

Countrywide plc

("Group"/ the "Company")

Preliminary statement of annual results for the year ended 31 December 2015

Mixed performance in line with expectations with momentum building in 2016

Countrywide plc, the UK's largest integrated property services group, announces its results for the year ended 31 December 2015.

FINANCIAL HIGHLIGHTS

	2015	2014	% change
• Total income	£733.7m	£702.2m	4
• Adjusted EBITDA*	£113.0m	£121.1m	(7)
• Operating profit	£53.8m	£84.9m	(37)
• Profit before taxation**	£85.8m	£102.4m	(16)
• Basic EPS	18.9p	30.8p	(39)
• Adjusted basic EPS**	32.2p	36.7p	(12)
• Ordinary dividend	15.0p	15.0p	-
• Special dividend	-	9.0p	n/a

- Group income up 4% to £733.7m with decline in estate agency and lettings profitability resulting in EBITDA reducing 7% to £113.0m
- Market beating performance from financial services and surveying
- Encouraging progress in commercial
- Consolidation in lettings with investment in acquisitions and core platform
- Challenging sales market as pace of change created some disruption in estate agency
- Resilient performance in London
- Value of diversification evident by performance across the portfolio
- Final dividend held at 10.0 pence per share
- Proceeds of £19m from part disposal of Zoopla holding to be returned to shareholders by way of a share buyback programme
- New banking facilities agreed (£340m RCF) to provide greater flexibility on timing of investment

* Earnings before interest, tax, depreciation, amortisation, exceptional items, contingent consideration, 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, contingent consideration and share based payments (net of taxation impact)

OPERATIONAL HIGHLIGHTS

2015 mixed performance in a challenging period:

- Significant period of change in the market and our business
- New management and divisional structure in place with four business units focused around the customer (Retail, London, Financial Services, B2B)
- Proactive action taken on cost while protecting key investments
- Clear strategic vision communicated to the business

2016 foundations in place for future resilience and growth:

- Fragile consumer confidence in the housing market
- Focus on execution, regaining and growing market share and accelerating proposition improvements including multi-channel
- Growth in core lettings business building on improvements in service
- Driving value from early progress in financial services, valuations and commercial
- Capturing greater returns from strong regional presence
- No change to current financial outlook for 2016

	Number 2015	Number 2014	Variance %
House sales exchanged			
- Retail	50,396	55,422	(9)
- London	11,819	13,338	(11)
- B2B	5,187	4,690	11
Group total	<u>67,402</u>	<u>73,450</u>	(8)
Properties under management			
- Retail residential	60,272	56,204	7
- London residential	14,588	12,600	16
- B2B corporate	32,049	34,164	(6)
Group total	<u>106,909</u>	<u>102,968</u>	4
	75,939	70,529	
Mortgages arranged			8
Value	£12.2bn	£10.3bn	18
Total valuations and surveys completed	357,033	332,290	7
Conveyances completed (excluding third party)	34,851	36,441	(4)

Grenville Turner, Chairman at Countrywide plc, commented:

"2015 was a significantly tougher year both for the market and Countrywide. However the value we derive from our broadly based diversification strategy is evident with 42% of Group EBITDA being delivered from Lettings and Commercial. 2015 marks my final year as Chairman and I am proud of my tenure at Countrywide. I would like to take this opportunity to wish Peter Long, Countrywide's new chairman with effect from 27 April 2016 and the Board the very best as it delivers its customer centric strategy."

Alison Platt, Chief Executive, added:

"2015 was a challenging year but we also made strong progress in creating solid foundations for the business to grow as planned in the coming few years.

A tougher sales market coupled with our significant change agenda challenged us in maintaining our share of sales outside of London. However, the importance of the breadth of our portfolio through such a diversified business as ours was underlined by the market beating performance delivered in financial services, commercial and surveying. I am confident that the pace that we delivered our change agenda ensures we enter 2016 in a stronger position to regain market share and build the business further."

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CHAIRMAN'S STATEMENT

In my second and final term as chairman of the Group, I am reporting following a significantly tougher year both for the market and Countrywide. 2015 was an uncertain year and we know that uncertainty does not breed confidence, a necessary factor to provide stimulus to the UK housing transaction market. The May general election was the most uncertain election in a generation and the anticipated post-election boost never materialised.

2015 results delivered income growth of 4% to £733.7 million but EBITDA fell to £113.0 million. While lower than 2014's performance with poorer results in sales and lettings, these figures highlight the benefits we continue to derive from our broadly based diversification strategy with 42% of Group EBITDA being delivered from Lettings and Commercial, our key recurring revenue streams. Other contributors to growth were our Financial Services and Surveying teams, two areas of the business which outperformed the market in 2015.

In 2015, we confirmed that there would be no change to underlying dividend policy which would target a payout ratio of 35-45% of the annual reported Group profits after tax but before amortisation. In recent years, the Group has paid 40% and I can confirm that the 2015 cash payment will be held at the previous year's level. In February 2016, we sold 8,659,302 Zoopla shares realising £19.1 million which will be returned to shareholders by way of a share buyback programme. We continue to hold 9,234,473 Zoopla ordinary shares. The Board has the potential to re-introduce special dividends from 2017.

As announced on 11 February 2016, I am pleased that Peter Long will take over as Non-Executive chairman following the Company's Annual General Meeting on 27 April 2016. I am proud of my tenure at Countrywide and it was always my intention to only remain as chairman for a period of two years. I believe the time is now right to depart with the arrival of Peter who brings a strong customer focus and a wealth of plc board experience, which will complement the Board's expertise and add value to Countrywide as it delivers its customer centric strategy.

As noted in our January 2016 Trading Update, the Group achieved an encouraging performance in Q4 of 2015. While it is too early to accurately predict how the residential transactions market will perform in 2016, trends are encouraging with momentum building and strong pipelines. At this stage in the year, I am confident that the Group is in a good position to deliver in line with the Board's expectations.

Grenville Turner
Chairman

25 February 2016

CHIEF EXECUTIVE'S REVIEW

Market 2015

It has been an uncertain year for the UK property market and all the stakeholders it impacts. Our sector has seen another year of record low interest rates, a housing market very short of supply and a step up in tax changes impacting both the higher priced home and second homes markets negatively.

Market data available for 2015 highlights the impact of changing dynamics in the residential property market, with transaction levels across the country running lower than the previous year. Market volumes for 2015 are expected to be 3-4% below 2014 and in the region of 970,000 – 980,000 transactions at year-end which is still far short of a normalised run-rate by historic standards.

The negative trend in mortgage approvals at the end of 2014 impacted transaction levels in the first half of 2015 which, together with the potential uncertainty over the outcome of the General Election in May, created sluggishness in market trends during the first half of 2015, as both buyers and sellers delayed decisions to move. Further, the anticipated bounce in the second half of the year following the outcome of the most uncertain General Election in a generation failed to materialise as consumer confidence remained fragile. This manifested most acutely in a lack of stock as the number of properties coming to the market ran significantly below last year. That pressure on market volumes continued throughout 2015.

While the aspiration towards home ownership remains a core part of the UK consumer landscape, the property market continues to evolve to reflect changing consumer priorities. This is particularly evident in the growth of the private rented housing market, where demand remains strong. Although throughout 2015, tenants also showed a lower propensity to move with average tenures extending to 17.1 months up from 15.5 months in 2012.

Our performance

The challenging market in sales impacted our performance and this, coupled with the significant change agenda we've driven, resulted in a tough year for our Retail Sales division.

Our London sales business showed tremendous resilience though and despite operating in the market which saw the most acute impact from changes to stamp duty, grew its market share and revenues.

Our Lettings business in London also grew whilst our decision to invest further for the future in core systems, people and service slowed, for now, the rate of growth in our Retail Lettings business across the rest of the UK.

Encouragingly, we delivered exceptionally strong performance in both Financial Services and Surveying as they outperformed the markets. Another strong year in our Commercial business saw profits grow in both the core and acquired businesses. The balance of recurring revenues in that business reached 70%, a pleasing achievement as we seek to limit volatility in both our residential and commercial revenue streams.

2015 was a transformative year for the Group and set us on the right path to achieve our ambitious goals for 2020. Through our people, we set our Building our Future strategy and continued our successful acquisition programme, while providing resilience for the Group's future through investment in transformation, people capability and risk management. We also focused on creating industry-leading capabilities in research and analytics to capitalise on the value of our unique data and insight of the market through our unparalleled national footprint.

2015 also saw us complete the most significant customer research programme Countrywide has ever undertaken, involving more than 3,000 customers across sales and lettings. The insight from that research coupled with our data has informed our new propositions and service offerings, which will be trialled across three of our brands in the second quarter of 2016. These propositions will reflect our customer's desire to use multiple channels (online, telephone and branch network) and use enabling technology whilst accessing the experience and expertise that our UK wide network of people bring.

Core to delivery of our new multi channel propositions will be the development of our digital capabilities, organically and through investments and partnerships. To date in 2016, we have made investments in innovative proptech firms focused on improving customer experience. We are the lead strategic partner with Fixflo, the leading 24/7 property repair reporting system, and have also taken a significant minority stake in an early stage start up platform in the self-serve lettings market.

Hand in hand with investing to grow our business organically, our approach to acquisitions remains in line with our strategy. Our focus has been to strengthen our presence in strategic locations across the UK and we remain committed to delivery of our target hurdles and returns. In 2015, we acquired 30 lettings businesses including some key targets in Liverpool, York and Bristol. This focus on key cities will continue in 2016.

2016 – year of execution

2016 is all about execution as we begin to realise the benefits of our strategy. Diversification of our business model will continue as we increase resilience across residential and commercial. Operating Retail as a single structure for core sales and lettings is building momentum with encouraging signs as we enter 2016 with a growing pipeline in sales, improving conversion rates and rising landlord retention. Our focus now is on capitalising on this fast start to 2016, ensuring we take advantage of early strong winds in the market.

We believe we are superbly placed to capitalise on a mortgage market that is shifting further toward an intermediary model with expectations that more than 70% of the total mortgages written in 2016 will be brokered. Our 600+ field force of mortgage consultants are targeted to deliver record performance driven by improved lead management, better data utilisation and a new front end operating system, which is being rolled out as we enter 2016.

Our relationships with our main partners remain core to our strategy. The high street banks view us as the distributors for their mortgage products but also their partner in risk management through valuations. Equally key are developers and house builders and the creation of Countrywide Residential Development Solutions has given us a platform through which to grow in the new homes space. We expect to add capability here through acquisition as we seek to expand in this critical area.

Outlook

We continue to be prudent in our assumptions for growth in the residential housing market in 2016 and our focus will be driving our own growth through regaining share and attracting new customers through better propositions. We remain of the view that the drivers of demand for the private rental sector remain strong and will drive further growth. The impact of the increased tax burden for Buy-To-Let landlords and second home owners has yet to play out in the market, but in a low interest rate environment, yields in the Buy-To-Let sector, particularly outside London, remain attractive. Enabling institutional investment to create high quality built-to-rent stock remains high on our agenda, and our residential Investment Fund in partnership with Hermes Investment Management goes from strength to strength with schemes in Manchester and Liverpool now exchanged and a second round of fund raising underway.

We are confident that our relentless focus on delivering our purpose of putting people and property together will yield strong progress in 2016 and have no change to current financial outlook for 2016. The market's volatility is unlikely to subside in 2016, so navigating external challenges while delivering a first class service for our customers will be crucial. Our ambition to be the most recommended company in the property sector is clear and embraced by all colleagues across the Group. We look forward to building on the early momentum evident at the beginning of 2016 as we create a strong and thriving business delivering enduring returns for our shareholders, customers and colleagues alike.

Alison Platt
Chief executive officer

25 February 2016

SEGMENTAL RESULTS

Segment results (1)

	Total income			Adjusted EBITDA		
	2015	2014	Variance	2015	2014	Variance
	£'000	£'000	%	£'000	£'000	%
Retail	254,451	265,651	(4)	43,343	58,621	(26)
London	177,982	172,635	3	34,162	37,107	(8)
Financial Services	80,994	76,439	6	20,709	18,586	11
B2B	219,051	182,315	20	32,302	21,363	51
Central services	1,258	5,161	(76)	(17,539)	(14,574)	(20)
Total Group	733,736	702,201	4	112,977	121,103	(7)

(1) Previously reported results for 2014 have been restated to align with the new segmental structure

OPERATING REVIEW

Retail

Highlights

- LaunchPad – our innovative tablet technology speeds properties to market and streamlines operations
- Continued selective and strategic acquisitions
- Multiple awards including The Sunday Times Lettings and Estate Agency of the Year
- New Starts Programme continues to build profitability

Operating Review

Estate Agency: The number of properties coming to market did not meet our forecast in 2015 and overall exchanges were 9% down on 2014. Demand was also subdued with the number of potential homebuyers registered down 7% year on year at 912,000, although we did see some evidence of improving demand towards the end of the year. We continued to improve productivity and agreed sales on a higher proportion of our new instructions in the year.

The new instructions market remained extremely competitive with the pure play online agents being the most visible. This resulted in our average instructed fee decreasing by 3% despite our improved customer proposition and market appraisal focus.

Lettings: The market was stable through 2015 and demand continued to out-strip supply with more than 12 people registering an interest in every property. We agreed 42,600 lettings in 2015 with prime properties being let most quickly.

The Countrywide Rental Index, published monthly, has shown that the rent for new lets increased by 4.1% nationally in 2015 reflecting the continued strong demand in this sector.

Supply in the South of England started recovering in Q4 and by the end of the year was back at the 2014 level. In addition, monthly rents increased most in the South West (up 6.2%), demonstrating that there is still demand for good properties with more than 15 applicants per available property. In the Midlands there was a mixed supply across the Regions. Midlands West and East were stable, while Midlands Central and North had fewer rental properties compared to 2014. Monthly rent in the East of England saw the second highest increase in the country - up 5.8% - while the Midlands and Wales grew by 2.8% and 1.8% respectively. In the North and Scotland, rental properties remained in short supply and rent only increased by 2.5%. Despite this, the number of applicants remained high in the North with an increase from 8 to 10 applicants for each available property.

We remain committed to using the leading portals Rightmove and Zoopla whilst also giving our customers the widest possible exposure to other digital platforms including our own websites.

We also improved the customer experience by:

- Introducing innovative tablet technology – LaunchPad - which has dramatically improved productivity by improving the speed of taking properties to market
- Improving landlord retention through improved customer service and increased resource in our property management and customer care teams
- Enhancing our online tools. Our landlord portal has made it easier for clients to do business with us and tenants are now also able to complete referencing online.

Acquisition remains an important part of our strategy and during 2015 we acquired 27 businesses including a number of large businesses and brands. We aim to increase our market presence in areas where we are underrepresented and in 2015, we significantly increased our presence in the Liverpool region with the acquisition of two businesses, Clive Watkins and Sutton Kersh. The largest acquisition of 2015 was the John Francis network of 21 branches in South Wales which has given us great scope to expand and develop this market.

Plans for 2016

The Retail Business Unit has a combined force of 4,800 people across 822 branches and 61 brands, giving us a unique opportunity to delight our customers and enhance their property experience whether they are a Landlord, Tenant, Vendor or Potential Buyer. We have focused on ensuring our business structures are set up to deliver the ambitious plans we have for 2016 all of which put the customer at the heart of what we do and help us to double the size of our business by 2020.

Outlook

With a stable interest rate outlook and some improvement in New-Build numbers, the level of transactions in the market is expected to grow gradually into 2016. With our continued focus on growing market share, we expect to move forward positively in 2016.

London

Highlights

- Successful acquisitions last year – Greene & Co, John Curtis, Vanet Property Asset Management
- Lettings fees grew year on year to £56m with tenancies growing 3%
- Significant growth in London residential sales pipeline, up year on year by 22%
- Strong performance in premium house sales above £2m, outperforming the London residential sales market

Operating Review

2015 saw a significant amount of change with the creation of a new London business unit. Servicing the largest and one of the most diverse residential property markets in the world, Countrywide's London business unit has been divided up into four business areas each focusing on distinct segments: Bairstow Eves & Mann, Mid-market and Growth, Premier and City, and Hamptons International. It now has more than 250 branches which incorporate over 420 sales and lettings operations across 20 high street brands, and 2,600 people who generated £178m of income in 2015 and £34m of EBITDA. The breadth of our offer in London coupled with the strength and robustness of market leading brands, give us a great platform for growth over the next few years.

A strengthening economy, low interest rates and new Government schemes aimed at helping first time buyers continued to support demand in the core London market in 2015. However, the supply of housing stock was restricted, with a 6% fall in the number of homes coming onto the market. As a result of this demand and supply imbalance, prices across London continued their upward path, albeit at a more modest rate than in 2014, to finish the year at £507,000, and the number of sales in the Capital fell by 10% from 2014 levels. Rents increased by 4.7% over 2015 to finish the year at an average £1,292 per month.

As predicted the first half of 2015 was quiet in the lead up to the General Election in May. In addition to this, the 2014 stamp duty changes resulted in a noticeable slow-down in the sales market at the upper end throughout 2015. This is an area where Countrywide is a leading player with brands including John D. Wood and Hamptons. Despite the market for house sales over £2m being down by 26% year on year, Countrywide London, as a whole, outperformed the market with £2m plus sales down 6% from 437 to 409, demonstrating the strength of these brands and our network.

Total 2015 annual revenues across the London division were 3% higher than in 2014, with profits 8% lower due to the additional cost base taken on as a result of the acquisitions and new branch openings. The impact of the depressed upper

end of the housing market, combined with house price inflation in Outer London and the mid-market, meant that our average sales fee increased by 5%. Whilst total lettings fees grew year on year by 1%, the mix of lettings between Central London and Outer London resulted in the average letting fee decreasing by 2%.

Preparation for growth

In 2015, we continued with our strategy of making acquisitions in sectors of the market where we identify growth opportunities. Acquisitions in the year included Greene & Co, a leading business in the mid-market in north London, John Curtis in Harpenden and Wheathampstead, as well as Vanet Property Asset management, based in Docklands. We also opened new Hamptons branches in Earlsfield and Headington. All of these acquisitions and new branches have performed in line with expectations so far. Greene have added to our sales and letting growth in the mid-market and our wider London lettings revenues grew by 9% as a result of an increase in our lettings footprint from branch expansion and the acquisition of specialist lettings businesses.

Our International department grew in 2015 with affiliations established in The Algarve, Portugal, Costa Blanca, Spain, Tuscany & Umbria, Italy and Valais Canton, Switzerland. Hamptons international have the largest UK-based international property portal containing over 100,000 listings and over 7,000 international partner offices. This number has been as high as 130,000 in peak season. In mid-2015 John D Wood & Co. launched an international offering, working with the already established Hamptons International team.

Outlook

Whilst it remains to be seen if the EU Referendum will have an impact on central London house sales, we expect to see a gradual improvement of sales transactions in the upper end of the London sales market in 2016, as vendor and purchaser expectations continue to align. Growth in transactions and prices in the outer London regions should continue, as people move from central areas to wider London boroughs and commuter zones when buying or 'trading-up', driven by affordability. This trend will play well to our diversified network strength across all sectors and regions of the London property market.

The London lettings market is a robust one and is continuing to evolve and grow. 29% of households rent in London compared to 18% nationally and people are increasingly 'on the move', in and out of the capital. London now represents 34% of the UK rental market by number of lets. To service this demand, further expansion of our London based lettings business remains a priority.

Financial services

Highlights

- The financial services division continues as the third largest mortgage distributor in the UK, with approximately 6% of the UK mortgage market
- 11% EBITDA growth
- Strong mortgage growth from Mortgage Intelligence and Slater Hogg, increasing 30% and 16% year on year respectively
- In our field sales force, productivity per mortgage consultant has increased by 8% year-on-year with a 4% reduction in heads
- 12% increase in protection revenues
- 9,500 customers referred to our conveyancing business, generating £3m in revenue

Operating review

Mortgage market conditions in the first half of 2015 were subdued, with gross lending trailing 1% behind the prior year. The anticipated slowdown prior to the general election and weak lending in the first quarter alone led most market commentators to downgrade their expectation of the year's outturn. However, the lending markets picked up across the summer, matching levels of activity not seen since 2008. Continued strong growth in the second half of the year was equally encouraging and the market finished at £220bn, reflecting 8% year on year growth.

The potential for interest rate rises also continued throughout the year, but ultimately the long-expected increase did not materialise. This ensured that our customers continued to enjoy low interest rates on their mortgages, however our remortgage opportunity was diminished by a relative lack of consumer appetite to lock in low interest rates before any increases in the base rate.

Despite the challenging market conditions in the first half of the year, our written mortgage performance has been encouraging, with overall growth by value and excellent performance from both Mortgage Intelligence and Slater Hogg; delivering 30% and 16% mortgage growth, respectively.

The Government's autumn statement introduced an increased stamp duty charge for Buy-to-Let investors, effective April 2016, and we observed an increase in Buy-to-Let activity in the last quarter of the year. Regardless of the proposed changes in stamp duty, we continue to identify this sector as an area of growth, given expectations of continued strengthening in private rentals, and the associated contribution that non-institutional investors have to make in this space.

This year we have achieved encouraging results from both our core protection and general insurance sales, with 8% growth in customers buying protection products and 4% overall growth in our general insurance book. Our strong relationship continues with our core general insurance partner, AXA, and as such we have agreed a new contract to enable us to deliver high quality general insurance products to our customers. Adverse weather conditions in the latter part of 2015, especially with regard to the flooding in Northern England, has resulted in lower profitability of the underlying contract in comparison with the prior year, however we are proud that our customers received swift and decisive care from our partner's claims handling team.

Preparation for growth

As part of the group's Building Our Future strategy the FS business unit has been preparing for growth, through restructure of the executive team and we are continuing a further series of senior appointments to strengthen our capability.

Our plans for 2016 focus around growing customer value, through various communication channels and to ensure that our diverse customer base benefits from the best mortgage opportunities in the market place. We aim to maintain a regular dialogue with our existing customers in order to fulfil their needs as their circumstances evolve.

We intend to transform the Countrywide mortgage experience and we are in the final stages of testing our new point of sales system. We plan to roll out the new software to our mortgage consultants in early 2016, enabling them to provide high quality advice in a flexible, efficient and user-friendly way, whilst giving access to the full suite of premium protection and GI products from our partners.

We are focused on building the best team through investing resources in the training and development of our existing sales force and are in the process of supporting our consultants through the recruitment of additional first line of defence field-based compliance staff.

Outlook

The continued Bank of England decisions to hold base interest rates steady provide borrowers with shelter from interest rate instability in the near to medium term and given the momentum of the mortgage market in late 2015, we expect to see continued uplift in trading in 2016.

B2B

	2015 £'000	2014 £'000	Change %
Total income	219,051	182,315	20
EBITDA before exceptional items	32,302	21,363	51
Survey & valuation	66,295	59,241	12
Conveyancing	32,206	33,161	(3)
Other professional services	14,417	17,060	(15)
Professional services	112,918	109,462	3
Residential Development Solutions	27,736	23,023	20
Commercial	101,686	72,798	40
Total gross revenue generated by B2B clients	242,340	205,283	18
Income passed to other business units	(23,289)	(22,968)	1
B2B net income	219,051	182,315	20

Highlights

- Strong performance from Surveying business delivering 12% revenue growth and 34% increase in EBITDA contribution.
- Residential development solutions performance grew with the addition of Ikon Consultancy and New Homes hubs from Greene & Co.
- A strong underlying performance from Lambert Smith Hampton was strengthened by acquisition of three businesses in 2015 plus excellent results from Ireland which became the most profitable region outside London.

Professional Services

The Professional Services division of B2B includes Surveying Services with the addition of Hamptons Valuations; Conveyancing Services; Estate and Asset Management taken from the Lettings and Estate Agency divisions and Property Auctions from Estate Agency.

2015 was an excellent year for our Surveying business delivering sustainable growth in revenue and EBITDA year on year. Increased mortgage approvals drove £3.8 million additional contribution while productivity gains augmented results by a further £1.0 million after bearing the cost of our graduate training programme. Our qualified surveyor headcount has risen to 405 and we are continuing to recruit into our graduate programme. Risk management and quality of advice to all clients remains a top priority and we are pleased to report that our risk and compliance initiatives implemented over the past few years has resulted in significantly fewer valuation and defects claims. We are also pleased to confirm that both Nationwide Building Society and HSBC have renewed long term valuation contracts with us reflecting the quality and level of service we continue to deliver.

Conveyancing Services has seen a year of change with moves affecting the panel management business and internal business generation teams connected with our Retail and London businesses. 2015 has seen fewer instructions which have impacted on revenue and EBITDA but plans have been set to significantly increase instructions going forwards. Nevertheless, our pipelines remain robust. The main highlight for 2015 has been the continued recruitment of new lawyers into training programmes so that we can adequately service volumes of expected instructions and the successful roll out of our upgraded software operating system Visual Files.

We have aligned our Leasehold Management business with our Asset Management business under a single Managing Director going forward with a plan to continue our growth in this important area. However, 2015 proved a challenging year for Asset Management as the repossession market in 2015 declined by 51% impacting results.

Our Professional Services division comprises well established businesses and management teams who have contributed to the Building of Future strategy. Our plans for the future seek to drive increased Group value from Conveyancing by working with our partners in Retail, London and Financial Services to deliver an excellent service for home movers and we will continue our focus on the quality of service and reducing the potential for future claims. We are also researching new survey products for consumers and cementing our position as a leader in the market.

Residential Development Solutions

Countrywide Residential Development Solutions comprises the former Land & New Homes businesses reported in Estate Agency and Hamptons together with Preston Bennett, the leading new homes business acquired in at the beginning of 2014. In 2015 we acquired Ikon Consultancy; a residential and mixed-use consultancy focused on providing a range of high quality added value services to private, public and housing association clients working across the wider regeneration sector and a new homes hub from Greene & Co.

Performance was varied across the network in 2015. Strong results in London and Preston Bennett together with the addition of Ikon and the Greene & Co hub were offset by weaker performances in the regions which are heavily reliant on the Group's branch network.

Developing a full service offering for developer clients, particularly SMEs, is a core strategy within Building our Future. Combining our resources in this area and forging even greater links with our Commercial team will allow us to present a joined up full service proposition from land acquisition and sale, viability studies, design and development, planning and consultancy services including valuation, project management and conveyancing right through to marketing and sale of the completed units.

Moving into 2016 we are rolling out the successful new homes sales hub operating model, focusing our teams on client relationship development. Our data indicates that we are 2.5 times more likely to sell a home via the hub model than the distributed branch network. Furthermore, the average development sold through our hubs is 67 units compared to the average of 9 unit developments sold via the branches. These large scale sites deliver economies of scale and attract more large developments.

Also we are pleased to announce the acquisition of Lanes Property Agent (Cheshunt) and Lanes Land in January 2016; a land and new homes business operating in Enfield and Hertford for £2.8 million. Complementing Preston Bennett's geographical reach in the Northern Home Counties, this business sits squarely within our hubs operating strategy.

We consider the new homes market to be a big opportunity in the UK underpinned by the Government's desire to build one million new homes by 2020. We will continue to grow our business in this area by opening hubs as referred to and acquiring specialist businesses to support our overall proposition.

Lambert Smith Hampton

2015 was the second full year for the business post acquisition as part of the Countrywide Group.

The year was notable on many fronts including very healthy year on year improvement in terms of both revenue and EBITDA growth of 65%. This has been supported by our acquisition program in the sector and healthy commercial markets both in London and the regions which aligns well with the businesses regional footprint. The core business purchased in 2013 continued to grow steadily throughout the year. Excluding the contributions from the acquired businesses the like-for-like revenue grew by 6% to £73 million with EBITDA contribution rising by 5%. The Northern Ireland team acquired in 2014 was perfectly placed to provide transactional and consultancy services to existing Lambert Smith Hampton clients making Ireland the second most profitable region.

Lambert Smith Hampton continued in 2015 to execute upon its strategy which includes both building upon its core service lines and strengthening by acquisition where we cannot develop easily through organic growth.

Our three acquisition highlights in 2015 were:

- ES Group is a well-respected, 260-strong consultancy-led business with a major presence in many UK regions. The firm is a market leader in providing valuation and corporate recovery advice to banks and accountancy firms and is also at the forefront of the fast-growing alternatives market, particularly in hotels, healthcare and education.
- Tushingham Moore which is the largest retail property specialist outside of London. Their team of consultants have provided expert integrated agency offering to the retail industry for over 20 years. Not only will Tushingham Moore increase Lambert Smith Hampton's retail & leisure profile across the UK, but will deliver synergist opportunities via our shopping centre management expertise in our Belfast office.
- Douglas Newman Good Commercial is one of the most respected commercial property advisers in Ireland. The business manages over 2m sq. ft. of assets, generating income in excess of €45m each year. Key clients include AIB, Bank of Ireland, Grant Thornton, NAMA, State Street and Tesco. Coupled with our market leading commercial presence in Northern Ireland this significantly strengthens our presence across many markets.

Our Commercial strategy is twofold. Building on the opportunities presented by the acquisitions, Lambert Smith Hampton will drive organic growth in retail and leisure industries and increasing its reach in Ireland. Meanwhile, the business will continue to search for suitable complementary businesses to acquire to strengthen its product and service range for clients. We will continue to grow our Lambert Smith Hampton commercial business by focusing on building recurring revenue streams attached to the consultancy side of the business. Our strategy remains to recruit top quality professionals to enhance our existing service offerings and acquire value accretive commercial businesses that either provide us with complimentary service opportunities or to grow service lines where recruitment has been difficult and demand is high such as building consultancy.

Outlook

We will continue to drive value for the Group through our strong businesses underpinned by resilient corporate relationships, significant recurring revenue streams and scalable opportunities.

GROUP FINANCIAL REVIEW

“We delivered a mixed performance in challenging market conditions, whilst laying down the foundations for future progress in line with our strategy. We have continued to acquire and integrate businesses during 2015 and we have put in place the financing we need to achieve the next phase of our strategy.”

Introduction

Countrywide delivered a mixed performance in a challenging period which saw the impact on our estate agency business of lower levels of housing transactions than in 2014. We have continued to invest both organically and non-organically throughout the year to ensure we have the foundation for future growth. The benefits of this strategy are evident in the performance from both our Financial Services and Surveying (B2B) businesses where prior investments in resource capacity have produced results which are ahead of their respective markets.

Our intent, as laid out in our Building our Future strategy, is to increase our resilience to the sales cycle volatility, both organically and through acquisition, and broaden the Group’s business to deliver a strong future and sustainable long term value for our shareholders.

Accordingly, we have put in place the financing we need to fund our planned growth, having agreed a new banking facility in February 2016. Our strategy requires an increase in net debt levels, as we invest in the organic and non-organic elements required to keep us on target to achieve our 2020 objectives.

Results

- Group income was 4% higher at £733.7 million (2014: £702.2 million) reflecting growth in three of the four business units
- EBITDA declined by 7% to £113.0 million (2014: £121.1 million) principally as a result of challenging conditions in the residential estate agency market and investment in our lettings business.

Our business units reported improvements in income, with the exception of Retail where challenging market conditions were exacerbated by the disruption of restructuring during the year. In Retail, 2015 has been a period of consolidation and investment in our estate agency and lettings operations, with significant acquisition investment in the latter to provide foundations for the next stage of our growth. However, Financial Services and our surveying operations (within B2B) delivered market beating performances, with encouraging progress from our Commercial operations within B2B. Our central costs are likely to increase in coming years as the Group continues to grow.

Income statement, cash flow and balance sheet items

Depreciation and amortisation

We continue to show separately 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 £5.9 million, the principal drivers of which were increases of: £1.5 million and £2.7 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; and £1.4 million in respect of leasehold improvements as a result of the programme of branch refurbishments. Amortisation of intangible assets recognised through business combinations has increased by £1.1 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, which will end in 2017.

Share-based payments

Share-based payment charges are also reported separately on the face of the profit and loss account. The most significant element of this charge relates to a specific scheme established at the point of the IPO in 2013 when 7.2 million options were granted to employees who were former equity holders of Countrywide Holdings, Ltd under the IPO Plan. The majority of these nil-cost options vested based on adjusted Group EBITDA for 2014 in March 2015 (80%) and the residual balance due to directors will vest in March 2016. The charge to the income statement in 2015 was £3.3 million (2014: £10.6 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 credit for the year was £0.5 million (2014: £2.1 million charge) as performance targets were not met. 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.

Contingent consideration

As a result of an increasing number of acquisitions during the year that, for commercial reasons, comprise a significant element of employment-linked contingent consideration which is deemed remuneration under IAS 19 'Employee benefits', we have decided to report these costs, amounting to £8.9 million, separately from underlying profits with further details in notes 6 and 29 employee costs and acquisitions respectively as the short term impact on the underlying business results would be material and distort underlying business performance.

Each of these contingent consideration arrangements require the vendors to remain in employment and as such have been treated as a post-combination employment expense, and accordingly have been excluded from consideration, and are being accrued over the relevant periods of one to three years specific to each of the agreements.

Some of this contingent consideration is also subject to performance conditions being satisfied, with target EBITDA levels which must be achieved in order to realise the full payment, with a reduced payment made if targets are not fully met. Accruals for contingent consideration will therefore be reviewed at each period as future earn-out assumptions are revisited and any credits to the income statement in respect of downward revisions to estimates would be reported in the same way.

Exceptional items

We have reported net exceptional costs of £13.6 million, which comprises non-recurring cost of £16.1 million principally arising as a result of the strategic restructuring undertaken during the year, offset by £2.5 million of deferred income in respect of our contract with Zoopla (which ended at 31 December 2015).

Exceptional costs related to the strategic restructuring undertaken during the year have been analysed out in further detail within note 10, but principally comprise: £6.1 million impairment charges from writing down a number of brands which have been rationalised as part of our review of the London market place; £3.3 million in respect of redundancy costs as a result of the costs incurred in implementing the new organisational design, with related recruitment costs of £0.5 million; and £3.3 million in respect of consultancy costs. A number of property restructuring costs were also incurred as a result of our strategic decision to bring our teams together in Oxford Street. However, the dilapidations and onerous leases costs of mothballing other offices has largely been offset by the £0.8 million profit generated by the sale of our Grosvenor Square leasehold, resulting in a net cost of £0.4 million. The net cash spend in 2015 on the strategic restructuring was £6.9 million.

Professional indemnity claims

During 2015 we received, as expected, reduced numbers of professional indemnity valuation claims and achieved significant successes in a number of challenging cases. The majority of claims received continue to relate to the period 2004 to 2008 and most are over six years since the survey was performed. The underlying trend of valuation claims arising since 2009 is very low and below those experienced before the decline in the property market. This is testament to the enhanced risk and compliance monitoring implemented over the past few years.

Estimating the liability for PI claims is highly judgemental especially as we are now dealing with the more complicated cases. We have updated our financial models to reflect the latest inputs and trends and taken advice from our panel of lawyers in respect of open claims. During 2015 our experience was in line with expectation and the provision is unwinding as planned. While sensitivities have been applied to these models any significant change in claims experience could have an impact on results, good or bad.

Finance charges

During 2015, our draw down on bank borrowing facilities increased from £120 million to £200 million. Consequently our finance costs have increased by £0.8 million and are now incurred at a margin of 1.75% over LIBOR.

Taxation

Our total tax charge for 2015 of £5.9 million (2014: £11.7 million) represents an effective tax rate of 12.5% (2014: 14.7%). The principal reasons for the lower effective rate are: the impact of the future reduction in the tax rate in restating deferred tax liabilities generated a £3.3m tax credit and realisation of share based tax relief of £1.7 million.

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

In addition to our corporation tax contribution, our businesses generate considerable tax revenue for the Government in the UK. For the year ended 31 December 2015, we will pay corporation tax of £8.5 million (2014: £17.2 million) on profits for the year, we collected employment taxes of £172 million (2014: £132 million) and VAT of £99 million (2014: £95 million), of which the Group has incurred £61 million and £2.5 million (2014: £47 million and £1.9 million) respectively. Additionally we have paid £12 million (2014: £11.0 million) in business rates and collected £35.5 million (2014: £42.6 million) of Stamp Duty Land Tax through our conveyancing business.

Cash flow

Net cash generated from operating activities decreased by £22.8 million to £65.2 million for the year (2014: £88.0 million) representing 29.7 pence per share (2014: 40.1 pence). Both years have been impacted by payments to settle PI claims. Payments in 2015 were lower than expectations at £10.8 million (2014: £14.4 million) principally due to the timing of settlements.

Capital expenditure

Total capital expenditure on tangible assets in the year amounted to £19.7 million (2014: £23.9 million), principally relating to a programme of planned branch refurbishments, and an additional £5.4 million (2014: £6.1 million) has been incurred on software which has been treated as an intangible asset.

Net assets

At 31 December 2015, our net assets per issued share were £2.48, a total of £544.6 million (2014: £531.6 million) an increase of £13.0 million, or 2%, driven by a post-tax profit for the year of £41.8 million offset by dividend returns to shareholders of £32.9 million.

In February 2016 we sold around 50% of our holdings in Zoopla Property Group plc and the £19 million proceeds will be returned to shareholders. We will continue to monitor opportunities with regard to our remaining stake.

Net debt

At 31 December 2015 we had cash balances of £24.3 million (2014: £28.6 million) and a £200 million revolving credit facility (RCF) drawn down (2014: £100 million term loan and £20 million revolving credit facility drawn) and finance leases of £10.1 million (2014: £12.3 million). (Full details of net debt are shown in note 21). The £81.8 million increase in net debt arose principally as a result of net outflow on acquisitions amounting to £62.9 million during the year.

Shareholders' funds amounted to £544.6 million (2014: £531.6 million) giving balance sheet gearing of 25% (2014: 16%). Net debt represented 21% of the Group's market capitalisation at 31 December 2015, and 163% of the Group's adjusted EBITDA for the year.

Committed bank facilities

The Group's available bank facilities (excluding overdraft arrangements available) at 31 December 2015 comprised of a £250 million revolving credit facility repayable in March 2018.

In February 2016, the Group increased its borrowing capacity to facilitate the strategic plans announced during 2015. We have renegotiated our existing £250 million revolving credit facility (RCF) to a £340 million RCF with the existing lenders and accompanying £60 million accordion facility, repayable in 2020. The basic terms of the facility remain unchanged although there is a greater flexibility on the leverage covenant levels. It is our intention to take advantage of the current interest rate swap rates to fix a significant proportion of this facility.

Dividend policy

There has been no change to the Group's previously stated policy (as detailed in the chairman's statement within the 2014 annual report) in respect to normal dividends which will remain unchanged at 35-45% of underlying profit after tax.

Underlying profits are illustrated separately on the face of the income statement and are measured as profit after tax but before exceptional items, amortisation of acquired intangibles, contingent consideration and share-based payments.

This policy aligns with the Group's strategic plan which requires an increased level of investment to deliver significant EBITDA growth and enhance shareholder returns. In February 2016, we sold 8,659,302 Zoopla shares realising £19.1 million which will be returned to shareholders by way of a share buyback programme. We continue to hold 9,234,473 Zoopla ordinary shares. The Board has the potential to re-introduce special dividends from 2017.

Whilst there are always potential risks (see our principal risks detailed below) and constraints associated with dividend resources to deliver any dividend policy, the key judgements exercised in relation to the current year dividend proposal, which aligns with the stated dividend policy and will be subject to approval at the AGM, have been:

- Distributable profits: the parent company balance sheet demonstrates significant headroom in terms of available distributable profits, providing coverage of both the proposed dividend and additional headroom for future delivery of normal dividends under the stated policy;
- Availability of cash: the parent company can access available cash within the Group by declaration of dividends within underlying subsidiaries (which also generates further distributable profits at the parent company level) or by choosing to call in intercompany balances or accessing external funding (undrawn facilities of £50 million at 31 December 2015); and
- Debt covenants: the Group has sufficient headroom for both the proposed dividend and additional headroom for future delivery of normal dividends under the stated policy.

The Board has recommended a final dividend of 10.0 pence (net) per share (2014: 10.0 pence), giving a total 2015 dividend of 15.0 pence (net) per share (2014: 24.0 pence, including a 9.0 pence special dividend). Subject to approval at the AGM, to be held on 27 April 2016 the dividend will be paid on 5 May 2016 to shareholders on the register at 29 March 2016.

Jim Clarke
Chief financial officer
25 February 2016

APPROVAL

This report was approved by the board of directors on 25 February 2016 and signed on its behalf by:

Alison Platt
Chief executive officer
25 February 2016

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:

- Market risk
- Loss of a major business partner or outsourcing partner
- IT infrastructure and information security
- Professional indemnity exposure
- Financial misstatement and fraud risk
- Competitive landscape
- Regulatory compliance

These risks and uncertainties and mitigating factors are described in more detail on pages 18 to 19 of the Countrywide plc financial statements for the year ended 31 December 2014 (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 2015

	Note	2015			2014		
		Pre-exceptional items, amortisation, contingent consideration and share-based payments £'000	Exceptional items, amortisation, contingent consideration and share-based payments £'000	Total £'000	Pre-exceptional items, amortisation and share-based payments £'000	Exceptional items, amortisation and share-based payments £'000	Total £'000
Revenue		718,699	—	718,699	685,094	—	685,094
Other income	5	15,037	—	15,037	17,107	—	17,107
	4	733,736	—	733,736	702,201	—	702,201
Employee benefit costs	6	(405,242)	(13,341)	(418,583)	(378,327)	(14,467)	(392,794)
Depreciation and amortisation	14, 15	(20,180)	(11,178)	(31,358)	(14,247)	(10,112)	(24,359)
Other operating costs	7	(215,517)	—	(215,517)	(202,771)	—	(202,771)
Share of (loss)/profit from joint venture	17(b)	(914)	—	(914)	813	—	813
Group operating profit/(loss) before exceptional items		91,883	(24,519)	67,364	107,669	(24,579)	83,090
Exceptional income	10	—	2,534	2,534	—	17,098	17,098
Exceptional costs	10	—	(16,133)	(16,133)	—	(15,241)	(15,241)
Operating profit	4	91,883	(38,118)	53,765	107,669	(22,722)	84,947
Finance costs	8	(6,376)	—	(6,376)	(5,584)	—	(5,584)
Finance income	9	321	—	321	285	—	285
Net finance costs		(6,055)	—	(6,055)	(5,299)	—	(5,299)
Profit before taxation		85,828	(38,118)	47,710	102,370	(22,722)	79,648
Taxation (charge)/credit	11	(15,168)	9,226	(5,942)	(21,643)	9,931	(11,712)
Profit for the year		70,660	(28,892)	41,768	80,727	(12,791)	67,936
Attributable to:							
Owners of the parent		70,243	(28,892)	41,351	80,268	(12,791)	67,477
Non-controlling interests		417	—	417	459	—	459
Profit attributable for the year		70,660	(28,892)	41,768	80,727	(12,791)	67,936
Earnings per share attributable to owners of the parent							
Basic earnings per share	13			18.93p			30.84p
Diluted earnings per share	13			18.82p			30.01p

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Profit for the year		41,768	67,936
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) arising in the pension scheme		3,248	(2,415)
Deferred tax arising on the pension scheme		(650)	507
		2,598	(1,908)
Items that may be subsequently reclassified to profit or loss			
Foreign exchange rate loss		(255)	(117)
Available-for-sale financial assets:			
– Gains arising during the year	17(c)	7,836	3,200
– Less reclassification adjustments for gains included in the profit and loss		(237)	(11,076)
		7,344	(7,993)
Other comprehensive income for the year		9,942	(9,901)
Total comprehensive income for the year		51,710	58,035
Attributable to:			
Owners of the parent		51,293	57,576
Non-controlling interests		417	459
Total comprehensive income for the year		51,710	58,035

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Note	Attributable to owners of the parent					Non-controlling interests £'000	Total equity £'000
		Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000		
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 1 January 2015		2,194	211,841	98,683	218,660	531,378	190	531,568
Profit for the year		—	—	—	41,351	41,351	417	41,768
Other comprehensive income								
Currency translation differences		—	—	(255)	—	(255)	—	(255)
Realisation of capital reorganisation reserve on liquidation of Countrywide Holdings, Ltd		—	—	(92,820)	92,820	—	—	—
Movement in fair value of available-for-sale financial assets	17(c)	—	—	7,836	—	7,836	—	7,836
Reclassification of gains on disposal of available-for-sale financial assets		—	—	(237)	—	(237)	—	(237)
Actuarial gain in the pension fund	25	—	—	—	3,248	3,248	—	3,248
Deferred tax movement relating to pension		—	—	—	(650)	(650)	—	(650)
Total other comprehensive income		—	—	(85,476)	95,418	9,942	—	9,942
Total comprehensive income		—	—	(85,476)	136,769	51,293	417	51,710
Transactions with owners								
Issue of share capital	26	2	(2)	—	—	—	—	—
Share-based payment transactions	27	—	—	—	3,226	3,226	—	3,226
Deferred tax on share-based payments		—	—	—	(767)	(767)	—	(767)
Liquidation of non-controlling interest in subsidiary		—	—	—	50	50	(50)	—
Purchase of treasury shares	28	—	—	(7,760)	—	(7,760)	—	(7,760)
Utilisation of treasury shares for IPO options	28	—	—	20,035	(20,035)	—	—	—
Dividends paid	12	—	—	—	(32,944)	(32,944)	(454)	(33,398)
Transactions with owners		2	(2)	12,275	(50,470)	(38,195)	(504)	(38,699)
Balance at 31 December 2015		2,196	211,839	25,482	304,959	544,476	103	544,579

Consolidated balance sheet

As at 31 December 2015

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Goodwill	14(a)	471,626	418,496
Other intangible assets	14(b)	239,457	236,996
Property, plant and equipment	15	49,974	45,523
Investment property	16	—	13,235
Investments accounted for using the equity method:			
Investments in joint venture	17(b)	2,305	3,219
Available-for-sale financial assets	17(c)	57,760	33,290
Deferred tax assets	24	10,645	16,215
Total non-current assets		831,767	766,974
Current assets			
Trade and other receivables	18	123,432	98,644
Cash and cash equivalents	19	24,336	28,583
Total current assets		147,768	127,227
Total assets		979,535	894,201
Equity and liabilities			
Equity attributable to the owners of the parent			
Share capital	26	2,196	2,194
Share premium		211,839	211,841
Other reserves	28	25,482	98,683
Retained earnings		304,959	218,660
		544,476	531,378
Non-controlling interests		103	190
Total equity		544,579	531,568
Liabilities			
Non-current liabilities			
Borrowings	21	4,586	86,950
Net defined benefit scheme liabilities	25	415	5,216
Provisions	23	16,899	25,457
Deferred income	22	4,967	6,961
Trade and other payables	20	4,709	4,344
Deferred tax liability	24	40,669	44,858
Total non-current liabilities		72,245	173,786
Current liabilities			
Borrowings	21	204,662	44,760
Trade and other payables	20	128,503	109,312
Deferred income	22	4,111	5,708
Provisions	23	22,336	22,035
Current tax liabilities		3,099	7,032
Total current liabilities		362,711	188,847
Total liabilities		434,956	362,633
Total equity and liabilities		979,535	894,201

Consolidated cash flow statement

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit before taxation		47,710	79,648
Adjustments for:			
Depreciation	15	14,244	9,824
Amortisation of intangible assets	14	17,114	14,535
Share-based payments	27	3,226	11,367
Impairment of intangible asset	14	6,126	-
Profit on disposal of non-current assets		(1,413)	(16,949)
Unrealised gains on revaluation of available-for-sale financial assets		(1,202)	-
Amortisation of deferred income	10	(2,534)	(2,534)
Loss/(income) from joint venture	17(b)	914	(813)
Finance costs	8	6,376	5,584
Finance income	9	(321)	(285)
		90,240	100,377
Changes in working capital (excluding effects of acquisitions and disposals of Group undertakings):			
Increase in trade and other receivables		(14,297)	(4,119)
Decrease in trade and other payables		(2,419)	(10,309)
(Decrease)/increase in provisions		(8,349)	2,052
Net cash generated from operating activities		65,175	88,001
Interest paid		(5,213)	(5,004)
Income tax paid		(13,687)	(15,531)
Net cash inflow from operating activities		46,275	67,466
Cash flows from investing activities			
Acquisitions net of cash acquired	29	(62,875)	(41,017)
Purchase of property, plant and equipment	15	(16,561)	(17,355)
Purchase of intangible assets	14	(5,431)	(6,084)
Purchase of non-controlling interest		-	(857)
Proceeds from sale of property, plant and equipment		3,898	294
Proceeds from disposal of business		-	1,959
Proceeds from disposal of available-for-sale financial assets		383	21,302
Capital expenditure/purchase of investment property	16	(171)	(13,017)
Purchase of available-for-sale financial assets	17(c)	(2,438)	(2,186)
Dividends received	17(b)	-	507
Interest received		321	285
Net cash outflow from investing activities		(82,874)	(56,169)
Cash flows from financing activities			
Term and revolving facility loan drawn	21	80,000	45,000
Financing fees paid		(1,127)	(813)
Capital repayment of finance lease liabilities	21	(5,363)	(4,521)
Dividends paid to owners of the parent	12	(32,944)	(43,889)
Dividends paid to non-controlling interests		(454)	(526)
Purchase of own shares	26	(7,760)	(14,290)
Net cash (outflow)/inflow from financing activities		32,352	(19,039)
Net decrease in cash and cash equivalents		(4,247)	(7,742)
Cash and cash equivalents at 1 January		28,583	36,325
Cash and cash equivalents at 31 December	19	24,336	28,583

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 2015. 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: County House, Ground Floor, 100 New London Road, Chelmsford, Essex CM2 0RG.

2. Basis of preparation

The preliminary announcement does not constitute full financial statements.

The results for the year ended 31 December 2015 included in this preliminary announcement are extracted from the audited financial statements for the year ended 31 December 2015 which were approved by the Directors on 25 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 2015 annual report is expected to be posted to shareholders and included within the investor relations section of our website on 18 March 2016 and will be considered at the Annual General Meeting to be held on 27 April 2016. The financial statements for the year ended 31 December 2015 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 2014 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 2014 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 2014. 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 new interpretation and annual improvements to existing standards which are mandatory for the Group for the first time for the financial year beginning on or after 1 January 2015 have had no material impact on the Group.

3. Critical accounting judgements and estimates

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

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

Professional indemnity provisions

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

The Group has made provision for claims received under its professional indemnity insurance arrangements. The provision can be broken down 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 Surveying Services. This provision is estimated on a future projection of historical data for all claims received based on the number of surveys undertaken to date. This projection takes into account the historic claim rate, 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 2009 for surveys carried out between 2004 and 2008.

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 2015 the number of claims received continued to decline and were lower than expected the claim rate declined for the first time. Nevertheless, 84% of the claims received, were for surveys over six years old. While there is very little experience relating to old claims on which to base any future model our experience in the second half of 2015 was favourable and we do not foresee any reason to increase our rates. 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. However, 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. It should be noted that a 5% increase in the claim rate (which is applied to all surveys performed between 2004- 2008) 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.

We achieved a significant number of successes closing many cases in 2015, several without loss. The liability rate increased during the year as those claims remaining in the system are more likely to suffer a loss. However since the volume of claims is much smaller, the impact of this increase was not material.

The liability rate is sensitive to changes in experience and therefore we have used the average liability rate for claims closed over two years as the most appropriate claim liability rate to estimate the provision for those claims already received. As the number of open claims at the end of the year and unreported claims anticipated is much lower than in previous years, a 10% increase in the average liability rate would impact the provision by £0.5 million

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

The average loss in respect of all exceptional claims received has increased by 6% however this has had a small impact on the provision because a proportion of these losses has been borne by insurers. However this is the loss used to estimate the value of unreported claims. Our experience in respect of the average loss arising from those claims closed over the past two years reflects a decline of 9%. This is the value used to estimate the further provision require for claims already received. Overall applying a further 10% increase in the average loss would increase the total provision required by £0.6 million, lower than in previous years owing to the reduced number of claims.

Accounting for acquisitions

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

Impairment of goodwill and indefinite lived intangible assets

Determining whether goodwill and indefinite lived intangible assets are impaired requires an estimation of the value in use of the cash generating units to which the assets have been allocated. Calculating the cash flows requires the use of judgements and estimates that have been included in our strategic plans and long range forecasts. In addition, judgement is required to estimate the appropriate

interest rate to be used to discount the future cash flows. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins. Further details of impairment reviews are set out in note 14.

Exceptional items

Certain items are presented separately in the income statement as exceptional where, in the judgement of the directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. Further details of material, non-recurring items the directors have disclosed as exceptional items, including the strategic costs of restructuring the business, are provided in note 10.

4. Segmental reporting

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

As part of the Group's Building our Future strategy, the Group's businesses have been re-organised around customer groups and geography and the Executive Committee considers the business to be split into four main types of business generating revenue: Retail, London, Financial Services and Business to Business (B2B), and 'all other segments' comprising central head office functions.

There are therefore differences from the last annual financial statements in the basis of segmentation and the related basis of measurement of segment profit or loss. Full details of the restructuring of the reportable business segments undertaken in the second half of 2015, and the resultant impact on income and EBITDA (including comparative data), were released in January 2016 and are available on our website at www.countrywide.co.uk/investor-relations/results-and-presentations/ as 'Summary of segment changes'.

- The branch network now combines estate agency and lettings operations, enabling management to focus on delivering excellent service to our retail customers. The network has been segregated between London and the regions (Retail).
- The London Business Unit (BU) led by Graham Bell comprises branches in and around London and the entire Hamptons International network of branches.
- The Retail BU led by Samantha Tyrer comprises all other branches across the United Kingdom.
- The Financial Services BU led by Peter Curran remains unchanged except to reflect enhanced conveyancing revenue from customers introduced by the consultant network.
- The Business to Business (B2B) BU led by Paul Creffield brings together all our lines of business which are delivered to corporate clients. These include: Surveying Services which now includes Hamptons Valuations; Conveyancing Services; Estate and Asset Management taken from the Lettings and Estate Agency divisions; Countrywide Residential Development Solutions business (CWRDS - comprising the former Countrywide Land & New Homes and Hamptons Residential Development & Investment businesses) from Estate Agency and Hamptons; Property Auctions from Estate Agency; and Lambert Smith Hampton. Conveyancing, Countrywide Residential Development Solutions, Asset Management and Property Auctions all use the branch network to deliver products and services on behalf of our clients, therefore revenue is paid across to the other BUs.

The segmental analysis therefore includes a restatement of the 2014 results under the revised reporting structure.

The Retail network combines estate agency and lettings operations. Estate agency generates commission earned on sales of residential and commercial property and Lettings earns fees from the letting and management of residential properties and fees for the management of leasehold properties. The London division revenue is earned from both estate agency commissions and lettings and management fees. The Financial Services division receives commission from the sale of insurance policies, mortgages and related products under contracts with financial service providers. Business to Business services comprise all lines of business which are delivered to corporate clients, including surveying services, conveyancing services and revenue from Lambert Smith Hampton. Surveying services generates surveying and valuation fees which are received primarily under contracts with financial institutions with some survey fees being earned from home buyers. Conveyancing services generates revenue from conveyancing work undertaken from customers buying or selling houses through our network. 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 Executive 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, contingent consideration and income from joint ventures. Finance income and costs are not allocated to the segments, as this type of activity is driven by the central treasury activities as part of managing the cash position of the Group.

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

Revenue and other income from external customers arising from activities in the UK was £732,099,000 (2014: £701,710,000) and that arising from activities overseas was £1,637,000 (2014: £491,000).

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. Non-current assets attributable to the

UK of £830,828,000 (2014: £766,956,000) are included in the total assets in the tables on the following pages. Non-current assets of £939,000 (2014: £18,000) are attributable to the overseas operations. The equity investment in joint venture is disclosed within 'all other segments' and is £2,305,000 (2014: £3,219,000).

The available-for-sale financial assets are disclosed within 'All other segments' £52,072,000 (2014: £30,957,000) and Retail £5,688,000 (2014: £2,333,000).

	2015					
	Retail £'000	London £'000	Financial Services £'000	B2B £'000	All other segments £'000	Total £'000
Revenue	231,989	170,742	75,796	239,805	367	718,699
Other income	6,611	3,814	1,186	2,535	891	15,037
Total income	238,600	174,556	76,982	242,340	1,258	733,736
Inter-segment revenue	15,851	3,426	4,012	(23,289)	-	-
Total income from external customers	254,451	177,982	80,994	219,051	1,258	733,736
EBITDA before adjusting items	43,343	34,162	20,709	32,302	(17,539)	112,977
Contingent consideration	-	(1,096)	-	(7,730)	(121)	(8,947)
Share-based payments	(464)	(123)	(64)	(250)	(3,493)	(4,394)
Depreciation and amortisation	(13,252)	(4,284)	(6,009)	(6,477)	(1,336)	(31,358)
Share of profit from joint venture	-	-	-	-	(914)	(914)
Exceptional income	-	-	-	-	2,534	2,534
Exceptional costs	(844)	(6,768)	(393)	(1,079)	(7,049)	(16,133)
Segment operating profit/(loss)	28,783	21,891	14,243	16,766	(27,918)	53,765
Finance income						321
Finance costs						(6,376)
Profit before tax						47,710

	2014					
	Retail £'000	London £'000	Financial Services £'000	B2B £'000	All other segments £'000	Total £'000
Revenue	243,413	166,590	71,476	203,615	-	685,094
Other income	5,845	3,164	1,269	1,668	5,161	17,107
Total income	249,258	169,754	72,745	205,283	5,161	702,201
Inter-segment revenue	16,393	2,881	3,694	(22,968)	-	-
Total income from external customers	265,651	172,635	76,439	182,315	5,161	702,201
EBITDA before adjusting items	58,621	37,107	18,586	21,363	(14,574)	121,103
Share-based payments	(2,521)	(344)	(111)	(512)	(10,979)	(14,467)
Depreciation and amortisation	(9,106)	(3,544)	(5,444)	(4,415)	(1,850)	(24,359)
Share of profit from joint venture	-	-	-	-	813	813
Exceptional income	-	-	-	-	17,098	17,098
Exceptional costs	-	(1,047)	-	(15,145)	951	(15,241)
Segment operating profit/(loss)	46,994	32,172	13,031	1,291	(8,541)	84,947
Finance income						285
Finance costs						(5,584)
Profit before tax						79,648

5. Other income

	2015 £'000	2014 £'000
Rent receivable	999	1,569
Dividend income on available-for-sale financial assets	325	1,395
Other operating income	13,713	14,143
	15,037	17,107

6. Employment costs

	2015 £'000	2014 £'000
Wages and salaries	360,374	336,799
Contingent consideration deemed remuneration (note 29)	8,947	-
Share options granted to directors and employees (note 27)	3,372	12,860
Defined contribution pension cost (note 25)	6,687	5,637
Defined benefit scheme costs	193	105
Social security costs	39,010	37,393
	418,583	392,794

7. Other operating costs

	2015 £'000	2014 £'000
Rent	27,894	27,320
Advertising and marketing expenditure	19,932	19,698
Vehicles, plant and equipment hire	17,680	17,536
Other motoring costs	14,205	13,293
Repairs and maintenance	7,839	7,081
Trade receivables impairment	607	1,181
Profit on disposal of business	-	(2,133)
Profit on disposal of available-for-sale financial assets	(237)	-
Profit on revaluation of investment property	(400)	(218)
Other	127,997	119,013
Total operating costs	215,517	202,771

8. Finance costs

	2015 £'000	2014 £'000
Interest costs:		
Interest payable on borrowings	2	141
Interest payable on revolving credit facility (and previously term loan)	4,573	3,424
Interest arising from finance leases	665	581
Other interest paid	114	42
Cash payable interest	5,354	4,188
Amortisation of loan facility fee	868	1,160
Net interest costs arising on the pension scheme (note 25)	154	158
Other finance costs	-	78
Non-cash payable interest	1,022	1,396
Finance costs	6,376	5,584

9. Finance income

	2015 £'000	2014 £'000
Interest income	321	285

10. Exceptional items

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

	2015 £'000	2014 £'000
Exceptional income		
Profit on disposal of available-for-sale financial assets	—	14,564
Deferred income amortisation arising from fair valuation of Zoopla shares crystallised upon the merger in May 2012	2,534	2,534
	2,534	17,098
Exceptional costs		
<i>Strategic and restructuring costs</i>		
Redundancy costs	(3,289)	—
Recruitment costs	(478)	—
Consultancy costs	(3,288)	—
Profit on sale of leasehold property	836	—
Property closure costs	(1,211)	—
Impairment of brands	(6,126)	—
Other strategy-related costs	(669)	—
Total strategic and restructuring costs	(14,225)	—
Regulatory settlement costs (including legal fees)	(826)	—
Insurance claims and litigations	—	(15,241)
Acquisition expenses	(1,082)	—
Total exceptional costs	(16,133)	(15,241)
Net exceptional (costs)/income	(13,599)	1,857

2015

Exceptional income

During 2015 there has been continued amortisation of the deferred income in relation to Zoopla Property Group plc warrants which cease unwind at 31 December 2015 (see note 17c).

Exceptional costs

Strategic and restructuring costs

During the year the Group has undertaken the 'Building our Future' strategic review and incurred a number of exceptional, non-recurring costs in relation to the project and related restructuring costs. The principal elements are:

- Following an initial period of organisational design work, a number of redundancies were made throughout the year as the leadership structure evolved to meet the future needs of the Group. All redundancy costs directly related to this strategic review have been collated and amounted to £3,289,000. This included the costs of redundancies which were communicated to the individuals prior to 31 December 2015, and settlements agreed, but whose employment ceases during 2016.
- The organisational redesign also resulted in the creation of a number of posts created to meet the revised needs of the Group. As a result, recruitment costs of £478,000 were incurred during the year.
- As part of the strategic review, external agencies have been involved where specialists skills have been required. Consultancy costs of £3,288,000 have been incurred in relation to a number of projects that include: strategic support and change management; IT transformation; organisational redesign; talent development and leadership skills training; internal communication in support of specific strategic objectives identified.
- The Group decided to rationalise its property footprint in London to integrate the London and B2B teams into our existing commercial and corporate rented property in Oxford Street. As a result, the Group sold its existing leasehold premises in Grosvenor Square generating a profit on sale of £836,000. Offsetting this profit are costs in relation to exiting additional space in London that was surplus to requirements. As a result, costs of £1,211,000 were incurred in relation to dilapidations costs, onerous lease provisions and the rental costs of the additional Oxford Street space during the three month period of refurbishment and relocation when costs were also being incurred in the original sites;

- Following the reorganisation of business units, a review of brands was undertaken and as a result of this rationalisation of intended future brand use an impairment of £6,126,000 was identified.

Other costs directly related to the strategic review were collated, and whilst individually immaterial, these aggregate to a total cost of £669,000 and principally relate to the costs of strategic sessions and leadership training.

Regulatory settlement costs

On 19 March 2015, the Competition and Markets Authority (CMA) concluded its investigation into an association of estate and lettings agents in Hampshire. Hamptons Estates Limited was one of three parties forming part of an association that admitted arrangements which had the object of reducing competitive pressure on estate agents and lettings agents' fees in the local area in and around Fleet in Hampshire in a period prior to the Group's ownership. The exceptional cost above reflects the penalty payable to the CMA and associated legal costs.

Acquisition expenses

The Group incurred acquisition expenses of £1,082,000 across a number of transactions undertaken during the year (note 29).

2014

Exceptional income

During 2014 there was continued amortisation of the deferred income in relation to Zoopla warrants 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 were 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.

11. Taxation

Analysis of charge in year

	2015 £'000	2014 £'000
Current tax on profits for the year	8,543	17,241
Adjustments in respect of prior years	(82)	(701)
Total current tax	8,461	16,540
Deferred tax on profits for the year		
Origination and reversal of temporary differences	1,196	(3,747)
Impact of change in tax rate	(3,483)	(1,219)
Adjustments in respect of prior years	(232)	138
Total deferred tax (note 24)	(2,519)	(4,828)
Income tax charge	5,942	11,712
	2015 £'000	2014 £'000
Tax on items charged to equity		
Deferred tax adjustment arising on share-based payments	(767)	(369)
Tax on items charged/(credited) to other comprehensive income		
Deferred tax adjustment arising on the pension scheme assets and liabilities	(650)	507

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	47,710	79,648
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 20.25% (2014: 21.49%)	9,661	17,116
Effects of:		
Profits from joint venture	185	(175)
Other expenses not deductible	1,892	1,459
Permanent difference relating to depreciation not deductible	907	231
Tax relief on purchased goodwill	(152)	(302)
Tax relief on share-based payments charged to equity	(1,715)	-
Rate change on deferred tax provision	(3,510)	(1,219)
Income not subject to tax due to availability of unprovided losses	(1,128)	(4,850)
Adjustments in respect of prior years	(314)	(563)
Overseas losses	116	15
Total taxation charge	5,942	11,712

12. Dividends

	2015 £'000	2014 £'000
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2014 of 10.0 pence (net) per share (2013: 6.0 pence (net) per share)	21,963	13,167
– interim dividend for the year ended 31 December 2015 of 5.0 pence (net) per share (2014: 5.0 pence (net) per share)	10,981	10,972
– special dividend for the year ended 31 December 2015 of nil pence (net) per share (2014: 9.0 pence (net) per share)	—	19,750
Total	32,944	43,889

A final dividend in respect of the year ended 31 December 2015 of 10.0 pence (net) per share, amounting to an estimated total dividend of £22.0 million, is to be proposed at the Annual General Meeting (AGM) on 27 April 2016. 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.

	2015 £'000	2014 £'000
Profit for the year attributable to owners of the parent	41,351	67,477
Weighted average number of ordinary shares in issue	218,447,386	218,811,538
Basic earnings per share (in pence per share)	18.93p	30.84p

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.

	2015 £'000	2014 £'000
Profit for the year attributable to owners of the parent	41,351	67,477
Weighted average number of ordinary shares in issue	218,447,386	218,811,538
Adjustment for weighted average number of contingently issuable share options	1,264,900	6,047,243
Weighted average number of ordinary shares for diluted earnings per share	219,712,286	224,858,781
Diluted earnings per share (in pence per share)	18.82p	30.01p

Adjusted earnings

Profit for the year attributable to owners of the parent	41,351	67,477
Adjusted for the following items, net of taxation:		
Amortisation arising on intangibles recognised through business combinations	4,542	5,990
Contingent consideration	8,947	—
Share-based payments charge	3,628	11,933
Exceptional income	(2,534)	(17,098)
Exceptional costs	14,309	11,966
Adjusted earnings, net of taxation	70,243	80,268
Adjusted basic earnings per share (in pence per share)	32.16p	36.68p
Adjusted diluted earnings per share (in pence per share)	31.97p	35.70p

14. Intangible assets

(a) Goodwill

	2015 £'000	2014 £'000
Cost		
At 1 January	835,852	797,190
Arising on acquisitions (note 29)	53,130	38,726
Disposals	-	(64)
At 31 December	888,982	835,852
Accumulated impairment (note 14(c))		
At 1 January	417,356	417,356
Charge for the year	-	—
At 31 December	417,356	417,356
Net book amount		
At 31 December	471,626	418,496

(b) Other intangible assets

	2015					
	Computer software £'000	Brand names £'000	Customer contracts and relationships £'000	Pipeline £'000	Other intangibles £'000	Total £'000
Cost						
At 1 January	62,748	218,739	110,258	5,159	—	396,904
Acquisitions through business combinations (see note 29)	3	4,446	15,287	534	-	20,270
Additions	5,431	-	-	-	-	5,431
Disposals	(15,521)	-	-	-	-	(15,521)
At 31 December	52,661	223,185	125,545	5,693	-	407,084
Accumulated amortisation and impairment losses						
At 1 January	48,315	33,844	72,590	5,159	—	159,908
Charge for the year	5,936	-	10,710	468	-	17,114
Impairment (note 10)	-	6,126	-	-	-	6,126
On disposals	(15,521)	-	-	-	-	(15,521)
At 31 December	38,730	39,970	83,300	5,627	-	167,627
Net book amount						
At 31 December	13,931	183,215	42,245	66	-	239,457

15. Property, plant and equipment

	2015					
	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	2,093	32,537	578	67,904	5,529	108,641
Acquisition of subsidiaries (note 29)	-	100	4	1,625	-	1,729
Additions at cost	-	2,585	219	6,943	9,941	19,688
Disposals	(167)	(3,197)	(2)	(11,399)	-	(14,765)
Transfers	-	9,439	-	-	(9,439)	-
At 31 December	1,926	41,464	799	65,073	6,031	115,293
Accumulated depreciation						
At 1 January	340	18,932	57	43,789	—	63,118
Charge for the year	22	4,038	120	10,064	-	14,244
Disposals	(28)	(644)	(1)	(11,370)	-	(12,043)
At 31 December	334	22,326	176	42,483	-	65,319
Net book amount						
At 31 December	1,592	19,138	623	22,590	6,031	49,974

Assets in the course of construction with a value of £6,031,000 relate principally to branch refurbishments in progress for which no depreciation has been charged. Depreciation commences when the asset enters operational use and the asset is transferred to the operational asset category.

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:

	2015 £'000	2014 £'000
Property, plant and equipment	4,437	3,688

16. Investment property

	£'000
At 1 January 2015	13,235
Capital expenditure	171
Change in fair value of investment property	400
Transfer to available-for-sale assets (see note 17(c))	(13,806)
At 31 December 2015	-

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 2015 the Group had a 33% (2014: 33%) interest in the ordinary share capital of TM Group (UK) Limited (TMG) a UK company. TMG has share capital consisting solely of ordinary shares and is a private company with no quoted market price available for its shares. TMG is one of the largest companies in the provision of searches to the property companies sector (measured by completed searches). It delivers a range of property searches and data to land and property professionals in the UK, arranges for property searches directly with specific suppliers on behalf of its own customers, and 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.

	2015 £'000	2014 £'000
At 1 January:		
– net assets excluding goodwill	1,739	1,433
– goodwill	1,480	1,480
	3,219	2,913
Dividend received	—	(507)
Share of (losses)/ profits retained	(914)	813
At 31 December:		
– net assets excluding goodwill	825	1,739
– goodwill	1,480	1,480
	2,305	3,219

(c) Available-for-sale financial assets

	2015 £'000	2014 £'000
At 1 January	33,290	42,877
Transferred in from investment property (see note 16)	13,806	—
Zoopla shares purchased for cash	2,090	2,090
Zoopla shares acquired on crystallisation of warrants	—	2,835
Disposal of Zoopla shares	(383)	(17,786)
Acquisition of shares in unlisted equity and debentures	348	96
Increase in fair value through income statement on the date of purchase	802	—
Movement in fair value	7,836	3,200
Amortisation	(29)	(22)
At 31 December	57,760	33,290

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

	2015 £'000	2014 £'000
Listed equity securities: Zoopla Property Group plc	42,856	33,165
Unlisted residential property fund units	14,455	—
Unlisted equity	353	60
Wimbledon debentures (acquired and amortised over the life of the debenture)	96	65
At 31 December	57,760	33,290

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 ended 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 additional 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 three year period of the contract from 2016 to 2018 (see note 22).

There was a transfer of investment property into available-for-sale financial assets during the year arising from the loss of control of the investment property fund as planned (see note 16). There was a change in valuation technique from that applied at 31 December 2014 and whilst the fair value of the investment within the investment property fund has remained at Level 2, this is now based on receipt of a net asset valuation statement from the trustees on a quarterly basis.

18. Trade and other receivables

	2015 £'000	2014 £'000
Amounts falling due within one year		
Trade receivables not past due	51,361	42,512
Trade receivables past due but not impaired	29,400	22,818
Trade receivables past due but impaired	3,124	4,165
Trade receivables	83,885	69,495
Less: provision for impairment of receivables	(3,124)	(4,165)
Trade receivables – net	80,761	65,330
Amounts due from customers for contract work	2,241	1,251
Other receivables	19,413	14,243
Prepayments and accrued income	21,017	17,820
	123,432	98,644

19. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash and cash equivalents		
Cash at bank and in hand	21,246	16,578
Short term bank deposits	3,090	12,005
	24,336	28,583

20. Trade and other payables

	2015 £'000	2014 £'000
Trade payables	13,261	13,875
Other financial liabilities	2,700	2,560
Deferred consideration	7,987	5,103
	23,948	21,538
Other tax and social security payable	31,577	26,988
Accruals and other payables	77,687	65,130
	133,212	113,656
Trade and other payables due within one year	128,503	109,312
Trade and other payables due after one year	4,709	4,344
	133,212	113,656

21. Borrowings

	2015 £'000	2014 £'000
Non-current		
Bank borrowings	-	80,000
Other loans	1,000	1,000
Capitalised banking fees	(1,872)	(1,613)
Finance lease liabilities	5,458	7,563
	4,586	86,950
Current		
Bank borrowings	200,000	40,000
Finance lease liabilities	4,662	4,760
	204,662	44,760
Total borrowings	209,248	131,710

Analysis of net debt

	At 1 January 2015 £'000	Cash flow £'000	Non-cash changes £'000	At 31 December 2015 £'000
Cash and cash equivalents	28,583	(4,247)	-	24,336
Capitalised banking fees	1,613	1,127	(868)	1,872
Loan notes	(1,000)	-	-	(1,000)
Term loan due after one year	(80,000)	80,000	-	-
Term loan due within one year	(20,000)	20,000	-	-
Revolving credit facility due within one year	(20,000)	(180,000)	-	(200,000)
Finance leases due after one year	(7,563)	-	2,105	(5,458)
Finance leases due within one year	(4,760)	5,363	(5,265)	(4,662)
Total	(103,127)	(77,757)	(4,028)	(184,912)

Borrowings and other loans

On 9 February 2015 the Company entered into an Amendment and Restatement Agreement relating to the term and revolving credit facility agreement, originally dated 20 March 2013, which is due to expire in March 2018. The facility is now a £250 million revolving credit facility (RCF), with no term loan elements, with any outstanding balance repayable in full on 20 March 2018. Interest is currently 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 twice a year (and can vary between 1.5% and 2.25%). The RCF is available for utilisation subject to satisfying fixed charge and leverage covenants and £80 million was drawn down during the period.

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:

	2015 £'000	2014 £'000
No later than one year	4,662	4,760
Later than one year and no later than five years	5,458	7,563
	10,120	12,323

22. Deferred income

Deferred income will unwind as follows:

	2015			2014
	Cash £'000	Non-cash £'000	Total £'000	Total £'000
Within one year	3,166	945	4,111	5,708
After one year:				
Between one and two years	3,077	945	4,022	4,021
Between two and three years	—	945	945	1,995
Between three and four years	—	—	—	945
	3,077	1,890	4,967	6,961
	6,243	2,835	9,078	12,669

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

Non-cash proportion of deferred income relates to unamortised income portion created on acquisition of shares in Zoopla Property Group plc. This deferred income is being amortised over the period of the commercial agreements which gave rise to these assets (refer to notes 10 and 17).

23. Provisions

	2015					
	Onerous contracts £'000	Property repairs £'000	Clawback £'000	Claims and litigation £'000	Other £'000	Total £'000
At 1 January	1,145	3,870	3,424	36,786	2,267	47,492
Acquired in acquisition (note 29)	—	—	—	—	94	94
Utilised in the year	(598)	(1,248)	(6,920)	(10,760)	(118)	(19,644)
Charged/(credited) to income statement	709	855	7,231	2,883	(391)	11,287
Unwind of discount rate	6	—	—	—	—	6
At 31 December	1,262	3,477	3,735	28,909	1,852	39,235
Due within one year or less	83	1,092	2,478	18,146	537	22,336
Due after more than one year	1,179	2,385	1,257	10,763	1,315	16,899
	1,262	3,477	3,735	28,909	1,852	39,235

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 Group's liability having taken professional advice.

In addition to the claims provisions recognised, the Group also provides for future liabilities arising from claims (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 18% - 20% (2014: 20%).

The movement on the deferred tax account is shown below:

	2015 £'000	2014 £'000
Deferred tax liability at 1 January	(28,643)	(31,507)
Credited to income statement	2,519	4,828
Acquired on acquisition of subsidiary (note 29)	(2,483)	(2,089)
Disposed on disposal of subsidiary	-	(13)
(Charged)/credited to other comprehensive income	(650)	507
Charged to equity	(767)	(369)
Net deferred tax liability at 31 December	(30,024)	(28,643)
Deferred tax asset	10,645	16,215
Deferred tax liability	(40,669)	(44,858)
Net deferred tax liability at 31 December	(30,024)	(28,643)
Deferred tax asset expected to unwind within one year	43	1,694
Deferred tax asset expected to unwind after one year	10,602	14,521
	10,645	16,215
Deferred tax liability expected to unwind within one year	(1,826)	(1,600)
Deferred tax liability expected to unwind after one year	(38,843)	(43,258)
	(40,669)	(44,858)

25. Post-employment benefits

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

Defined contribution pension arrangements

The pensions cost for the defined contribution scheme in the year was £6,687,000 (2014: £5,637,000).

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 are being reviewed as part of the recent valuation (as 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 three years. During the year, the Group paid £1.9 million (2014: £1.9 million) to the defined benefit scheme. During the year which commenced on 1 January 2016, the employer is expected to pay contributions of £1.9 million (2015: £1.9 million). Further contributions of £1.9 million will be made in each of the next three years.

The amounts recognised in the balance sheet are as follows:

	2015 £'000	2014 £'000
Present value of funded obligations	(47,850)	(50,740)
Fair value of plan assets	47,435	45,524
Net liability recognised in the balance sheet	(415)	(5,216)

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 2015	(50,740)	45,524	(5,216)
Expected return on scheme assets	—	1,579	1,579
Actuarial gain	—	1,121	1,121
Employer contributions	—	1,900	1,900
Service cost	(193)	—	(193)
Interest cost	(1,733)	—	(1,733)
Actuarial gain from changes in financial assumptions	1,700	—	1,700
Actuarial gain from changes in demographic assumptions	1,029	—	1,029
Actuarial loss from changes in experience adjustments	(602)	—	(602)
Benefits paid	2,496	(2,496)	—
Expenses	193	(193)	—
At 31 December 2015	(47,850)	47,435	(415)

26. Share capital

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

	Number	£'000
At 1 January 2015	219,444,961	2,194
Share capital issued	196,873	2
At 31 December 2015	219,641,834	2,196

The Company acquired 1,465,000 of its own shares through purchases on the London Stock Exchange throughout January and February 2015. The total amount paid to acquire the shares was £6,773,000. The shares were held as 'treasury shares' with those purchased in 2014. The Company then reissued all of these shares in March 2015 in respect of the IPO option vesting. All shares issued by the Company were fully paid. An additional 196,873 shares were issued at nominal value to complete the satisfaction of the IPO options crystallising in March 2015.

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, 449,172 shares (2014: 225,151 shares), costing £2,241,000 (2014: £1,254,000), 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 £3,372,000 in the year ended 31 December 2015 (2014: £12,860,000), comprising £3,226,000 of equity-settled share-based payments, and £146,000 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 £1,022,000 (2014: £1,607,000).

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

	Outstanding at 31 December			
	2015		2014	
	Charge £'000	Number of options (thousands)	Charge £'000	Number of options (thousands)
IPO plan	3,288	1,221	10,560	7,185
Long term incentive plan	(510)	2,033	2,097	1,550
Deferred share bonus plan	78	59	-	-
Share incentive plan	516	449	203	225
	3,372	3,762	12,860	8,960

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

Executive schemes

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.

50% of the IPO options granted to the executive directors became exercisable on the second anniversary of the date of granting the IPO option; the remaining 50% of the IPO options become exercisable on the third anniversary of the date of granting the IPO option. IPO options granted to other participants became exercisable on the second anniversary of the date of granting the IPO option. The number of options that vested in March 2015 was subject to the performance criterion based on EBITDA for 2014 as well as continued service and the vesting level achieved was 83%. The same criterion applies to the options that will vest in March 2016.

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.

Deferred share bonus plan (DSBP)

The Group operates a DSBP for executive directors and other senior employees whose bonus awards are settled partly in cash and partly in nil cost share options at the discretion of the Remuneration Committee. The number of options that will vest is subject to market performance criteria over a three year period and continued service.

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	Foreign exchange reserve £'000	Available-for- sale financial assets reserve £'000	Treasury share reserve £'000	Total £'000
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 1 January 2015	92,820	(173)	20,552	(14,516)	98,683
Currency translation differences	—	(255)	—	—	(255)
Realisation of capital reorganisation reserve on liquidation of Countrywide Holdings, Ltd	(92,820)	—	—	—	(92,820)
Disposal of fair value of available-for-sale financial assets	—	—	(237)	—	(237)
Movement in fair value of available-for-sale financial assets	—	—	7,836	—	7,836
Utilisation of treasury shares for IPO options	—	—	—	20,035	20,035
Purchase of treasury shares	—	—	—	(7,760)	(7,760)
Balance at 31 December 2015	—	(428)	28,151	(2,241)	25,482

29. Acquisitions during the year

During 2015, the Retail business unit acquired 27 operations 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 £38.3 million, the most significant of which were on 10 November 2015, when the Group acquired 100% of the equity share capital of Sutton Kersh and on 6 November 2015, when the Group acquired 100% of the equity share capital of John Francis for the consideration noted in the table below. The London business unit acquired five businesses as part of its targeted acquisition strategy to expand in certain under-represented geographical areas for a total consideration of £23.0 million, the most significant of which was on 7 May 2015, when the Group acquired 100% of the equity share capital of The Greene Corporation Limited and five subsidiary companies for the consideration noted below. In accordance with the strategy to increase the Group's commercial footprint and non-cyclical revenue streams, the B2B business unit also acquired four businesses for a total consideration of £15.0 million, the most significant of which was on 10 March 2015, when the Group acquired the trade and assets of Edward Symmons Group for the consideration noted below.

	Greene & Co £'000	ES Group £'000	John Francis £'000	Sutton Kersh £'000	Other £'000	Total £'000
Intangible assets	5,110	4,843	231	635	9,451	20,270
Property, plant and equipment	1,132	204	96	172	125	1,729
Trade and other receivables	4,021	-	444	647	2,640	7,752
Cash at bank	-	-	985	1,237	3,212	5,434
Trade and other payables	(3,791)	-	(659)	(730)	(2,894)	(8,074)
Corporation tax	(310)	-	(171)	(186)	(701)	(1,368)
Deferred tax	(1,022)	-	(63)	(127)	(1,271)	(2,483)
Provisions	(94)	-	-	-	-	(94)
Net assets	5,046	5,047	863	1,648	10,562	23,166
Goodwill	11,214	5,143	4,162	3,002	29,609	53,130
Consideration	16,260	10,190	5,025	4,650	40,171	76,296
Settled by:						
Initial consideration	16,260	4,239	4,850	4,500	38,460	68,309
Deferred consideration	-	5,951	175	150	1,711	7,987
	16,260	10,190	5,025	4,650	40,171	76,296
Cash paid	16,260	4,239	4,850	4,500	38,460	68,309
Cash at bank	-	-	(985)	(1,237)	(3,212)	(5,434)
Net cash flow arising from acquisitions	16,260	4,239	3,865	3,263	35,248	62,875
Revenue post-acquisition	8,372	16,425	833	774	11,324	37,728
Profit post-acquisition	1,141	2,705	197	181	3,620	7,844
Proforma revenue to 31 December 2015	12,445	20,336	4,521	4,502	25,586	67,390
Proforma profit to 31 December 2015	1,542	3,016	595	762	6,884	12,799

The acquired receivables for all acquired businesses are all current and their fair value is not materially different. 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. No other contingent liabilities, not included in the net assets above, have been identified on these acquisitions.

The goodwill of £53.1 million arises from a number of factors including expected synergies, including cost reductions from purchasing and processing efficiencies, and unrecognised assets such as the assembled workforces.

The deferred consideration noted above is payable over a period of up to six years as fixed payments at specified times in line with the purchase agreements. In addition, contingent consideration arrangements arising on four of the acquisitions made during the year require the Group to pay in cash a potential undiscounted maximum aggregate amount of £6.9 million.

Each of these contingent consideration arrangements require the vendors to remain in employment and as such have been treated as a post-combination employment expense, excluded from consideration noted above, and are being accrued over the relevant periods of one to three years specific to each of the agreements. £2.3 million of this contingent consideration is also subject to performance conditions being satisfied. These are target EBITDA levels which must be achieved in order to realise the full payment, with a reduced payment made if targets are not fully met. The accrual has been made on the assumption that each target will be fully met and the £2.3 million will be payable over the earn-out period. Accruals for contingent consideration will be reviewed at each period end as future earn-out assumptions are revisited and any credits to the income statement in respect of downward revisions to estimates will be repeated in the same way.

The costs of these acquisitions amounted to £1.1 million (2014: £0.8 million) and have been written off to profit and loss.

30. Related party transactions

Key management compensation is given in note 6(b). Other related party transactions are as follows:

Trading transactions

Related party relationship	Transaction type	Transaction amount		Balance (owing)/owed	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Joint venture	Purchases by Group	(2,567)	(2,539)	(192)	(193)
Joint venture	Rebate received	2,302	394	1,441	23
Joint venture	Dividend received	498	507	—	—
Oaktree Capital Management	Director's fee paid	40	40	10	—

With the exception of dividends, 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 2015 regarding related party transactions.

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 2014. 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, as disclosed in note 21.

Fair value estimation

The financial assets carried at fair value, and classified within available-for-sale financial assets, are: the quoted equity instruments in Zoopla Property Group plc ('Zoopla shares') held at £42.8 million (31 December 2014: £33.2 million) (classified as Level 1 financial instruments, as defined by IFRS 13, as there is a quoted market price) and unquoted residential property fund units held at £14.4million (2014: £13.2 million in investment property)..

Fair value measurements using significant unobservable inputs and valuation processes

The fair value of the residential property fund units at 31 December 2015 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

On 15 February 2016, Countrywide plc sold 8,659,302 ordinary shares in Zoopla Property Group plc ('Zoopla'), representing 2.1% of Zoopla's ordinary share capital, for a price of 220 pence per share. Following the disposal, the Group continue to hold 9,234,473 Zoopla ordinary shares, representing 2.2% of Zoopla's ordinary shares.

During the first few weeks of the year the Group has acquired two businesses and made a strategic investment amounting to £4.3 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 2016, resulting in an increase in the revolving credit facility from £250 million to £340 million and a £60 million accordion facility. For further details please refer to the Group financial review within the strategic report of the consolidated financial statements.

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Essex
CM2 0RG

Registrar
Capita Asset Services*
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registered in England: 08340090

Corporate advisers
Independent auditors
PricewaterhouseCoopers LLP

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	27 April 2016
Ex-dividend date for final dividend	24 March 2016
Record date for final dividend	29 March 2016
Payment date for final dividend	5 May 2016
Interim results	28 July 2016
Ex-dividend date for interim dividend	8 September 2016
Record date for interim dividend	9 September 2016
Interim dividend paid	7 October 2016

*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. Their 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)

Email: ssd@capitaregistrars.com

Share portal: www.capitashareportal.com

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