestionable success of the scheme has enabled us to already pay back the investment and puts Countrywide Surveyors on a strong platform to head into 2015 and beyond.

The market

The division started the year very strongly with the market exceeding expectations in H1 2014, and saw us fully utilise our in-house workforce whilst also fully optimising use of our consultant network through Countrywide's ownership of United Surveyors. During this time, we continued to ensure our customers' needs were met with communication and flexibility of service being key focus areas of excellence. In H2, market growth slowed and, despite attractive products being released by many lenders, very little growth in the re-mortgage market was experienced.

Risk management

Our focus on risk management is unrelenting and we have invested heavily over the last couple of years across all aspects of this area with technology improvements, increased training, bonus elements linked to quality, and increases to staffing all playing their role in protecting the business going forward.

The Group established an exceptional provision in 2012 to cover the estimated cost of claims arising in the division relating to the period 2004 to 2007. In 2012 we estimated the likely impact of future claims to be received as well as the cost of claims already in the system. The second half of 2014 was always seen as a key period in assessing this issue as the six year primary statutory limitation period came to an end. High levels of claims continue to be an issue across the industry. As announced on 22 January 2015, we have performed a detailed review of the latest data and trends on PI and as a result we believe it is prudent to increase our provision, which has resulted in an exceptional charge in the 2014 financial results of £15.2 million. The key elements behind this charge are an unexpected level of claims brought about under common law outside of the primary statutory limitation period, rather than under contract law together with a slight deterioration of claims previously notified, and an increase in the average loss per claim.

Customers and service

We move into 2015 with a balanced portfolio of key customers, following the successful award of contracts with Barclays and Santander as two of the major success stories of 2014. Continued growth in the B2C market has also been impressive with Countrywide continuing to benefit from working closer together as a Group and ensuring all our customer's property needs are met.

Countrywide Surveyors continues to place customer service at the heart of its operation and always working with our customers and our technology partners has, and will continue to drive improvements.

The Surveying team

With a rapidly growing workforce, we have also placed a further emphasis on the support and development of all of our remote surveyors. Many of the initiatives rolled out in 2014 come from the front line and we continue to benefit from a hugely experienced and committed workforce.

Conveyancing Services

2014 was a year of growth for Countrywide Conveyancing Services with the division delivering an EBITDA of £9.3 million (10% above 2013). This result was delivered through an 11% increase in income, mainly driven by an enhanced focus on the level of referrals from our Estate Agency colleagues. This facilitated our ability to manage an additional 3,156 instructions above 2013 levels whilst also ensuring optimisation of the panel of lawyers we also manage.

Whilst we have a variety of important income streams, concentrating on Countrywide's core business is very much at the centre of our strategy. This not only represents an exciting area for further growth, but is also our biggest area where we can be instrumental in supporting and caring for customers throughout the house buying process. Throughout 2014 there have been significant investments in technology, process improvements and the training of teams in both the Conveyancing and the Estate Agency Divisions to ensure we maximise this opportunity.

Investments made in trainee programmes at the end of 2013 have been vital in growing the internal capacity of the business with the division ending 2014 with 17% of its lawyer workforce being home-grown. Three separate trainee programmes have been run throughout 2013/14 with each one having been a success, producing fee earners who are trained to the highest standard and focussed on delivering exceptional customer service. The training programme achieved external accreditation this year from the Chartered Institute of Legal Executives (CILEx).

Sustained growth has enabled us to acquire our third legal centre in February 2014 with the acquisition of Runnett and Co in Bridgend. This strategic investment expanded Countrywide's legal headcount by 11% and importantly secured further capacity to support the growth plans of the business. 2014 was a year of transition for the Bridgend team and progress has been made throughout the whole division to align working practices and systems to ensure the centre has a great platform to grow in 2015 and beyond.

2014 saw a strong start for the division, mainly driven by completions from a decent opening pipeline carried over from the prior year. In a similar way to the overall market, instructions in Q1 and Q2 were above or in-line with expectation although instructions in Q3 and Q4 slowed and were below expectation. Whilst much of the story of our instructions was driven by the movements in the overall market, there were (and are) still large opportunities for the Group to outperform the market through improved sales penetration rates within our Estate Agency division.

Customer focus

Whilst we pride ourselves on being one of the biggest conveyancing practices in the industry, great customer service for each and every individual is a critical focus area. We employ a customer experience team whose role is to constantly monitor feedback and drive improvements into the business.

Legal excellence

Supporting and safeguarding the business and its customers is, and always will be, fundamental to our success. We have a strong and established team leading this area, who pride themselves on ensuring compliance and professionalism is engrained into the business whilst also looking at new ways of driving improvements for the business and the industry. The claims record of the division is very good and the regulator commended the robust risk and compliance governance in place following a successful inspection in August 2014.

Lambert Smith Hampton

2014 was the first full year for Lambert Smith Hampton as part of the Countrywide Group. Buoyed by strong commercial market fundamentals, both in London and across our regional footprint, Lambert Smith Hampton saw an increase of 118% in EBITDA from £3.8 million for the same period last year to £8.4 million. The favourable variance was achieved from a solid income performance which finished at a six year high of £72.8 million. Although overall direct costs increased year on year, these were somewhat offset by much lower costs in other areas. The increase in direct costs were directly attributable to tactical investment in key growth areas for our business; in particular Property Management and Public Sector divisions in London where year on year head count has increased following new contract wins. We expect income from these contracts to flow into 2015.

While there has been improvement this year in the UK transactional commercial markets, we are also pleased to report income growth in our consulting specialisms which now account for 60% of our overall revenue in 2014 and grew by £5.6 million during the year. Most notable performance was from the Valuation division where turnover increased year on year by £1.7 million/20%. The agency side of our business had a solid year reporting increases of £2.7 million in income year on year, with some significant office agency and industrial agency deals contributing to this performance. Our Capital Markets business performed well again this year achieving success in advising on non-performing loan portfolios, with Lambert Smith Hampton having advised on over €38 billion of distressed debt portfolios to date.

In terms of geographies, we saw growth across most of our office network but in particular significant levels of growth came from our key hubs, namely London where income grew by £2.7 million/13% year on year. East of England where income increased year on year by £0.9 million/11%, where growth in public sector work in the region contributed to this and Birmingham with income growth of £0.3 million/5.7% year on year, one of the main drivers being the strong performance from the Valuation team.

Looking at the London market, which accounted for 32.5% of the overall revenue for 2014, significant growth came from four areas: the Consultancy divisions comprising Valuations with an increased turnover of £0.7m, Property Management £0.5 million and Planning and Development £0.5 million; and from the agency side of the business, Office Agency saw an increase in turnover of £0.5 million.

This year also saw Lambert Smith Hampton completing its first acquisition. BTW Shiells was the largest property consulting business in Northern Ireland. In the first six months of trading under the Lambert Smith Hampton brand the new Northern Ireland office performed significantly ahead of expectations for both income and EBITDA.

Investment demand for so-called 'alternative' sectors (e.g. private rented sector, healthcare, student accommodation) has increased sharply, and 2014 was a record year for investment. With plenty of money still looking to invest, we expect this to be a key opportunity in 2015.

While 2015 does bring greater uncertainty, both economically and politically, consensus points to another year of robust growth for the UK economy and its commercial property markets. Overall, 2015 should be another good year for commercial property supported by improving occupational markets, although the pace of growth should moderate to more sustainable levels. While the risks have increased, on balance, the outlook remains favourable for both investors and occupiers over the year ahead.

GROUP FINANCIAL REVIEW

2014 saw a strong financial performance across the Group with income up 20% to £702.2 million and EBITDA increased by 40% to £121.1 million. This resulted in an improvement in the Group EBITDA margin from 15% in 2013 to 17% in 2014, the highest ever recorded.

Excluding acquisitions undertaken in 2014, and the removal of Lambert Smith Hampton results in both years, underlying business EBITDA growth achieved was 21%.

All of our divisions reported improvements in income, with all except London & Premier recording growth in EBITDA (the latter impacted by the slowdown associated with Central London activity and Stamp Duty reform). Our central costs remained comparable to 2013, partially due to the offset of non-recurring benefits of circa £3 million, but are likely to increase in coming years as the Group continues to grow.

Depreciation and amortisation

Flowing through from EBITDA, our depreciation and amortisation charge continues to be separated to indicate the depreciation and amortisation that relates to assets purchased for use in the business and amortisation arising on those intangible assets that have been recognised as a result of business combinations. The underlying depreciation and amortisation charge increased by £3.2 million, the principal drivers of which were increases of £0.8 million and £1.5 million for computer software and hardware respectively as a result of the strategic investment to replace our infrastructure through the seven year outsourcing partnership with CGI which commenced in 2012. Amortisation of intangible assets recognised through business combinations has increased by £2.0 million as a result of the incremental rate of growth in acquisitions during the year. Whilst we expected amortisation charges to increase due to our acquisition strategy, it should be noted that £6.6 million of the annual charge relates to intangible assets recognised in 2007, when the group was taken private, and this will end in 2017.

Share-based payments

Share-based payment charges are also reported separately on the face of the income statement. The most significant proportion of this charge relates to a specific scheme granted at the point of the IPO last year. Immediately following the capital reorganisation in March 2013, we granted 7.2 million options to employees who were former equity holders of Countrywide Holdings, Ltd under the IPO Plan. These are nil cost options which will vest based on adjusted Group EBITDA for 2014. 80% of these options will vest in March 2015 and the balance in March 2016. The charge to the income statement in 2014 was £10.6 million (2013: £6.9 million), with additional related employers' national insurance charges of £1.3 million (2013: £1.7 million).

In addition, we also operate annual grants under a three year Long Term Incentive Plan (LTIP) to senior managers which commenced in September 2013. These are nil cost options which will vest subject to certain performance criteria disclosed within the remuneration report. The charge for the year was £2.1 million (2013: £0.4 million for a four month period) plus employers' national insurance of £0.3 million (2013: £0.1 million). Our SIP scheme also has a three year vesting period, and having only commenced in October 2013 the cost is incrementally growing and will build over time to around £0.9 million in 2016.

Exceptional items

We have reported a net exceptional income of £1.9 million, which comprises non-recurring costs of £15.2 million in respect of professional indemnity provisions charges, offset by £2.5 million of deferred income in respect of our contract with Zoopla (which will continue to recur for a further year) and £14.6 million of gains arising on the partial disposal of our shareholding in Zoopla.

Professional indemnity claims
It has been a challenging year in respect of our experience of PI claims. The number of claims being received has reduced substantially and significant progress has been made closing claims but we have seen a marked increase in claims for surveys over six years old; over 69% for surveys up to and including 2007 and the remainder principally relating to 2008. We have updated our financial models reflecting the latest inputs and trends as well as taking into account available information in respect of all open claims. As a result we have increased our provision by £15.2 million.

Evaluating these potential liabilities is highly judgemental and as we are now dealing with smaller numbers of claims, older more complex cases, our estimates can be significantly affected by the outcome, good or bad, of a handful of claims.

Finance charges
During the prior year, with the proceeds from the IPO and £75 million drawn from our finance facilities, we repaid the £250 million 10% fixed interest debt in May 2013, incurring £4.5m of exceptional costs as part of this process. Consequently our finance costs have reduced by £13.2 million and are now incurred at a margin of 1.75% over LIBOR.

Finance income earned reflects an average rate of 0.5% earned on our free cash balances over the year, reflecting lower returns offered in 2014.

Taxation
Our total tax charge for 2014 of £11.7 million represents an effective tax rate of 14.7%. The principal reasons for the lower effective tax rate are: reduction in the tax rate to 20% generated £1.2 million deferred tax credit; and utilisation of unprovided capital losses of £4.9 million.

Countrywide's business activities operate predominantly in the UK. All businesses are UK tax registered apart from some small operations in Hong Kong, Italy and Ireland. We act to ensure that we have a transparent and constructive relationship with HMRC and enjoy a low risk rating. We conduct our tax compliance with a generally risk averse approach to all tax obligations whilst endeavouring to maintain shareholder value. Tax planning is done with full disclosure to HMRC when necessary and being mindful of reputational risk to the Group. Transactions will not be undertaken unless they have a business purpose or commercial rationale.

While our contribution from corporation tax was low, largely due to the utilisation of unprovided capital losses, our businesses generate considerable tax revenue for the Government in the UK. For the year ended 31 December 2014, we will pay Corporation tax of £17.2 million (2013: £7.5 million) on profits for the year, we collected employment taxes of £132 million (2013: £113 million) and VAT of £95 million (2013: £75 million), of which the Group has incurred £47 million (2013: £30 million) and £1.9 million (2013: £1.6 million) respectively. Additionally we have paid £11 million (2013: £10 million) in business rates and collected £42.6 million (2013: £34 million) of Stamp Duty Land Tax though our conveyancing business.

Net assets
At 31 December 2014, our net assets per issued share were 242.2p, a total of £531.6 million (2013: £521.2 million) an increase of £10.4 million, or 2%, driven by a post-tax profit for the year of £67.9 million offset by returns to shareholders of £57.2million (£43.9 million dividends and £13.3 million share buy backs).

We hold 4.0% of the share capital of Zoopla Property Group plc which we report as an available-for-sale financial asset and we will continue to monitor the developments of that business.

Capital expenditure
Throughout the prolonged market downturn, we carefully managed our level of capital expenditure to protect our overall cash position. As planned, during 2013 we commenced a programme of branch refurbishments using our centralised refit teams which carried on throughout 2014. The most significant increase in capital expenditure relates to our ongoing IT transformation project with CGI. Our seven year contract with CGI included transformation services, new data centres, software, telephony and refreshing the hardware across most of the Group. We have capitalised appropriate amounts and accounted for these as a finance lease. Consequently we have recognised significantly higher capital expenditure, the cost of which will be spread over the contract.

Capex	**2014**	2013
	£m	£m
Refurbishments	**13.0**	8.6
IT ongoing	**10.4**	6.6
Cash paid capex	**23.4**	15.2
IT transformation (finance leases)	**6.6**	11.9
	30.0	27.1

Net debt

At 31 December 2014 we had cash balances of £28.6 million (2013: £36.3 million) and a £100 million (2013: £75 million) term loan repayable in three annual instalments from March 2015; £20 million, £25 million and £55 million. Additionally we had a £50 million Revolving Credit Facility (RCF) available, of which £20 million was drawn down at year end.

In February 2015, we renegotiated our facility to a £250 million revolving credit facility with a reduced margin and a longer term.

Net debt	**2014**	2013
	£m	£m
Cash	**28.6**	36.3
Debt*	**(131.7)**	(84.7)
Net debt	**(103.1)**	(48.4)

* net of capitalised banking fees

Cash flow

Net cash generated from operating activities increased by £46.9 million to £88.0 million for the year (2013: £41.1 million) representing 40.1 pence per share (2013: 18.7 pence based on number of shares currently in issue). Both years have been impacted by payments to settle PI claims. Payments in 2014 were lower than expectations at £14.4 million compared to £18.1 million of payments in 2013, principally due to the timing of settlements.

We increased our investment in new business and capital projects by £17.1 million to £80.5 million (2013: £63.4 million) and returned £57.2 million to shareholders (2013: £4.4 million) funded in part by the sale of Zoopla shares, realising £21.1 million, and drawing £45 million from our banking facilities.

Dividend

The Board has recommended a final dividend of 10.0 pence (net) per share (2013: 6.0 pence), giving a total 2014 dividend of 24.0 pence (net) per share (2013: 8.0 pence). Subject to approval at the AGM, to be held on 29 April 2015 the dividend will be paid on 7 May 2015 to shareholders on the register at 27 March 2015.

APPROVAL

This report was approved by the board of directors on 26 February 2015 and signed on its behalf by:

Alison Platt
Chief Executive Officer
26 February 2015

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of risks and uncertainties facing the business in the forthcoming financial year. The Board has reconsidered the risks and uncertainties listed below:

- Macroeconomic climate and housing market cycles
- Availability of mortgage financing
- Loss of a major business partner
- Infrastructure and IT systems
- Professional indemnity claims
- Liquidity risk

These risks and uncertainties and mitigating factors are described in more detail on pages 30 to 31 of the Countrywide plc financial statements for the year ended 31 December 2013 (a copy of which is available on the Group's website). Having reconsidered these risks and uncertainties the Board consider these to remain appropriate.

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 statements about our beliefs and expectations, are 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 as well as the Group's most recent Prospectus 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 actual results to differ materially from those indicated in any forward-looking statement.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 Pre-exceptional items, amortisation and share-based payments £'000	2014 Exceptional items, amortisation and share-based payments £'000	2014 Total £'000	2013 Pre-exceptional items, amortisation and share-based payments £'000	2013 Exceptional items, amortisation and share-based payments £'000	2013 Total £'000
Revenue		**685,094**	**—**	**685,094**	570,864	—	570,864
Other income	5	**17,107**	**—**	**17,107**	13,904	—	13,904
	4	**702,201**	**—**	**702,201**	584,768	—	584,768
Employee benefit costs	6	**(378,327)**	**(14,467)**	**(392,794)**	(323,536)	(9,070)	(332,606)
Depreciation and amortisation	14, 15	**(14,247)**	**(10,112)**	**(24,359)**	(11,066)	(8,121)	(19,187)
Other operating costs	7	**(202,771)**	**—**	**(202,771)**	(174,961)	—	(174,961)
Share of profit from joint venture	17(b)	**813**	**—**	**813**	1,015	—	1,015
Group operating profit/(loss) before exceptional items		**107,669**	**(24,579)**	**83,090**	76,220	(17,191)	59,029
Exceptional income	10	**—**	**17,098**	**17,098**	—	2,534	2,534
Exceptional costs	10	**—**	**(15,241)**	**(15,241)**	—	(5,563)	(5,563)
Operating profit/(loss)	4	**107,669**	**(22,722)**	**84,947**	76,220	(20,220)	56,000
Finance costs	8	**(5,584)**	**—**	**(5,584)**	(14,264)	(4,542)	(18,806)
Finance income	9	**285**	**—**	**285**	931	—	931
Net finance costs		**(5,299)**	**—**	**(5,299)**	(13,333)	(4,542)	(17,875)
Profit/(loss) before taxation		**102,370**	**(22,722)**	**79,648**	62,887	(24,762)	38,125
Taxation (charge)/credit	11	**(21,643)**	**9,931**	**(11,712)**	(12,542)	8,710	(3,832)
Profit/(loss) for the year		**80,727**	**(12,791)**	**67,936**	50,345	(16,052)	34,293
Attributable to:							
Owners of the parent		**80,268**	**(12,791)**	**67,477**	49,924	(16,052)	33,872
Non-controlling interests		**459**	**—**	**459**	421	—	421
Profit/(loss) attributable for the year		**80,727**	**(12,791)**	**67,936**	50,345	(16,052)	34,293
Earnings per share attributable to owners of the parent							
Basic earnings per share	13			**30.84p**			16.53p
Diluted earnings per share	13			**30.01p**			16.42p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the year		**67,936**	34,293
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial (loss)/gain arising in the pension scheme	25	**(2,415)**	653
Deferred tax arising on the pension scheme		**507**	(137)
		(1,908)	516
Items that may be subsequently reclassified to profit or loss			
Foreign exchange rate loss		**(117)**	(27)
Available for sale financial assets:			
- Gains arising during the year	17(c)	**3,200**	27,475
- Less reclassification adjustments for gains included in the profit and loss		**(11,076)**	—
		(7,993)	27,448
Other comprehensive income for the year		**(9,901)**	27,964
Total comprehensive income for the year		**58,035**	62,257
Attributable to:			
Owners of the parent		**57,576**	61,836
Non-controlling interests		**459**	421
Total comprehensive income for the year		**58,035**	62,257

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the parent						
		Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 January 2013		147,657	47,279	46,464	398	241,798	501	242,299
Profit for the year		—	—	—	33,872	33,872	421	34,293
Other comprehensive income								
Currency translation differences		—	—	(27)	—	(27)	—	(27)
Movement in fair value of available-for-sale financial assets	17(c)	—	—	27,475	—	27,475	—	27,475
Actuarial gain in the pension fund		—	—	—	653	653	—	653
Deferred tax movement relating to pension		—	—	—	(137)	(137)	—	(137)
Total other comprehensive income		—	—	27,448	516	27,964	—	27,964
Total comprehensive income		—	—	27,448	34,388	61,836	421	62,257
Transactions with owners								
Repurchase of shares		(1)	—	1	(55)	(55)	—	(55)
Cancellation of shares		(146,091)	—	—	146,091	—	—	—
Capital reorganisation		—	(47,279)	47,279	—	—	—	—
Shares issued at initial public offering		629	219,371	—	—	220,000	—	220,000
Transactional costs of shares issued		—	(7,530)	—	—	(7,530)	—	(7,530)
Share-based payment transactions	27	—	—	—	8,054	8,054	—	8,054
Deferred tax on share-based payments		—	—	—	1,235	1,235	—	1,235
Purchase of treasury shares	28	—	—	(226)	—	(226)	—	(226)
Dividends paid	12	—	—	—	(4,389)	(4,389)	(405)	(4,794)
Transactions with owners		(145,463)	164,562	47,054	150,936	217,089	(405)	216,684
Balance at 1 January 2014		2,194	211,841	120,966	185,722	520,723	517	521,240
Profit for the year		—	—	—	67,477	67,477	459	67,936
Other comprehensive income								
Currency translation differences		—	—	(117)	—	(117)	—	(117)
Movement in fair value of available-for-sale financial assets	17(c)	—	—	3,200	—	3,200	—	3,200
Reclassification of gains on disposal of available-for-sale financial assets		—	—	(11,076)	—	(11,076)	—	(11,076)
Actuarial loss in the pension fund	25	—	—	—	(2,415)	(2,415)	—	(2,415)
Deferred tax movement relating to pension		—	—	—	507	507	—	507
Total other comprehensive income		—	—	(7,993)	(1,908)	(9,901)	—	(9,901)
Total comprehensive income		**—**	**—**	**(7,993)**	**65,569**	**57,576**	**459**	**58,035**
Transactions with owners								
Share-based payment transactions	27	—	—	—	11,367	11,367	—	11,367
Deferred tax on share-based payments		—	—	—	(369)	(369)	—	(369)
Acquisition of non-controlling interest in subsidiary		—	—	—	260	260	(260)	—
Purchase of treasury shares	28	—	—	(14,290)	—	(14,290)	—	(14,290)
Dividends paid	12	—	—	—	(43,889)	(43,889)	(526)	(44,415)
Transactions with owners		**—**	**—**	**(14,290)**	**(32,631)**	**(46,921)**	**(786)**	**(47,707)**
Balance at 31 December 2014		**2,194**	**211,841**	**98,683**	**218,660**	**531,378**	**190**	**531,568**

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	2014 £'000	2013 £'000
Assets			
Non-current assets			
Goodwill	14(a)	**418,496**	379,834
Other intangible assets	14(b)	**236,996**	235,412
Property, plant and equipment	15	**45,523**	31,473
Investment property	16	**13,235**	—
Investments accounted for using the equity method:			
Investments in joint venture	17(b)	**3,219**	2,913
Available-for-sale financial assets	17 (c)	**33,290**	42,877
Deferred tax assets	24	**16,215**	15,418
Total non-current assets		**766,974**	707,927
Current assets			
Trade and other receivables	18	**98,644**	91,854
Cash and cash equivalents	19	**28,583**	36,325
Total current assets		**127,227**	128,179
Total assets		**894,201**	836,106
Equity and liabilities			
Equity attributable to the owners of the parent			
Share capital	26	**2,194**	2,194
Share premium		**211,841**	211,841
Other reserves	28	**98,683**	120,966
Retained earnings		**218,660**	185,722
		531,378	520,723
Non-controlling interests		**190**	517
Total equity		**531,568**	521,240
Liabilities			
Non-current liabilities			
Borrowings	21	**86,950**	77,257
Defined benefit scheme liabilities	25	**5,216**	4,438
Provisions	23	**25,457**	20,337
Deferred income	22	**6,961**	8,297
Trade and other payables	20	**4,344**	7,135
Deferred tax liability	24	**44,858**	46,925
Total non-current liabilities		**173,786**	164,389
Current liabilities			
Borrowings	21	**44,760**	7,487
Trade and other payables	20	**109,312**	106,286
Deferred income	22	**5,708**	6,872
Provisions	23	**22,035**	24,778
Current tax liabilities		**7,032**	5,054
Total current liabilities		**188,847**	150,477
Total liabilities		**362,633**	314,866
Total equity and liabilities		**894,201**	836,106

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Profit before taxation		**79,648**	38,125
Adjustments for:			
Depreciation	15	**9,824**	7,406
Amortisation of intangible assets	14	**14,535**	11,781
Share-based payments	27	**11,367**	8,054
Profit/(loss) on disposal of non-current assets (including exceptional income £14,564,000)		**(16,949)**	106
Amortisation of deferred income	10	**(2,534)**	(2,534)
Income from joint venture	17(b)	**(813)**	(1,015)
Finance costs	8	**5,584**	18,806
Finance income	9	**(285)**	(931)
		100,377	79,798
Changes in working capital (excluding effects of acquisitions and disposals of Group undertakings):			
Increase in trade and other receivables		**(4,119)**	(4,482)
Decrease in trade and other payables		**(10,309)**	(13,400)
Increase /(decrease) in provisions		**2,052**	(20,808)
Net cash generated from operating activities		**88,001**	41,108
Interest paid		**(5,004)**	(15,404)
Income tax paid		**(15,531)**	(1,614)
Net cash inflow from operating activities		**67,466**	24,090
Cash flows from investing activities			
Acquisitions net of cash acquired	29	**(41,017)**	(47,218)
Purchase of property, plant and equipment	15	**(17,355)**	(10,028)
Purchase of intangible assets	14	**(6,084)**	(5,138)
Purchase of non-controlling interest		**(857)**	—
Proceeds from sale of property, plant and equipment		**294**	1,470
Proceeds from disposal of business		**1,959**	—
Proceeds from disposal of available-for-sale assets		**21,302**	—
Purchase of investment property	16	**(13,017)**	—
Purchase of financial assets available-for-sale assets	17(c)	**(2,186)**	(1,054)
Dividends received	17(b)	**507**	778
Interest received		**285**	1,217
Net cash outflow from investing activities		**(56,169)**	(59,973)
Cash flows from financing activities			
Proceeds from issue of share capital		—	220,000
Transactional costs of shares issued		—	(7,530)
Term and revolving facility loan drawn	21	**45,000**	75,000
Repayment of bonds		—	(252,500)
Financing fees paid		**(813)**	(2,930)
Capital repayment of finance lease liabilities	21	**(4,521)**	(1,527)
Dividends paid to owners of the parent	12	**(43,889)**	(4,389)
Dividends paid to non-controlling interests		**(526)**	(405)
Purchase of own shares	26	**(14,290)**	(55)
Net cash (outflow)/inflow from financing activities		**(19,039)**	25,664
Net decrease in cash and cash equivalents		**(7,742)**	(10,219)
Cash and cash equivalents at 1 January		**36,325**	46,544
Cash and cash equivalents at 31 December	19	**28,583**	36,325

Notes to the financial statements

1. General information

Countrywide plc ("the Company") and its subsidiaries (together, "the Group") is the leading integrated, full service residential estate agency and property services group in the UK, measured by both revenue and transaction volumes in 2014. It offers estate agency and lettings services, together with a range of complementary services, and has a significant presence in key areas and property types which are promoted through locally respected brands.

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

2. Basis of preparation

The preliminary announcement does not constitute full financial statements.

The results for the year ended 31 December 2014 included in this preliminary announcement are extracted from the audited financial statements for the year ended 31 December 2014 which were approved by the Directors on 26 February 2015. The auditor's report on those financial statements was unqualified and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The 2014 annual report is expected to be posted to shareholders and included within the investor relations section of our website on 18 March 2015 and will be considered at the Annual General Meeting to be held on 29 April 2015. The financial statements for the year ended 31 December 2014 have not yet been delivered to the Registrar of Companies.

The auditor's report on the consolidated financial statements of Countrywide plc for the year ended 31 December 2013 was unqualified and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006. The financial statements for the year ended 31 December 2013 have been delivered to the Registrar of Companies.

(a) Going concern

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

(b) Accounting policies

In preparing this preliminary announcement the same accounting policies, methods of computation and presentation have been applied as those set out in the Countrywide plc annual financial statements for the year ended 31 December 2013. The accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The accounting policies adopted in the preparation of this preliminary announcement are consistent with those of the previous financial year.

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

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

(c) New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 but none have had a material impact on the Group:

- IFRS 10 'Consolidated financial statements': this amendment has not had an impact on the Group financial statements.
- IFRS 11 'Joint arrangements': this amendment has not had an impact on the Group financial statements as the Group has historically applied the equity method to account for its joint venture interests.
- Other amendments effective for the financial year ending 31 December 2014 (IAS32, 36 and 39) have not had a material impact on the Group.

3. Critical accounting judgements and estimates

The preparation of the preliminary announcement 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 preliminary announcement, 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 2013.

Claims and litigation

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

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

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

The estimate of these provisions by their nature is judgemental. The three key inputs, claim rate, claim liability rate and average loss, are very sensitive to any change in trends.

Claim rate – the number of claims received compared to the number of surveys performed.

During 2014 the number of claims received declined by 60% but it was still higher than expected as we saw an emerging trend of claims greater than 6 years being submitted. Of the claims received, 69% were for surveys over 6 years old, the remainder primarily relating to 2008 surveys which approached the end of their 6 year contractual statute of limitation. Historically, there has been little experience of old claims on which to base any future model, however we have increased the rate in our model going forwards. There is a possible risk that a significant rise in mortgage interest rates could lead to an increase in repossessions and potential losses being incurred by the lenders. But since there are no macro-economic indicators that this is a reasonable likelihood in the short term, the directors do not consider it appropriate to provide for additional claims due to macro-economic changes. But it should be noted that a 5% increase in the claim rate could lead to a £3 million increase in the provision for future claims.

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

A great deal of progress had been made during the year to close the claims in the system. Many of these claims are subject to protracted dealings with legal firms and can not easily be managed. Nevertheless, we experienced an increase in the number of claims resulting in a loss owing to a higher proportion of older and more difficult claims being settled in the year. As we are now resolving the older more complex claims, and the new claims being received for older surveys present more challenges researching the older files and historically available data, we anticipate that the liability rate will increase and have increased the provision accordingly. Since the liability rate is sensitive to changes we have used the average rate for closed claims over two years. In 2014 our experience was significantly above historic averages, partly due to a lower number of files being closed. However, post year end the number of claims settled with no has resulted in this rate reducing closer to the two year average. If we applied this higher rate derived from a shorter period (ie the average claim rate of 2014 and 2015 to date) to all outstanding claims, the provision may need to be increased by £1.2 million. Management does not consider it necessary to make this additional provision because calculating the rate over short periods of time increases the distortion arising from short term timing differences arising from administrative and legal processes.

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

For claims relating to the 2004-2007 period, the average loss per claim increased by 14% in 2014. This increase is attributed to the increasing complexity of the remaining claims being closed. We take every effort to mitigate losses and we also operate a very successful Accelerated Dispute Resolution process with our key lenders, agreeing settlements directly and significantly reducing the legal fees The directors have reviewed this input and consider that the level of change is within normal fluctuations and therefore do not propose to uplift the average loss but note that a 15% increase to the average loss for existing open claims would add £0.8 million to the provision.

4. Segmental reporting

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

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

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

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

Revenue and other income from external customers arising from activities in the UK was £701,710,000 (2013: £584,047,000) and that arising from activities overseas was £491,000 (2013: £721,000).

The assets and liabilities for each operating segment represent those assets and liabilities arising directly from the operating activities of each division. Pension assets and liabilities and liabilities arising from the term loan and revolving credit facility are not allocated to operating segments, but allocated in full to 'all other segments' within the segmental analysis. All inter-segment pricing is done on an arm's length basis. Non-current assets attributable to the UK of £766,956,000 (2013: £707,903,000) are included in the total assets in the tables on the following pages. Non-current assets of £18,000 (2013: £24,000) are attributable to the overseas operations. The equity investment in joint venture is disclosed within 'all other segments' and is £3,219,000 (2013: £2,913,000).

The available-for-sale financial assets are disclosed within: 'all other segments' £30,957,000 (2013: £42,877,000) and Estate Agency £2,333,000 (2013: £nil).

There are no differences from the last annual financial statements in the basis of measurement of segment profit or loss.

	2014								
	Estate Agency £'000	**London & Premier £'000**	**Lettings £'000**	**Financial Services £'000**	**Surveying Services £'000**	**Conveyancing Services £'000**	**Lambert Smith Hampton £'000**	**All other segments £'000**	**Total £'000**
Revenue	**214,246**	**115,964**	**128,971**	**73,426**	**57,785**	**27,871**	**72,640**	**—**	**690,903**
Other income	**1,051**	**2,911**	**5,658**	**1,269**	**201**	**699**	**158**	**5,160**	**17,107**
Total income	**215,297**	**118,875**	**134,629**	**74,695**	**57,986**	**28,570**	**72,798**	**5,160**	**708,010**
Inter-segment revenue	**(4,802)**	**(32)**	**—**	**(975)**	**—**	**—**	**—**	**—**	**(5,809)**
Total income from external customers	**210,495**	**118,843**	**134,629**	**73,720**	**57,986**	**28,570**	**72,798**	**5,160**	**702,201**
EBITDA before exceptional items	**28,195**	**23,274**	**39,266**	**16,386**	**13,603**	**9,310**	**8,357**	**(17,288)**	**121,103**
Share-based payments	**(1,840)**	**(331)**	**(704)**	**(111)**	**(330)**	**(159)**	**(12)**	**(10,980)**	**(14,467)**
Depreciation and amortisation	**(4,841)**	**(2,961)**	**(5,255)**	**(5,444)**	**(1,891)**	**(587)**	**(1,529)**	**(1,851)**	**(24,359)**
Share of profit from joint venture	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**813**	**813**
Exceptional income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**17,098**	**17,098**
Exceptional costs	**—**	**—**	**—**	**—**	**(15,241)**	**—**	**—**	**—**	**(15,241)**
Segment operating profit/(loss)	**21,514**	**19,982**	**33,307**	**10,831**	**(3,859)**	**8,564**	**6,816**	**(12,208)**	**84,947**
Finance income									**285**
Finance costs									**(5,584)**
Profit before tax									**79,648**

	2013								
	Estate Agency £'000	London & Premier £'000	Lettings £'000	Financial Services £'000	Surveying Services £'000	Conveyancing Services £'000	Lambert Smith Hampton £'000	All other segments £'000	Total £'000
Revenue	196,315	113,081	107,902	64,219	53,495	24,728	16,544	—	576,284
Other income	1,095	2,606	4,613	1,650	126	967	38	2,809	13,904
Total income	197,410	115,687	112,515	65,869	53,621	25,695	16,582	2,809	590,188
Inter-segment revenue	(4,442)	(53)	—	(925)	—	—	—	—	(5,420)
Total income from external customers	192,968	115,634	112,515	64,944	53,621	25,695	16,582	2,809	584,768
EBITDA before exceptional items	16,131	24,176	28,624	12,213	11,834	8,435	2,304	(17,087)	86,630
Management fee	—	—	—	—	—	—	—	(359)	(359)
Share-based payments	(1,036)	(130)	(415)	(35)	(147)	(91)	—	(7,216)	(9,070)
Depreciation and amortisation	(3,085)	(2,479)	(4,294)	(5,358)	(1,573)	(398)	(250)	(1,750)	(19,187)
Share of profit from joint venture	—	—	—	—	—	—	—	1,015	1,015
Exceptional income	—	—	—	—	—	—	—	2,534	2,534
Exceptional costs	(86)	(116)	(395)	(20)	(57)	—	—	(4,889)	(5,563)
Segment operating profit/(loss)	11,924	21,451	23,520	6,800	10,057	7,946	2,054	(27,752)	56,000
Finance income									931
Finance costs									(18,806)
Profit before tax									38,125

5. Other income

	2014 £'000	2013 £'000
Rent receivable	**1,569**	1,064
Dividend income on available-for-sale financial asset	**1,395**	1,536
Other operating income	**14,143**	11,304
	17,107	13,904

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

6. Employment costs

	2014 £'000	2013 £'000
Wages and salaries	**336,799**	287,996
Share options granted to directors and employees (note 27)	**12,860**	7,360
Defined contribution pension cost (note 25)	**5,637**	4,804
Defined benefit scheme costs	**105**	124
Social security costs	**37,393**	32,322
	392,794	332,606

7. Other operating costs

	2014 £'000	2013 £'000
Rent	**27,320**	26,134
Advertising and marketing expenditure	**19,698**	16,937
Vehicles, plant and equipment hire	**17,536**	15,792
Other motoring costs	**13,293**	11,171
Repairs and maintenance	**7,081**	5,284
Trade receivables impairment	**1,181**	1,099
Profit on disposal of business	**(2,133)**	—
Profit on revaluation of investment property	**(218)**	—
(Profit)/loss on disposal of plant, property and equipment	**(4)**	106
Other	**119,017**	98,438
Total operating costs	**202,771**	174,961

8. Finance costs

	2014 £'000	2013 £'000
Interest costs:		
Interest payable on borrowings	**141**	642
Interest payable on term loan/loan notes (including £2.5m of exceptional items in 2013 – see note 10)	**2,899**	13,107
Interest payable on revolving credit facility	**525**	416
Interest arising from finance leases	**581**	328
Other interest paid	**42**	625
Cash payable interest	**4,188**	15,118
Amortisation of loan facility fee (including £2.0m of exceptional items in 2013 – see note 10)	**1,160**	3,243
Net interest costs arising on the pension scheme	**158**	255
Other finance costs	**78**	190
Non-cash payable interest	**1,396**	3,688
Finance costs	**5,584**	18,806

9. Finance income

	2014 £'000	2013 £'000
Interest income	**285**	931

10. Exceptional items

The following items have been included in arriving at profit/(loss) before taxation:

	2014 £'000	2013 £'000
Exceptional income		
Profit on disposal of Zoopla shares	**14,564**	—
Deferred income amortisation arising from fair valuation of Zoopla shares crystallised upon the merger in May 2012	**2,534**	2,534
	17,098	2,534
Exceptional costs		
IPO related:		
Exceptional costs charged to operating profit		
Costs incurred in relation to the IPO	—	(3,979)
Share-based payment cost in relation to accelerated management incentive plan	—	(694)
Exceptional costs charged to finance costs		
Early redemption penalty incurred on redemption of £250m Senior Secured Notes	—	(2,500)
Accelerated amortisation of capitalised finance costs relating to cancelled facilities	—	(2,042)
	—	(9,215)
Non-IPO related:		
Exceptional costs charged to operating profit		
Insurance claims and litigations	**(15,241)**	—
Acquisition expenses	—	(890)
Total exceptional costs	**(15,241)**	(10,105)
Net exceptional income/(costs)	**1,857**	(7,571)

2014

Exceptional income

During 2014 there has been continued amortisation of the deferred income in relation to Zoopla warrants detailed below which will continue to unwind over the period to 31 December 2015.

In addition, the Group disposed of a significant proportion of its shareholding in Zoopla Property Group plc as part of the IPO process in June 2014 and the associated profit is disclosed above.

Exceptional costs

As part of the year end process in 2014, the Group performed a detailed review of the latest data and trends on professional indemnity (PI) costs and believed that it was prudent to increase the provision for PI claims accordingly. The key elements behind this charge are an unexpected level of claims brought about under common law outside of the primary statutory limitation period, rather than under contract law, together with a slight deterioration of claims previously notified and an increase in the average loss per claim. Further information can be found in note 3 – Critical Accounting Judgements.

2013

Exceptional income

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

Exceptional costs

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

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

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

11. Taxation

Analysis of charge in year

	2014 £'000	2013 £'000
Current tax on profits for the year	**17,241**	7,521
Adjustments in respect of prior years	**(701)**	(1,894)
Total current tax	**16,540**	5,627
Deferred tax on profits for the year		
Origination and reversal of temporary differences	**(3,747)**	1,385
Impact of change in tax rate	**(1,219)**	(2,230)
Adjustments in respect of prior years	**138**	(950)
Total deferred tax (note 24)	**(4,828)**	(1,795)
Income tax charge	**11,712**	3,832

	2014 £'000	2013 £'000
Tax on items (charged)/credited to equity		
Deferred tax adjustment arising on share-based payments	**(369)**	1,235
Tax on items credited/(charged) to other comprehensive income		
Deferred tax adjustment arising on the pension scheme assets and liabilities	**507**	(137)

The tax charge for the year differs from the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	**79,648**	38,125
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 21.49% (2013: 23.25%)	**17,116**	8,864
Effects of:		
Profits from joint venture	**(175)**	(236)
Other expenses not deductible	**1,459**	1,419
Permanent difference relating to depreciation not deductible	**231**	104
Tax relief on purchased goodwill	**(302)**	(273)
Utilisation of unprovided losses	**—**	(18)
Rate change on deferred tax provision	**(1,219)**	(2,230)
Income not subject to tax due to availability of capital losses	**(4,850)**	(962)
Adjustments in respect of prior years	**(563)**	(2,844)
Overseas losses	**15**	8
Total taxation charge	**11,712**	3,832

12. Dividends

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2013 of 6.0 pence (net) per share	**13,167**	—
– interim dividend for the year ended 31 December 2014 of 5.0 pence (net) per share (2013: 2.0 pence (net) per share)	**10,972**	4,389
– special dividend for the year ended 31 December 2014 of 9.0 pence (net) per share	**19,750**	—
Total	**43,889**	4,389

A final dividend in respect of the year ended 31 December 2014 of 10.0 pence (net) per share, amounting to an estimated total dividend of £21.9 million, is to be proposed at the annual general meeting (AGM) on 29 April 2015. In accordance with IAS 10 'Events after the balance sheet date', dividends declared after the balance sheet date are not recognised as a liability in these financial statements.

13. Earnings per share

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

	2014 £'000	2013 £'000
Profit for the year attributable to owners of the parent	**67,477**	33,872
Weighted average number of ordinary shares in issue	**218,811,538**	204,968,140
Basic earnings per share (in pence per share)	**30.84p**	16.53p

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.

	2014 £'000	2013 £'000
Profit for the year attributable to owners of the parent	**67,477**	33,872
Weighted average number of ordinary shares in issue	**218,811,538**	204,968,140
Adjustment for weighted average number of contingently issuable share options	**6,047,243**	1,275,640
Weighted average number of ordinary shares for diluted earnings per share	**224,858,781**	206,243,780
Diluted earnings per share (in pence per share)	**30.01p**	16.42p
Adjusted earnings		
Profit for the year attributable to owners of the parent	**67,477**	33,872
Adjusted for the following items, net of taxation:		
Amortisation arising on intangibles recognised through business combinations	**5,990**	2,738
Share-based payments charge	**10,326**	6,508
NI on share-based payments charge	**1,607**	1,351
Exceptional income	**(17,098)**	(2,534)
Exceptional costs	**11,966**	4,502
Exceptional finance costs	**—**	3,487
Adjusted earnings, net of taxation	**80,268**	49,924
Adjusted basic earnings per share (in pence per share)	**36.68p**	24.36p
Adjusted diluted earnings per share (in pence per share)	**35.70p**	24.21p

14. Intangible assets

(a) Goodwill

	2014 £'000	2013 £'000
Cost		
At 1 January	**797,190**	773,873
Arising on acquisitions (note 29)	**38,726**	23,317
Disposals	**(64)**	—
At 31 December	**835,852**	797,190
Accumulated impairment		
At 1 January	**417,356**	417,356
Charge for the year	**—**	—
At 31 December	**417,356**	417,356
Net book amount		
At 31 December	**418,496**	379,834

(b) Other intangible assets

	2014					
	Computer software £'000	Brand names £'000	Customer contracts and relationships £'000	Pipeline £'000	Other intangibles £'000	Total £'000
Cost						
At 1 January	**56,856**	**216,012**	**102,408**	**4,647**	**1,272**	**381,195**
Acquisitions through business combinations (see note 29)	**—**	**2,727**	**7,850**	**512**	**—**	**11,089**
Additions	**6,104**	**—**	**—**	**—**	**—**	**6,104**
Disposals	**(212)**	**—**	**—**	**—**	**(1,272)**	**(1,484)**
At 31 December	**62,748**	**218,739**	**110,258**	**5,159**	**—**	**396,904**
Accumulated amortisation and impairment losses						
At 1 January	**44,083**	**33,844**	**63,022**	**4,647**	**187**	**145,783**
Charge for the year	**4,423**	**—**	**9,568**	**512**	**32**	**14,535**
On disposals	**(191)**	**—**	**—**	**—**	**(219)**	**(410)**
At 31 December	**48,315**	**33,844**	**72,590**	**5,159**	**—**	**159,908**
Net book amount						
At 31 December	**14,433**	**184,895**	**37,668**	**—**	**—**	**236,996**

15. Property, plant and equipment

	2014					
	Land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Furniture and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost						
At 1 January	**2,192**	**28,781**	**444**	**55,001**	**—**	**86,418**
Acquisition of subsidiaries (note 29)	**—**	**—**	**22**	**372**	**—**	**394**
Additions at cost	**—**	**4,280**	**262**	**13,835**	**5,529**	**23,906**
Disposals	**(99)**	**(524)**	**(150)**	**(1,304)**	**—**	**(2,077)**
At 31 December	**2,093**	**32,537**	**578**	**67,904**	**5,529**	**108,641**
Accumulated depreciation						
At 1 January	**341**	**16,767**	**14**	**37,823**	**—**	**54,945**
Charge for the year	**23**	**2,594**	**122**	**7,085**	**—**	**9,824**
Disposals	**(24)**	**(429)**	**(79)**	**(1,119)**	**—**	**(1,651)**
At 31 December	**340**	**18,932**	**57**	**43,789**	**—**	**63,118**
Net book amount						
At 31 December	**1,753**	**13,605**	**521**	**24,115**	**5,529**	**45,523**

Assets in the course of construction with a value of £5,529,000 relate principally to branch refurbishments in progress for which no depreciation has been charged. Depreciation will commence during 2015 when the assets enter operational use.

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred, relating to 2015 and the three subsequent years, is as follows:

	2014 £'000	2013 £'000
Property, plant and equipment	**3,688**	7,139

16. Investment property

	£'000
At 1 January 2014	**—**
Additions	**13,017**
Revaluation	**218**
At 31 December 2014	**13,235**

Investment property acquired, which is property held to earn rentals or capital appreciation, is stated at its fair value. Gains arising from changes in the fair value of investment property are included in profits for the year to which they relate. On 23 October 2014, the investment property has been transferred into a separate, unlisted, residential property fund, Albion PRS Investments Unit Trust. In exchange, the Group received units in the property fund. The full independent fund structure, effectively removing any exercise of control to an independent trustee, was not in operation at the year end and is due to be in place during the first half of 2015.

As a result, the assets are being consolidated and reflected directly within investment property. However, this asset holding will be transferred to available-for-sale financial assets on completion of the independent fund structure and loss of control of the structure.

The fair value of the investment property at 31 December 2014 has been arrived at on the basis of a valuation carried out at that date by CBRE Limited, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards. The fair value was determined based on comparable market transactions on arm's length terms and has been based on the Market Rent valuation technique. The fair value hierarchy of the investment property has been deemed to be Level 2.

17. Investments

(a) Principal subsidiary undertakings of the Group

The Company substantially owns directly or indirectly the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings, most of which are incorporated in Great Britain, and whose operations are conducted in the United Kingdom.

(b) Interests in joint venture

TM Group (UK) Limited

At 31 December 2014 the Group had a 33% (2013: 33%) interest in the ordinary share capital TM Group (UK) Limited (TMG) a UK company. TMG has share capital consisting solely of ordinary shares and is a private company with no quoted market price available for its shares. TMG is one of the largest companies in the provision of searches to the property companies sector (measured by completed searches). It delivers a range of property searches and data to land and property professionals in the UK, arranges for property searches directly with specific suppliers on behalf of its own customers, and has also started to supply IT applications and products to UK mortgage lenders.

There are no outstanding commitments or contingent liabilities relating to the Group's interest in the joint venture.

During the year, TMG was a joint venture company.

	2014 £'000	2013 £'000
At 1 January:		
– net assets excluding goodwill	**1,433**	1,196
– goodwill	**1,480**	1,480
	2,913	2,676
Dividend received	**(507)**	(778)
Share of profits retained	**813**	1,015
At 31 December:		
– net assets excluding goodwill	**1,739**	1,433
– goodwill	**1,480**	1,480
	3,219	2,913

(c) Available-for-sale financial assets

	2014 £'000	2013 £'000
At 1 January	**42,877**	14,370
Zoopla shares purchased for cash	**2,090**	1,054
Zoopla shares acquired on crystallisation of warrants	**2,835**	—
Disposal of Zoopla shares	**(17,786)**	—
Acquisition of shares in unlisted equity and debentures	**96**	—
Movement in fair value	**3,200**	27,475
Amortisation	**(22)**	(22)
At 31 December	**33,290**	42,877

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

	2014 £'000	2013 £'000
Listed equity securities: Zoopla plc	**33,165**	—
Unlisted securities Zoopla Property Group Limited	**—**	42,826
Unlisted equity	**60**	20
Wimbledon debentures (acquired and amortised over the life of the debenture)	**65**	31
At 31 December	**33,290**	42,877

In May 2012, Zoopla merged with The Digital Property Group and as a result crystallised some warrants into shares which were due under an arm's length commercial agreement. The fair value of these shares was assessed based on the most recent price paid for shares. As a result of acquiring the additional shares for a nominal price and the fact that these shares were issued to the Group as part of the commercial agreement signed in 2010 to list the Group's properties for sale and rent on the Zoopla website, the excess in the assessed fair value, of these shares on initial recognition, over the nominal cost has been treated as deferred income and is being released over the period of the contract ending in 2015. The amount released to the income statement is disclosed in note 10 and the amount held on the balance sheet as deferred income is identified in note 22.

In June 2014, Zoopla plc listed on the London Stock Exchange and as a result crystallised some warrants into shares which were due under a further commercial agreement signed in 2014 to extend the listing period on the Zoopla website. The excess in the assessed fair value of these shares on initial recognition, over the nominal cost, has been treated as deferred income (£2,835,000) and will be released over the period of the contract (2016-18).

18. Trade and other receivables

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade receivables not past due	**42,512**	44,450
Trade receivables past due but not impaired	**22,818**	19,002
Trade receivables past due but impaired	**4,165**	3,848
Trade receivables	**69,495**	67,300
Less: provision for impairment of receivables	**(4,165)**	(3,848)
Trade receivables – net	**65,330**	63,452
Amounts due from customers for contract work	**1,251**	1,346
Other receivables	**14,243**	8,670
Prepayments and accrued income	**17,820**	18,386
	98,644	91,854

19. Cash and cash equivalents

	2014 £'000	2013 £'000
Cash and cash equivalents		
Cash at bank and in hand	**16,578**	20,675
Short term bank deposits	**12,005**	15,650
	28,583	36,325

20. Trade and other payables

	2014 £'000	2013 £'000
Trade payables	**13,875**	13,625
Other financial liabilities	**2,560**	4,955
Deferred consideration	**5,103**	2,174
	21,538	20,754
Other tax and social security payable	**26,988**	28,755
Accruals and other payables	**65,130**	63,912
	113,656	113,421
Trade and other payables due within one year	**109,312**	106,286
Trade and other payables due after one year	**4,344**	7,135
	113,656	113,421

21. Borrowings

	2014 £'000	2013 £'000
Non-current		
Bank borrowings	**80,000**	70,000
Other loans	**1,000**	1,000
Capitalised banking fees	**(1,613)**	(1,960)
Finance lease liabilities	**7,563**	8,217
	86,950	77,257
Current		
Bank borrowings	**40,000**	5,000
Finance lease liabilities	**4,760**	2,487
	44,760	7,487
Total borrowings	**131,710**	84,744

Analysis of net debt

	At 1 January 2014 £'000	Cash flow £'000	Non-cash changes £'000	At 31 December 2014 £'000
Cash and cash equivalents	36,325	(7,742)	—	**28,583**
Capitalised banking fees	1,960	813	(1,160)	**1,613**
Loan notes	(1,000)	—	—	**(1,000)**
Term loan due after one year	(70,000)	(25,000)	15,000	**(80,000)**
Term loan due within one year	(5,000)	—	(15,000)	**(20,000)**
Revolving credit facility due within one year	—	(20,000)	—	**(20,000)**
Finance leases due after one year	(8,217)	—	654	**(7,563)**
Finance leases due within one year	(2,487)	4,521	(6,794)	**(4,760)**
Total	**(48,419)**	**(47,408)**	**(7,300)**	**(103,127)**

Borrowings and other loans

On 20 February 2014 the Company amended and extended the existing facilities, drawing down an additional £25 million term loan, and entered into a £150 million (2013: £100 million) Term and Revolving Credit Facility Agreement which terminates in March 2017, for which there are no assets pledged as security. The facilities are split between £100 million Term Loan and £50 million Revolving Credit Facility (RCF). The term loan is repaid by instalments: £20 million on 20 March 2015, £25 million on 20 March 2016, £55 million balance due on termination on 20 March 2017. Interest is payable based on LIBOR plus a margin of 1.75%. The margin is linked to the leverage ratio of the Group and the margin rate is reviewed annually. The RCF is available for utilisation subject to satisfying fixed charge and leverage covenants, and was drawn down by £20 million at the year end.

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

Finance lease liabilities

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

The present value of finance lease liabilities is as follows:

	2014 £'000	2013 £'000
No later than one year	**4,760**	2,487
Later than one year and no later than five years	**7,563**	7,647
Later than five years	**—**	570
	12,323	10,704

22. Deferred income

Deferred income will unwind as follows:

	2014			2013
	Cash £'000	**Non-cash £'000**	**Total £'000**	Total £'000
Within one year	**3,174**	**2,534**	**5,708**	6,872
After one year:				
Between one and two years	**3,076**	**945**	**4,021**	5,189
Between two and three years	**1,050**	**945**	**1,995**	1,958
Between three and four years	**—**	**945**	**945**	1,146
Between four and five years	**—**	**—**	**—**	4
	4,126	**2,835**	**6,961**	8,297
	7,300	**5,369**	**12,669**	15,169

23. Provisions

	2014					
	Onerous contracts £'000	**Property repairs £'000**	**Clawback £'000**	**Claims and litigation £'000**	**Other £'000**	**Total £'000**
At 1 January	**1,943**	**4,276**	**2,857**	**32,909**	**3,130**	**45,115**
Acquired in acquisition (note 29)	**—**	**202**	**—**	**75**	**—**	**277**
Utilised in the year	**(863)**	**(910)**	**(5,685)**	**(14,425)**	**(863)**	**(22,746)**
Charged to income statement	**18**	**302**	**6,252**	**18,227**	**—**	**24,799**
Unwind of discount rate	**47**	**—**	**—**	**—**	**—**	**47**
At 31 December	**1,145**	**3,870**	**3,424**	**36,786**	**2,267**	**47,492**
Due within one year or less	**423**	**2,021**	**2,444**	**16,889**	**258**	**22,035**
Due after more than one year	**722**	**1,849**	**980**	**19,897**	**2,009**	**25,457**
	1,145	**3,870**	**3,424**	**36,786**	**2,267**	**47,492**

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

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

24. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2013: 21%).

The movement on the deferred tax account is shown below:

	2014 £'000	2013 £'000
Deferred tax liability at 1 January	**(31,507)**	(27,218)
Credited to income statement	**4,828**	1,795
Acquired on acquisition of subsidiary (note 29)	**(2,089)**	(7,182)
Disposed on disposal of subsidiary	**(13)**	—
Credited/(charged) to other comprehensive income	**507**	(137)
(Charged)/credited to equity	**(369)**	1,235
Net deferred tax liability at 31 December	**(28,643)**	(31,507)

25. Post-employment benefits

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

Defined contribution pension arrangements

The pensions cost for the defined contribution scheme in the year was £5,637,000 (2013: £4,804,000).

Defined benefit pension arrangements

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

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

The amounts recognised in the balance sheet are as follows:

	2014 £'000	2013 £'000
Present value of funded obligations	**(50,740)**	(43,581)
Fair value of plan assets	**45,524**	39,143
Net liability recognised in the balance sheet	**(5,216)**	(4,438)

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

	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2014	**(43,581)**	**39,143**	**(4,438)**
Expected return on scheme assets	**—**	**1,771**	**1,771**
Actuarial gain	**—**	**4,252**	**4,252**
Employer contributions	**—**	**1,900**	**1,900**
Service cost	**(105)**	**—**	**(105)**
Interest cost	**(1,929)**	**—**	**(1,929)**
Actuarial loss from changes in financial assumptions	**(6,667)**	**—**	**(6,667)**
Benefits paid	**1,437**	**(1,437)**	**—**
Expenses	**105**	**(105)**	**—**
At 31 December 2014	**(50,740)**	**45,524**	**(5,216)**

26. Share capital

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

	Number	£'000
At 1 January and 31 December 2014	**219,444,961**	**2,194**

The company acquired 2,917,000 of its own shares through purchases on the London Stock Exchange throughout October and November 2014. The total amount paid to acquire the shares was £13,262,000. The shares are held as 'treasury shares'. The company has the right to reissue these shares at a later date. All shares issued by the company were fully paid.

Where the employee benefit trust purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. At the year end, 225,151 shares (2013: 39,375 shares), costing £1,254,000 (2013: £226,000), were held in relation to matching shares of the SIP scheme.

27. Share-based payments

The Group operates a number of share-based payment schemes for executive directors and other employees. The Group has no legal or constructive obligation to repurchase or settle any of the options in cash. The total cost recognised in the income statement was £12,860,000 in the year ended 31 December 2014 (2013: £8,054,000), comprising £11,367,000 of equity settled share based payments, and £1,493,000 in respect of cash-settled share based payments for the dividend accrual associated with those options. Employer's NI is being accrued, where applicable, at the rate of 13.8% which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total NI charge for the year was £1,607,000 (2013: £1,710,000).

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

	Outstanding at 31 December			
	2014		2013	
	Charge £'000	**Number of options (thousands)**	Charge £'000	Number of options (thousands)
Accelerated management incentive plan*	**—**	**—**	694	—
IPO plan	**10,560**	**7,185**	6,938	7,185
Long term incentive plan	**2,097**	**1,550**	407	758
Share incentive plan	**203**	**225**	15	26
	12,860	**8,960**	8,054	7,969

* Disclosed as an exceptional item – see note 10.

A summary of the main features of each scheme is given below.

Executive schemes

Long term incentive plan (LTIP)

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

IPO plan

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

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

Management incentive plan (MIP)

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

Other schemes

Share incentive plan (SIP)

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

28. Other reserves

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

	Capital reorganisation reserve £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Available-for-sale financial assets reserve £'000	Treasury share reserve £'000	Total £'000
Balance at 1 January 2013	—	45,540	(29)	953	—	46,464
Currency translation differences	—	—	(27)	—	—	(27)
Movement in fair value of available-for-sale financial assets	—	—	—	27,475	—	27,475
Repurchase of shares	—	1	—	—	—	1
Capital reorganisation	92,820	(45,541)	—	—	—	47,279
Treasury shares	—	—	—	—	(226)	(226)
Balance at 1 January 2014	**92,820**	**—**	**(56)**	**28,428**	**(226)**	**120,966**
Currency translation differences	—	—	(117)	—	—	(117)
Disposal of fair value of available-for-sale financial assets	—	—	—	(11,076)	—	(11,076)
Movement in fair value of available-for-sale financial assets	—	—	—	3,200	—	3,200
Treasury shares	—	—	—	—	(14,290)	(14,290)
Balance at 31 December 2014	**92,820**	**—**	**(173)**	**20,552**	**(14,516)**	**98,683**

29. Acquisitions during the year

	APW £000	Tucker Gardner £000	Preston Bennett £000	Other £000	Total £000
Intangible assets	893	4,153	1,017	5,026	11,089
Property, plant and equipment	66	79	111	138	394
Trade and other receivables	435	238	1,442	1,202	3,317
Cash at bank	1,309	370	655	469	2,803
Trade and other payables	(260)	(884)	(584)	(2,307)	(4,035)
Corporation tax	(92)	(126)	(294)	(493)	(1,005)
Deferred tax	(179)	(834)	(223)	(853)	(2,089)
Provisions	—	—	—	(277)	(277)
Net assets	2,172	2,996	2,124	2,905	10,197
Goodwill	5,994	4,112	4,018	24,602	38,726
Consideration	8,166	7,108	6,142	27,507	48,923
Settled by:					
Initial consideration	7,691	6,958	4,630	24,541	43,820
Deferred consideration	475	150	1,512	2,966	5,103
	8,166	7,108	6,142	27,507	48,923
Cash paid	7,691	6,958	4,630	24,541	43,820
Cash at bank	(1,309)	(370)	(655)	(469)	(2,803)
Net cash flow arising from acquisitions	6,382	6,588	3,975	24,072	41,017
Revenue post-acquisition	1,855	5,107	4,129	12,403	23,494
Profit post-acquisition	880	2,018	1,833	3,289	8,020
Proforma revenue to 31 December 2014	2,452	5,107	4,273	19,160	30,992
Proforma profit to 31 December 2014	1,108	2,018	1,823	4,539	9,488

During 2014 the Lettings division acquired 28 lettings operations, including Tucker Gardner and APW, as part of the targeted acquisition strategy to increase the Group's footprint in certain under-represented geographical areas. The total consideration in respect of these acquisitions was £37.6 million and the most significant Lettings acquisitions were as follows: on 1 January 2014 the Group acquired 100% of the equity share capital of Tucker Gardner Residential Limited and on 7 April 2014, the Group acquired 100% of the equity share capital of APW Holdings Limited and five subsidiary companies for the consideration noted in the table above. The London & Premier division acquired six businesses as part of its targeted acquisition strategy to expand in certain under represented geographical areas for a total consideration of £9.4 million, the most significant of which was on 22 January 2014, the Group acquired 100% of the equity share capital of Preston Bennett Holdings Limited for the consideration noted above. Lambert Smith Hampton and Conveyancing Services each acquired a business for £0.8 million and £1.0 million consideration respectively.

The acquired trade and other receivables for all acquired businesses are all current and their fair value is not materially different. Furthermore there are no contractual cash flows that are not expected to be collected. The goodwill recognised by the Group upon acquisition has no impact on tax deductions.

The costs of these acquisitions amounted to £803,000 (2013: £890,000) and have been written off to profit and loss.

30. Related party transactions

Trading transactions

		Transaction amount		Balance owed/(owing)	
Related party relationship	Transaction type	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Joint venture	Purchases by Group	**(2,539)**	(2,190)	**(193)**	(183)
Joint venture	Rebate received	**394**	975	**23**	32
Joint venture	Dividend received	**507**	778	—	—
Apollo Management	Management fee paid	—	180	—	—
Apollo Management	Directors fee paid	—	19	—	—
Oaktree Capital Management	Management fee paid	—	180	—	—
Oaktree Capital Management	Directors fee paid	**40**	35	—	(10)

With the exception of dividends and management fees, these transactions are trading relationships which are made at market value. The company has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given during 2014 regarding related party transactions.

Prior to the IPO, Oaktree Capital Management and Apollo Management LP both owned in excess of 20% of the share capital of the Group. Following the IPO, each entity had a director on the board of the Company until Apollo Management LP divested their shareholding in the second half of 2013.

During the year ended 31 December 2014, the Group incurred £Nil (2013: £359,000) split equally between Apollo Management and Oaktree Capital Management, in respect of management fees. Following the IPO, management fees have not been incurred but fees have been payable in respect of each of the respective directors appointed to the Board at a rate of £40,000 per annum.

31. Financial risk management and financial instruments
Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), counterparty credit risk and liquidity risk.

The preliminary announcement 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 2013. There have been no changes in the operation of risk management or in any risk management policies since the year end.

Liquidity risk

There has been no material change in the financial liabilities (see note 20) or in the terms of borrowing applicable since the prior year end, other than a reduction in margin payable as disclosed in note 21.

Fair value estimation

The only material financial instruments carried at fair value are the non-quoted equity instruments in Zoopla Property Group plc ('Zoopla shares') held at £33.2 million (31 December 2013: £42.8 million) within available-for-sale financial assets. These shares are classified as Level 1 financial instruments, as defined by IFRS 13, as there is a quoted market price (2013: Level 3 classification as inputs for the valuation of the asset were not based on observable market data).

Fair value measurements using significant unobservable inputs and valuation processes

The fair value of the investment property at 31 December 2014 has been arrived at on the basis of a valuation carried out at that date by CBRE Limited, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards. The fair value was determined based on comparable market transactions on arm's length terms and has been based on the Market Rent valuation technique. The fair value hierarchy of the investment property has been deemed to be Level 2.

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

32. Events after the reporting period
During the first few weeks of the year the Group has acquired 5 businesses for £6.9 million. At the time of preparing these financial statements, management is in the process of assessing the impact of these acquisitions on the Group.

The Group debt facility, to which the Company is a party, has also been restructured in February 2015, resulting in an increase in the facility to £250 million and reduction in interest margins payable. For further details please refer to the Group financial review within the strategic report of the consolidated financial statements.

Since the year end and to the date of this report, the company has acquired a further 1,465,000 of its own shares through purchases on the London Stock Exchange. The total amount paid to acquire the shares was £6.8 million. The shares are held as 'treasury shares'.

Chief Executive officer	Alison Platt
Chief Financial officer	Jim Clarke
Company Secretary	Gareth Williams
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Independent auditors
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Broker
Jefferies Hoare Govett

Bankers
Royal Bank of Scotland plc
Lloyds Banking Group
HSBC plc
Abbey National Treasury Services plc
Barclays Bank Plc
Allied Irish Banks plc

Solicitors
Slaughter and May

Financial calendar

AGM	29 April 2015
Ex-dividend date for final dividend	26 March 2015
Record date for final dividend	27 March 2015
Payment date for final dividend	7 May 2015
Interim results	30 July 2015
Ex-dividend date for interim dividend	10 September 2015
Record date for interim dividend	11 September 2015
Interim dividend paid	9 October 2015

***Shareholder enquiries**

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

Capita Asset Services is a trading name of Capita Asset Services Limited.

Capita shareholder helpline:	0871 664 0300 (calls cost 10p per minute plus network extras) (Overseas: +44 02 8639 3399)
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Shareholders are able to manage their shareholding online and facilities included electronic communications, account enquiries, amendment of address and dividend mandate instructions.