Your **trusted** property partner

COUNTRYWIDE PLC INTERIM REPORT 2014

Countrywide
integrated solutions local expertise

Trusted
Integrated
Growing

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

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

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

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

1,369
estate agency and lettings offices

47
local high street brands

29
commercial offices

Highlights

For the six months ended 30 June 2014

Operational highlights

- Double-digit underlying EBITDA growth across all divisions within the Group
- Continued strategic investment, including acquisitions totalling £36.0 million in the period plus £9.2 million investment in seed portfolio for residential property investment vehicle
- 16 Lettings acquisitions completed in the first six months, diversifying revenue streams even further
- Group on target to deliver our 2014 profit expectations and significant increase in cash returns to shareholders planned under our revised return of capital and dividend policy
- Interim dividend of 5.0 pence (net) per share and special dividend of 9.0 pence (net) per share payable on 15 September 2014
- Net debt £74.1 million (31 December 2013: £48.4 million) and access to additional funding if required (undrawn £40 million revolving credit facility)

Financial highlights

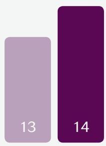
For the six months ended 30 June 2014

Total income (£m)

334.5

+29%

2013 258.8

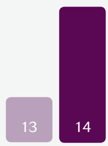


Profit before taxation** (£m)

37.1

+202%

2013 12.3

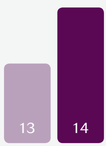


Adjusted EBITDA* (£m)

45.0

+70%

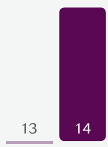
2013 26.4



Basic EPS (p)

15.0

2013 -0.1

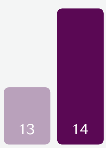


Adjusted EPS** (p)

12.6

+138%

2013 5.3



* Earnings before interest, tax, depreciation, amortisation, exceptional items, management fee, share-based payments and share of profits from joint venture, referred to hereafter as 'EBITDA' (see note 8 for reconciliation)

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

Overview

Financials

Chairman's statement

"The UK housing market continues to grow at a measured pace, with recovery in both transaction volumes and house prices underpinning the strong momentum we are experiencing across all our divisions. As a result, we are confident that Countrywide will deliver its best ever Group performance this year."

The first half of 2014 has continued to reflect a strong trading performance with increased business activity across all divisions within the Group. We successfully re-negotiated increased debt facilities in February 2014 and invested £36 million in strategic acquisitions strengthening our services and geographical footprint. I am therefore delighted to report a positive set of results for the first half of 2014. Total income increased by 29% to £334.5 million and EBITDA increased by 70% to £45.0 million, our highest level in seven years, which is reflected in basic earnings per share of 15.0 pence.

On the basis of these results, the Board has recommended an interim dividend of 5.0 pence (net) per share to be paid on 15 September 2014 to shareholders on the register at 15 August 2014.

We announced on 26 June 2014 that following the recent sale of Zoopla Property Group PLC ("Zoopla") ordinary shares by Countrywide on the Zoopla IPO, Countrywide would pay a special dividend of £20 million to return the cash proceeds to shareholders. The special dividend of 9.0 pence (net) per share will be paid along with the interim dividend for 2014.

Return of capital and dividend policy

The Board also noted in its 26 June 2014 statement that a further announcement regarding a long term dividend policy would be released in conjunction with the Group's interim results on 31 July 2014, and this follows below.

At IPO in March 2013 our stated dividend policy was to target a dividend between 25% and 35% of the annual reported Group profits for the financial year after tax but before any amortisation. Given the improvement in the housing market since that time; the increased confidence the Board has in the outlook for the Group and the cash generative nature of the Group's businesses, the Board believes that it is appropriate to revise the dividend policy and supplement the ordinary dividend with further additional returns to shareholders.

Recognising the potential volatility of the market in which the Group operates our objective is to provide a sustainable ordinary dividend through the cycle. Given the strong position the Group is in, the Board intends to target an ordinary dividend between 35% and 45% of the annual reported Group profits for the financial year after tax but before any amortisation.

In the absence of a major acquisition and assuming the continuation of the recent recovery in the residential housing market, the Board anticipates that starting in 2015 the combined value of the ordinary dividend and any supplemental return of cash will be between 60% and 70% of reported Group profits for the financial year after tax but before any amortisation. This will be further augmented by the realisation of value from the remaining Zoopla shareholding. Our present intention is that supplemental return of cash will be by way of a special dividend or a share repurchase programme depending on the prevailing market conditions and the views of our shareholders.

Capital structure

In February 2014 we increased our banking facilities by £50 million and at the same time reduced the margin we pay. The additional funds have been used to invest in further strategic opportunities when appropriate. Net debt at the period end was £74.1 million (31 December 2013: £48.4 million) and the Group had a further £40 million in undrawn facilities.

Board update

This period has seen a significant change in the Board structure. As announced in our annual report, Grenville Turner indicated his desire to step down as CEO and willingness to accept appointment as non-executive Chairman once a successor as chief executive was in place. In May 2014, the Board were delighted to announce the appointment of Alison Platt as Group chief executive effective from 1 September 2014. Accordingly, from 1 September 2014, Grenville Turner will become non-executive Chairman of the Board and of the Nomination Committee and I will continue to act as Deputy Chairman and senior independent director, at the same time remaining a member of the Group's Audit & Risk, Nomination and Remuneration Committees.

I commented within the annual report for 2013 that we intended to make further non-executive appointments. Accordingly, I was pleased to announce on 9 June 2014 the appointment of: Richard Adam who will be the Chairman of the Group's Audit & Risk Committee from 1 August 2014 and will also be a member of the Group's Nomination and Remuneration Committees; and Jane Lighting who will be a member of the Group's Audit & Risk, Nomination and Remuneration Committees. Rupert Gavin was appointed on 25 June 2014 and will be a member of the Group's Nomination and Remuneration Committees. Finally, Sandra Turner left the Board in June 2014 and I would like to record my thanks to her for her valuable contribution since the IPO last year.

Outlook

Our very encouraging first half performance provides a robust foundation on which to deliver our 2014 plan. The housing market continues to grow at a measured pace, with recovery in both transaction volumes and house prices underpinning the strong momentum we are experiencing across all our divisions. We are confident that Countrywide will deliver its best ever Group performance this year, with strong cash generation enabling us to explore strategic acquisitions and investment in our current business whilst maintaining modest levels of leverage in the business. Our revised underlying dividend policy and commitment to special dividends or share repurchases will deliver increased shareholder returns.

David R Watson

David Watson
Interim Chairman
31 July 2014

Chief executive's review

> "I am immensely pleased to report that Countrywide has delivered its strongest first half results since 2007."

After increased growth in housing market activity reported in Q1 2014, the pace of growth has understandably moderated through Q2 2014. As anticipated, the impact of the Mortgage Market Review has somewhat disrupted the flow of the mortgage process as lenders, intermediaries and customers acclimatise to the new regime.

Housing transactions outside London continue to grow as the economy sustains its recovery. Although house price growth remains strongest in London, nationally the rate of growth has picked up to 6.7% (5.4% excluding London). Nevertheless, average house prices outside London remain below their peak in 2007. While the London housing market factor is important as it drives positive consumer sentiment, it should be kept in perspective as Greater London transactions account for only 14% of national volumes with prime Central London properties being below 1%.

Even though the rate of growth in the UK housing market has recently slowed, the strength of our results has been underpinned by stability of earnings from our lettings and commercial businesses.

Group results

	Six months ended 30 June (unaudited)		
	2014 £'000	2013 £'000	Variance %
Total income	**334,525**	258,838	+29
Adjusted EBITDA*	**45,015**	26,435	+70
Operating profit before exceptional items, amortisation and share-based payments	**39,745**	21,983	+81
Operating profit	**41,644**	12,828	+225
Profit before taxation**	**37,067**	12,273	+202
Basic earnings per share	**15.0p**	(0.1)p	—
Adjusted basic earnings per share**	**12.6p**	5.3p	+138
Interim dividend	**5.0p**	2.0p	+150
Special dividend	**9.0p**	—	—

Group KPIs

	Six months ended 30 June (unaudited)		
	2014 Number	2013 Number***	Variance %
House sales exchanged			
– Estate Agency	**31,480**	26,297	+20
– London & Premier	**3,110**	2,629	+18
– Group total	**34,590**	28,926	+20
Retail properties under management	**64,334**	49,918	+29
Mortgages arranged	**32,772**	26,219	+25
– Value	**£4.8bn**	£3.5bn	+37
Valuations and surveys completed	**149,283**	143,304	+4
Conveyances completed (excluding third party)	**16,768**	14,299	+17

* Earnings before interest, tax, depreciation, amortisation, exceptional items, management fee, share-based payments and share of profits from joint venture, referred to hereafter as 'EBITDA' (see note 8 for reconciliation)

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

*** Restated for November 2013 segment change (see note 8)

Segment results

	Total income (unaudited)			EBITDA (unaudited)		
	2014 £'000	(Restated) 2013 £'000	Variance %	**2014 £'000**	(Restated) 2013 £'000	Variance %
Estate Agency	**101,313**	86,883	+17	**7,093**	1,949	+264
London & Premier	**57,840**	50,341	+15	**10,444**	7,602	+37
Lettings	**64,265**	53,460	+20	**17,616**	12,220	+44
Financial Services	**33,248**	29,521	+13	**5,409**	4,197	+29
Surveying Services	**28,107**	25,418	+11	**4,755**	4,947	-4
Conveyancing Services	**13,489**	12,108	+11	**3,810**	3,428	+11
Lambert Smith Hampton	**33,683**	—	n/m	**3,170**	—	n/m
All other segments	**2,580**	1,107	+133	**(7,282)**	(7,908)	-8
	334,525	258,838	+29	**45,015**	26,435	+70

Our management team is achieving good progress delivering our strategic goals this year:

Distribution channels

Within the first six months of 2014 we have invested £36 million in 23 businesses, primarily in the lettings sector, and the teams are making good progress embedding these new operations into the Countrywide Group. Whilst early days, these businesses have already contributed £5.1 million additional revenue and £1.7 million profit to the half year performance.

Following the announcement in February of our planned residential property investment vehicle, we are making steady progress building a seed investment portfolio of suitable residential rental properties. We have invested £9.2 million in two investment property sites, and have committed £3.7 million to complete the purchase of another site. We are currently in advanced discussions with well known institutional investors with a view to launching the investment vehicle in the second half of 2014.

Products and services

Customer service remains the focus for our business with the 'Hearts and Minds' training programmes enabling employees to further improve our customer service. Following a successful pilot we are investing in tablet technology to improve the customer experience in our estate agency businesses and reduce the time to market for new listings.

Throughout the period we have been united with our lender partners to ensure that the impact of changes to the mortgage application process is managed efficiently and implemented as successfully and seamlessly as possible for our customers.

People

Investing in our employees and building our teams for the future is vital for the prospects and progress of the Group. I am delighted to see that the first cohort of surveyors have qualified from our surveyor trainee programme and have moved across to operations. Our financial consultant sales force has been strengthened by over 100 reaching an optimum level for branch coverage.

Infrastructure

Our transformative IT programme approaches its final phase and we have already delivered new telephony across 78% of our branch network enabling call overflow handling and reducing our costs.

Operational review

Estate Agency

Income growth of 17% reflects strong growth in house sales in the first half of the year, with the average cash fee also increasing marginally on the prior year. Income has grown despite increased difficulty in getting sales agreed through to exchange of contracts; consequently our pipeline conversion was 3% lower than the first half of 2013.

EBITDA has increased by 264% despite investments in marketing and employee costs, particularly in our National Administration Centre which will improve service and cost efficiency.

Growth in our Land & New Homes business is progressing in line with our expectations given the investment in this part of the business with house exchanges up 20% in the first half of the year. Our Corporate Property Services division has however been impacted by lower repossessions volumes in the first half of the year.

Other highlights include:

- Pipeline of sales agreed at the half year stage is 27% higher than the prior year.
- New sales agreed increased 23% compared to H1 2013.
- Average house price increased 9% to £196,445 (2013: £180,158).
- Strong growth in instructions volumes reflecting increased spend on marketing.
- Increasing scope in our National Admin Centre to encompass elements of customer care capability.
- Divisional-wide programmes focusing on customer service ran in the first six months of 2014.

Chief executive's review continued

> Our management team is making good progress delivering our strategic goals this year.

Operational review continued

London & Premier

The first six months of 2014 saw revenue growth for the London & Premier division of 15% and EBITDA growth year-on-year of 37%.

Whilst revenue growth has been notable, we have faced challenging markets, especially in prime Central London where we noted prices cooling towards the end of the first half of 2014. At the same time, our outer-London and Country markets have grown steadily.

Our lettings business continues to grow apace, through acquisitions, organic growth and improved market share. This is especially true in London where we have seen a 10% growth in lettings revenues year-on-year.

Our Residential Development and Investment business also had a solid start to the year, with a rapidly growing pipeline of instructions across London and the South helping us build towards an even more profitable 2014 and beyond. Revenue generated from land sales and London developments was especially encouraging in the first six months.

During this period we continued our strategic expansion plan, acquiring Preston Bennett (Stanmore), Humphreys Skitt (Greenwich and Blackheath) and the entire country lettings portfolio from Humberts. All of these acquisitions sit within the Hamptons stable.

Lettings

Our Lettings division delivered a strong first half again in 2014 with a 20% increase in income translating into a 44% uplift in EBITDA.

The investment in the Group's Lettings business continues to mature through the New Starts programme (new lettings offices opened within the existing Group branch network), delivering a profit of £1.6 million EBITDA in the first half of 2014 (2013: £0.1 million EBITDA).

Further expansion with selective, value-adding acquisitions continues with 16 acquisitions completed during the first half of 2014 (18 so far this year) with a pipeline of acquisitions planned for the rest of the year.

Activity levels have increased, albeit against a backdrop of a stronger sales market. Applicants registered up 26% year-on-year whilst properties available remained flat, causing tenants per property to rise from five applicants per property to six applicants per property. Despite this change in the market, properties let during the period were up 13% year-on-year.

Financial Services

The division delivered a strong half year performance with EBITDA significantly ahead of 2013, reflecting improved market conditions. Total income increased by 13% and, combined with continued cost management, resulted in a 29% growth in EBITDA. Market conditions for the first half of 2014 were encouraging with volume transactions, fee income and insurance commissions all rising. Mortgage exchange volumes were 25% higher than last year and, significantly, the value of mortgage advances arranged within the division totalled £4.8 billion, a 37% increase from 2013.

As expected, growth slowed in Q2 as the division and mortgage lenders adjusted to the impact of April's Mortgage Market Review but momentum remains encouraging. We expect slightly reduced activity levels in Q3 but in a rising interest rate environment remortgage volumes should begin to rise in Q4. Our current expectation for UK total gross mortgage lending in 2014 is around £200-£210 billion, a 15% increase year-on-year with almost all of that headline growth sourced from the Broker channel.

There continues to be significant investment in retaining and growing the sales force as the market has gained momentum. Total mortgage consultant headcount in the core business is 669, an increase from 575 at the end of June 2013. The headcount level is expected to remain relatively unchanged for the remainder of 2014.

Surveying Services

The division continues to execute on its growth plans whilst maintaining its strong focus on risk management. The first six months of 2014 have seen the division post an income result 11% above prior year, helped by an improving average fee, growth in its surveyor workforce and significant new contract wins. Year to date underlying EBITDA excluding the investment cost of £1.4 million in the trainee programme is 25% above the prior year.

At the end of 2013 the division embarked on a large scale trainee programme in response to capacity issues encountered in the industry throughout much of 2013. Results from the trainee programme so far have been extremely encouraging with 57 new surveyors passing their RICS submissions and assessments in June with further anticipated qualifications due in the second half of the year. New trainees are a critical part of the divisional growth plans, in particular generating additional capacity to service recently won contracts.

The division heads into the second half of 2014 in a strong position with a more balanced portfolio of lender clients underpinned by recent contract wins.

Conveyancing Services
The division continues to grow with both income and EBITDA results 11% above the prior year at the half year.

The division started the year well, capitalising on the healthy pipelines brought forward from 2013. Instruction volumes were particularly strong in Q1, allowing the business to achieve pipelines at the half year 34% above 2013. However, while the division completes transactions approximately two weeks faster than the industry average, an elongation of turnaround times in the overall market has proved a challenge in the first half of the year.

Securing experienced legal capacity in a recovering market to underpin future growth was recognised as a challenge during 2013 and the business tactically invested in expanding its legal footprint through both a trainee scheme (incurring a cost of £0.2 million in H1 2014) and the acquisition and integration of the office in Bridgend in February. Excluding these investments, underlying EBITDA was £4.4 million and up 16% from 2013. The division has also invested in a customer service training methodology rolled out to all employees and the programme will continue throughout 2014. Ensuring that the business delivers a seamless customer journey is a key focus area.

Lambert Smith Hampton
Lambert Smith Hampton has delivered strong performance in the first half of the year. Income of £33.7 million and EBITDA of £3.2 million are ahead of our expectations. Income was 8% higher than the same period last year.

During this period Lambert Smith Hampton completed its first acquisition. BTW Shiells is the largest property consulting business in Northern Ireland, which is expected to increase revenue by 10%. The acquisition will strengthen our advisory service to key clients on various non-performing loan portfolios. This should lead to multiple downstream fees and will also include significant work for the new Northern Ireland office.

Cash flow and balance sheet

Cash at the end of June was £43.5 million (31 December 2013: £36.3 million) an increase of £7.2 million driven by increased inflows from operating activities.

In February 2014 we increased our term loan facility to £100 million and the RCF to £50 million and at the same time negotiated a reduced margin and repayment schedule so that the loan amortises over three annual instalments from March 2015: £20 million, £25 million and £55 million.

We continue to monitor the progress of our professional indemnity claims and can confirm that trends of claims received and losses incurred are in line with expectations. As anticipated, we have paid £9.3 million in settlements in the first half of this year.

A key focus for expansion within the Group remains the growth of the Lettings business, building and underpinning recurring income streams. To this end, the Group has completed the acquisition of 16 lettings businesses during the six month period ended 30 June 2014 for a total of £25.0 million and we have a healthy pipeline of additional opportunities identified for the second half of the year. In addition, the London & Premier division has acquired five businesses and Lambert Smith Hampton and Conveyancing Services have each acquired a business during the period.

At 30 June 2014, the Group had net assets of £545.6 million (31 December 2013: £521.2 millon) and net debt of £74.1 million (31 December 2013: £48.4 million), with a net debt/equity ratio of 13.6% (31 December 2013: 9.3%).

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

Award winning performance

The significant number and breadth of awards across both B2C and B2B that we have won this year are testament to the hard work, commitment and great service provided by our employees and I thank each and every one for their contribution to the Group's performance.

Grenville Turner
Chief executive officer
31 July 2014

Principal risks and uncertainties

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

- Housing market risk
- Availability of mortgage financing
- Loss of a major business partner or outsourcing partner
- Infrastructure and IT systems
- Professional indemnity
- Liquidity risk
- Regulatory compliance
- Recruitment and retention

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

Forward-looking statements

This report may contain certain 'forward-looking statements' with respect to some of the Group's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. By their nature, all forward-looking statements involve risk and uncertainty. A number of important factors could cause the Group's actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. We refer you to the Group's financial statements 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.

Statement of directors' responsibilities

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

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Countrywide plc are listed below:

Director	Position	Appointment/resignation date
David Watson	Interim Chairman and senior independent non-executive director	
Grenville Turner	Chief executive officer	
Jim Clarke	Chief financial officer	
Caleb Kramer	Non-executive director	
Cathy Turner	Independent non-executive director	
Sandra Turner	Independent non-executive director	Resigned 9 June 2014
Richard Adam	Independent non-executive director	Appointed 9 June 2014
Jane Lighting	Independent non-executive director	Appointed 9 June 2014
Rupert Gavin	Independent non-executive director	Appointed 25 June 2014

On behalf of the Board

Grenville Turner
Chief executive officer
31 July 2014

Jim Clarke
Chief financial officer
31 July 2014

Condensed consolidated interim income statement

For the six months ended 30 June 2014

		2014 (unaudited)			2013 (unaudited)		
	Note	Pre-exceptional items, amortisation and share-based payments £'000	Exceptional items, amortisation and share-based payments £'000	Total £'000	Pre-exceptional items, amortisation and share-based payments £'000	Exceptional items, amortisation and share-based payments £'000	Total £'000
Revenue		326,352	—	326,352	252,291	—	252,291
Other income		8,173	—	8,173	6,547	—	6,547
	8	334,525	—	334,525	258,838	—	258,838
Employee benefit costs		(184,923)	(8,610)	(193,533)	(146,830)	(2,080)	(148,910)
Depreciation and amortisation	14	(6,220)	(5,352)	(11,572)	(4,783)	(3,970)	(8,753)
Other operating costs		(104,587)	—	(104,587)	(85,932)	—	(85,932)
Share of profit from joint venture	16	950	—	950	690	—	690
Group operating profit/(loss) before exceptional items		39,745	(13,962)	25,783	21,983	(6,050)	15,933
Exceptional income	10	—	15,861	15,861	—	1,267	1,267
Exceptional costs	10	—	—	—	—	(4,372)	(4,372)
Operating profit/(loss)	8	39,745	1,899	41,644	21,983	(9,155)	12,828
Finance costs		(2,773)	—	(2,773)	(10,453)	(4,542)	(14,995)
Finance income		95	—	95	743	—	743
Net finance costs		(2,678)	—	(2,678)	(9,710)	(4,542)	(14,252)
Profit/(loss) before taxation		37,067	1,899	38,966	12,273	(13,697)	(1,424)
Taxation	11	(8,985)	3,314	(5,671)	(1,986)	3,553	1,567
Profit/(loss) for the period		28,082	5,213	33,295	10,287	(10,144)	143
Attributable to:							
Owners of the parent		27,710	5,213	32,923	10,006	(10,144)	(138)
Non-controlling interests		372	—	372	281	—	281
Profit/(loss) attributable for the period		28,082	5,213	33,295	10,287	(10,144)	143
Earnings per share attributable to owners of the parent							
Basic earnings/(loss) per share	13			15.01p			(0.07)p
Diluted earnings/(loss) per share	13			14.58p			(0.07)p

The notes on pages 15 to 27 are an integral part of this condensed consolidated interim financial report.

Condensed consolidated interim statement of other comprehensive income

For the six months ended 30 June 2014

	Note	2014 (unaudited) £'000	2013 (unaudited) £'000
Profit for the period		33,295	143
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Foreign exchange rate gains		6	7
Movement in fair value of available-for-sale financial assets	16	9,025	—
Total other comprehensive income		9,031	7
Total comprehensive profit for the period, net of tax		42,326	150
Attributable to:			
Owners of the parent		41,954	(131)
Non-controlling interests		372	281
Total comprehensive profit for the period, net of tax		42,326	150

The notes on pages 15 to 27 are an integral part of this condensed consolidated interim financial report.

Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2014

	Note	Attributable to owners of the parent						
		Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Audited balance at 1 January 2013		147,657	47,279	46,464	398	241,798	501	242,299
(Loss)/profit for the period		—	—	—	(138)	(138)	281	143
Other comprehensive income/(expense)								
Currency translation differences		—	—	7	—	7	—	7
Total other comprehensive income		—	—	7	—	7	—	7
Total comprehensive income/(expense)		—	—	7	(138)	(131)	281	150
Transactions with owners								
Repurchase of shares		(1)	—	1	(55)	(55)	—	(55)
Cancellation of shares		(146,091)	—	—	146,091	—	—	—
Capital reorganisation		—	(47,279)	47,279	—	—	—	—
Shares issued at initial public offering		629	219,371	—	—	220,000	—	220,000
Transactional costs of shares issued		—	(7,521)	—	—	(7,521)	—	(7,521)
Share-based payment transactions		—	—	—	2,419	2,419	—	2,419
Deferred tax on share-based payments		—	—	—	194	194	—	194
Dividends paid		—	—	—	—	—	(312)	(312)
Transactions with owners		(145,463)	164,571	47,280	148,649	215,037	(312)	214,725
Unaudited balance at 30 June 2013		2,194	211,850	93,751	148,909	456,704	470	457,174
Audited balance at 1 January 2014		2,194	211,841	120,966	185,722	520,723	517	521,240
Profit for the period		—	—	—	32,923	32,923	372	33,295
Other comprehensive income								
Currency translation differences		—	—	6	—	6	—	6
Movement in fair value of available-for-sale financial assets	16	—	—	9,025	—	9,025	—	9,025
Total other comprehensive income		—	—	9,031	—	9,031	—	9,031
Total comprehensive income		—	—	9,031	32,923	41,954	372	42,326
Transactions with owners								
Share-based payment transactions		—	—	—	7,433	7,433	—	7,433
Deferred tax on share-based payments		—	—	—	(295)	(295)	—	(295)
Disposal of fair value of available-for-sale financial assets		—	—	(11,059)	—	(11,059)	—	(11,059)
Treasury shares	24	—	—	(506)	—	(506)	—	(506)
Dividends paid	12	—	—	—	(13,167)	(13,167)	(389)	(13,556)
Transactions with owners		—	—	(11,565)	(6,029)	(17,594)	(389)	(17,983)
Unaudited balance at 30 June 2014		2,194	211,841	118,432	212,616	545,083	500	545,583

The notes on pages 15 to 27 are an integral part of this condensed consolidated interim financial report.

Condensed consolidated interim balance sheet
As at 30 June 2014

	Note	30 June 2014 (unaudited) £'000	31 December 2013 (audited) £'000
Assets			
Non-current assets			
Goodwill	15	407,031	379,834
Other intangible assets	14	239,539	235,412
Property, plant and equipment	14	36,692	31,473
Investments accounted for using the equity method:			
Investments in joint venture	16	3,356	2,913
Available-for-sale financial assets	16	39,126	42,877
Deferred tax asset		15,355	15,418
Total non-current assets		741,099	707,927
Current assets			
Trade and other receivables	17	96,678	91,854
Cash and cash equivalents		43,481	36,325
Total current assets		140,159	128,179
Investment properties classified as held for sale	18	9,214	—
Total assets		890,472	836,106
Equity			
Capital and reserves attributable to the owners of the parent			
Share capital	23	2,194	2,194
Share premium		211,841	211,841
Other reserves	24	118,432	120,966
Retained earnings		212,616	185,722
Equity shareholder funds		545,083	520,723
Non-controlling interests		500	517
Total equity		545,583	521,240
Liabilities			
Non-current liabilities			
Borrowings	20	83,669	77,257
Defined benefit scheme liabilities		2,538	4,438
Provisions	22	14,803	20,337
Deferred income	21	8,297	8,297
Trade and other payables due after one year	19	8,620	7,135
Deferred tax liability		47,444	46,925
Total non-current liabilities		165,371	164,389
Current liabilities			
Borrowings	20	33,911	7,487
Trade and other payables	19	108,795	106,286
Deferred income	21	7,772	6,872
Provisions	22	21,920	24,778
Current tax liabilities		7,120	5,054
Total current liabilities		179,518	150,477
Total liabilities		344,889	314,866
Total equity and liabilities		890,742	836,106

The notes on pages 15 to 27 are an integral part of this condensed consolidated interim financial report.

Condensed consolidated interim cash flow statement

For the six months ended 30 June 2014

	Note	2014 (unaudited) £'000	2013 (unaudited) £'000
Cash flows from operating activities			
Profit/(loss) before taxation		38,966	(1,424)
Adjustments for:			
Depreciation	14	4,241	3,126
Amortisation of intangible assets	14	7,331	5,627
Amortisation of deferred income		(1,267)	(1,267)
Share-based payments		7,433	2,419
Profit on disposal of assets available-for-sale/fixed assets		(14,594)	(18)
Income from joint venture		(950)	(690)
Finance costs		2,773	14,995
Finance income		(95)	(743)
Changes in working capital (excluding effects of acquisitions and disposals of Group undertakings):		43,838	22,025
Increase in trade and other receivables		(7,101)	(8,899)
Decrease in trade and other payables		(790)	(7,734)
Decrease in provisions		(8,507)	(11,461)
Cash generated from/(absorbed by) operations		27,440	(6,069)
Interest paid		(2,557)	(11,638)
Tax (paid)/refund		(5,722)	355
Net cash inflow/(outflow) from operating activities		19,161	(17,352)
Cash flows from investing activities			
Acquisitions, net of cash acquired	9	(29,548)	(6,165)
Purchase of property, plant and equipment		(7,393)	(4,769)
Purchase of intangible assets	14	(2,624)	(2,426)
Proceeds from sale of property, plant and equipment		6	992
Purchase of investments	16	(2,186)	—
Proceeds from sale of assets available-for-sale		19,272	—
Purchase of investment properties held for sale	18	(9,214)	—
Dividends received		1,388	1,375
Interest received		90	913
Net cash outflow from investing activities		(30,209)	(10,080)
Cash flows from financing activities			
Proceeds from issue of share capital		—	220,000
Transactional costs of shares issued		—	(6,917)
Term loan drawn		25,000	75,000
Revolving credit facility drawn		10,000	—
Repayment of bonds		—	(252,500)
Financing fees paid		—	(2,930)
Capital repayment of finance lease liabilities		(3,240)	—
Dividends paid to owners of the parent	12	(13,167)	—
Dividends paid to non-controlling interests		(389)	(312)
Redemption of shares		—	(55)
Net cash inflow from financing activities		18,204	32,286
Net increase in cash and cash equivalents		7,156	4,854
Cash and cash equivalents at 1 January		36,325	46,544
Cash and cash equivalents at 30 June		43,481	51,398

The notes on pages 15 to 27 are an integral part of this condensed consolidated interim financial report.

Notes to the condensed consolidated interim financial report

1. General information

Countrywide plc ("the Company") and its subsidiaries (together, "the Group") 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 Group operates in seven complementary businesses: (i) residential property sales; (ii) London & Premier residential property sales; (iii) residential property lettings and property management; (iv) arranging mortgages, insurance and related financial products (provided by third parties) for participants in residential property transactions; (v) surveying and valuation services for mortgage lenders and prospective homebuyers; (vi) residential property conveyancing services; and (vii) commercial property consultancy and advisory services, property management and advisory services. The Group seeks, through the breadth of its product offering, to capture revenue streams across the full range of stages of a typical residential property sale or rental, from listing to completion or letting.

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

This condensed consolidated interim financial report was approved for issue on 31 July 2014.

This condensed consolidated interim financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Consolidated financial statements for Countrywide plc for the year ended 31 December 2013 were approved by the Board of directors on 27 February 2014 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

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

2. Basis of preparation

This condensed consolidated interim financial report for the six months ended 30 June 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim financial reporting', as adopted by the European Union. The condensed consolidated interim financial report should be read in conjunction with the annual financial statements of Countrywide plc for the year ended 31 December 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

3. 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.

4. Accounting policies

The accounting policies adopted in the preparation of this condensed consolidated interim financial report are consistent with those of the previous financial year, except as stated below.

Material investment property acquisitions have been made during the period and these are held at fair value. Please refer to notes 6 and 18 for further details.

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so in order 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.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

In addition, the standards which are mandatory for accounting periods beginning 1 January 2014 have had the following impact on the Group's condensed consolidated interim financial report:

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

Notes to the condensed consolidated interim financial report continued

5. Critical accounting judgements and estimates

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

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting polices and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2013 with the exception of changes in estimates that are required in determining the provision for income taxes.

6. 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 condensed consolidated interim financial report does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

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

Liquidity risk

Compared to the year end, there was a material change in the contractual financial liabilities (see note 20). Following the renegotiation of the existing term loan facility during February 2014, an additional term loan of £25 million has been drawn down and £10 million of the revolving credit facility has also been utilised during the period.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined, in accordance with IFRS 13 'Fair value measurement', as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2014:

	Level 1 £'000	Level 3 £'000	Total £'000
Assets			
Available-for-sale financial assets	39,007	119	39,126
Investment properties classified as held for sale	—	9,214	9,214
Liabilities			
Put options	—	4,995	4,995

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013:

	Level 1 £'000	Level 3 £'000	Total £'000
Assets			
Available-for-sale financial assets	—	42,877	42,877
Liabilities			
Put options	—	4,955	4,955

There was a transfer of available-for-sale financial assets from Level 3 to Level 1 during the period arising from the Zoopla Property Group plc IPO which completed in June 2014. This gave rise to a change in valuation technique from that referred to below in Level 3 data to direct application of a quoted market price.

6. Financial risk management and financial instruments continued

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

	2014			2013	
	Assets available-for-sale £'000	Investment properties classified as held for sale £'000	Liabilities £'000	Assets available-for-sale £'000	Liabilities £'000
Opening balance at 1 January	42,877	—	4,955	14,370	5,560
Additions	5,021	9,214	—	—	—
Disposals	(17,786)	—	—	—	—
Transfers from Level 3 to Level 1	(39,007)	—	—	—	—
Gains and losses recognised in profit or loss	(11)	—	40	—	1,111
Gains and losses recognised in total comprehensive income	9,025	—	—	—	—
Closing balance at 30 June	119	9,214	4,995	14,370	6,671

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

The fair value of the Zoopla Property Group shares was assessed at 30 June 2013 by reference to reported statutory accounts. A discounted cash flow was prepared and an appropriate discount rate was applied to reflect the fact that there was no liquid market for these shares (which were also subject to pre-exemption rights and restrictions up to 2015). The 31 December 2013 valuation (not reflected in the table above) was assessed by reference to a recent transaction price paid for additional shares purchased in December 2013 (by the Group and other shareholders). In addition, other valuation methods were used to support the valuation adopted: a discounted cash flow was prepared and a valuation using an earnings multiple was undertaken. This valuation technique, based on unobservable market data, was replaced by direct valuation using quoted prices following the IPO of Zoopla Property Group plc in June 2014 and resulted in a change in valuation and valuation techniques adopted in the period, with the resultant change in fair value hierarchies as defined by IFRS 13.

During the period, the Group also invested in two investment properties as part of the strategy disclosed in the annual financial statements to commit £20 million of our own capital to establish a residential property investment vehicle. The strategy communicated at year end notes that this investment would form the initial phase of seeding an external vehicle and as the plan would be to divest these properties into the vehicle within the next twelve months, the assets have been classified as held for sale. These properties were acquired during the period as open market transactions and as such the fair value as at 30 June 2014 has been deemed to approximate to their recent acquisition cost. Property valuations are inherently subjective, including the assumption made that the fair value has not moved materially in the period since acquisition during this half year, which may not prove to be accurate. For this reason, we have classified the investment property as Level 3.

The fair value of put options is undertaken using a discounted cash flow based on management's expectation of performance of the underlying entities, consistent with operating plans approved.

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

7. Seasonality of operations

The UK housing market is seasonal, with peaks in the summer months. In the financial year ended 31 December 2013, 44% of revenues accumulated in the first half of the year, with 56% accumulating in the second half. The Group's operating profits are typically higher in the second half than in the first half of the year because, while fixed costs (such as wages, salaries and finance costs, which are not seasonal) tend to be consistent throughout the year, volumes of transactions in the second half are typically higher and therefore there is a higher marginal contribution over such fixed costs.

Notes to the condensed consolidated interim financial report continued

8. Operating segment information

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

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

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

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

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Strategic Steering Committee is measured in a manner consistent with that in the income statement.

The information presented in the tables below has been restated to take account of the internal restructuring undertaken during the second half of 2013. Hamptons International was combined with premium London brands, previously reported in Estate Agency, into a segment called London & Premier. Full details of the restructuring, and the resultant impact on income and EBITDA, were announced in November 2013 and are provided in a presentation ('Summary of Segment Changes') on the investor relations section of our website. The following table presents revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2014 and 2013 respectively.

Total income

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Total segment income £'000	Inter-segment income £'000	Total income £'000	(Restated) Total segment income £'000	Inter-segment income £'000	(Restated) Total income £'000
Estate Agency	102,958	(1,645)	101,313	88,228	(1,345)	86,883
London & Premier	57,840	—	57,840	50,341	—	50,341
Lettings	64,265	—	64,265	53,460	—	53,460
Financial Services	33,694	(446)	33,248	29,963	(442)	29,521
Surveying Services	28,107	—	28,107	25,418	—	25,418
Conveyancing Services	13,489	—	13,489	12,108	—	12,108
Lambert Smith Hampton	33,683	—	33,683	—	—	—
All other segments	2,580	—	2,580	1,107	—	1,107
	336,616	(2,091)	334,525	260,625	(1,787)	258,838

8. Operating segment information continued

EBITDA before exceptional items

	Six months ended 30 June	
	2014 £'000	(Restated) 2013 £'000
Estate Agency	7,093	1,949
London & Premier	10,444	7,602
Lettings	17,616	12,220
Financial Services	5,409	4,197
Surveying Services	4,755	4,947
Conveyancing Services	3,810	3,428
Lambert Smith Hampton	3,170	—
Segment EBITDA before exceptional items	52,297	34,343
All other segments	(7,282)	(7,908)
Group EBITDA before exceptional items	45,015	26,435

A reconciliation of total EBITDA before exceptional items to total profit before income tax is provided as follows:

	Six months ended 30 June	
	2014 £'000	2013 £'000
EBITDA before exceptional items for reportable segments	52,297	34,343
Other segments	(7,282)	(7,908)
Total segments	45,015	26,435
Management fees	—	(359)
Depreciation on property, plant and equipment and amortisation of software	(6,220)	(4,783)
Share of profit from joint venture	950	690
Group operating profit before exceptional items and amortisation	39,745	21,983
Amortisation of intangible assets	(5,352)	(3,970)
Share-based payment costs	(8,610)	(2,080)
Exceptional income	15,861	1,267
Exceptional costs	—	(4,372)
Group operating profit	41,644	12,828
Finance costs	(2,773)	(14,995)
Finance income	95	743
Profit/(loss) before income tax	38,966	(1,424)

Since the preparation of the last financial statements, the Lettings division has acquired 16 businesses (see note 9), the London & Premier division has acquired five businesses and Lambert Smith Hampton and Conveyancing Services have each acquired a business. Other than this there has been no material change in segment total assets or liabilities from the amount disclosed in the last annual financial statements.

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

Notes to the condensed consolidated interim financial report continued

9. Business combinations

Acquisitions

During the six months to 30 June 2014 the Lettings division acquired 16 lettings operations, including Tucker Gardner and APW, as part of its targeted acquisition strategy to expand in certain under-represented geographical areas. The total consideration in respect of these acquisitions was £25.0 million. The London & Premier division acquired five businesses, including Preston Bennett, as part of its targeted acquisition strategy to expand in certain under-represented geographical areas for a consideration of £9.2 million. Lambert Smith Hampton and Conveyancing Services each acquired a business for £0.8 million and £1.0 million respectively.

Provisional assessment of fair values at acquisition

	APW £'000	Tucker Gardner £'000	Preston Bennett £'000	Other £'000	Total £'000
Intangible assets	893	4,153	1,016	2,778	8,840
Property, plant and equipment	66	79	111	269	525
Trade and other receivables	438	238	1,442	724	2,842
Cash at bank	1,309	370	655	51	2,385
Trade and other payables	(239)	(874)	(594)	(1,514)	(3,221)
Corporation tax	(99)	(126)	(294)	(272)	(791)
Deferred tax	(188)	(834)	(223)	(404)	(1,649)
Provisions	—	—	(10)	(105)	(115)
Net assets	2,180	3,006	2,103	1,527	8,816
Goodwill	5,595	4,099	4,027	13,476	27,197
Consideration	7,775	7,105	6,130	15,003	36,013
Settled by:					
Initial consideration	7,300	6,955	4,630	13,048	31,933
Deferred consideration	475	150	1,500	1,955	4,080
	7,775	7,105	6,130	15,003	36,013
Cash paid	7,300	6,955	4,630	13,048	31,933
Cash at bank	(1,309)	(370)	(655)	(51)	(2,385)
Net cash flow arising from acquisitions	5,991	6,585	3,975	12,997	29,548
Revenue post-acquisition	566	1,130	1,783	1,656	5,135
Profit post-acquisition	201	363	702	411	1,677
Proforma revenue to 30 June 2014	1,164	1,130	1,927	4,222	8,443
Proforma profit to 30 June 2014	430	363	692	695	2,180

A provisional assessment of the fair value of assets and liabilities acquired is presented in this interim report. Owing to the proximity of several acquisitions to the reporting date, there may be some reclassifications when reporting at the year end. The valuation techniques applied are consistent with previous years.

On 1 January 2014, the Group acquired 100% of the equity share capital of Tucker Gardner Residential Limited, in accordance with the strategy to increase the Group's lettings footprint in under-represented geographical areas.

On 22 January 2014, the Group acquired 100% of the equity share capital of Preston Bennett Holdings Limited, in accordance with the strategy to increase the Group's lettings footprint in under-represented geographical areas and strategic acquisitions including Land & New Homes business.

On 7 April 2014, the Group acquired 100% of the equity share capital of APW Holdings Limited and five subsidiary companies, in accordance with the strategy to increase the Group's lettings footprint in under-represented geographical areas.

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.

The goodwill of £27.2 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.

10. Exceptional items

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

	Six months ended 30 June	
	2014 £'000	2013 £'000
Exceptional income credited to operating profit		
Profit on disposal of available-for-sale financial assets	(14,594)	—
Deferred income amortisation arising from the fair valuation of available-for-sale assets	(1,267)	(1,267)
	(15,861)	(1,267)
Exceptional costs charged to operating profit		
Costs incurred in relation to the IPO	—	3,678
Share-based payment cost in relation to accelerated management incentive plan	—	694
	—	4,372
Exceptional costs charged to finance costs		
Early redemption penalty incurred on redemption of £250 million Senior Secured Notes	—	2,500
Accelerated amortisation of capitalised finance costs relating to cancelled facilities	—	2,042
	—	4,542
Net exceptional (income)/costs	(15,861)	7,647

2014

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

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

2013

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

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

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

11. Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2014 is 17%. The principal reason for the effective tax rate reduction is due to the profit arising on the disposal of Zoopla Property Group plc shares being sheltered by brought forward capital losses which had not been recognised previously for deferred tax purposes.

The estimated tax rate for the six months ended 30 June 2013 was 23%.

Notes to the condensed consolidated interim financial report continued

12. Dividend

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the period:		
– final dividend for the year ended 31 December 2013 of 6.0 pence (net) per share	13,167	—
Total	13,167	—

An interim dividend of 5.0 pence (net) per share (2013: 2.0 pence (net) per share), amounting to a total dividend of £10,972,248 (2013: £4,388,899), was proposed by the Board of Directors on 30 July 2014. In addition, a special dividend of 9.0 pence (net) per share pence per share, amounting to a total dividend of £19,750,046, was proposed by the Board of Directors on 26 June 2014. Both are payable on 15 September 2014 to shareholders who are on the register at 15 August 2014. In accordance with IAS 10 'Events after the balance sheet date', dividends declared after the balance sheet date are not recognised as a liability in these financial statements.

13. Earnings per share

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

	2014 £'000	2013 £'000
Profit/(loss) for the period attributable to owners of the parent	32,923	(138)
Weighted average number of ordinary shares in issue for the basic earnings per share	219,375,717	190,072,364
Basic earnings per share (in pence per share)	15.01p	(0.07)p

For diluted earnings per share, the weighted average number of ordinary shares in existence is adjusted to include all dilutive potential ordinary shares arising from share options.

	2014 £'000	2013 £'000
Profit/(loss) for the period attributable to owners of the parent	32,923	(138)
Weighted average number of ordinary shares in issue	219,375,717	190,072,364
Adjustment for weighted average number of contingently issuable shares	6,475,936	—
Adjustment for weighted average number of treasury shares	15,829	—
Weighted average number of ordinary shares in issue for diluted earnings per share	225,867,482	190,072,364
Diluted earnings per share (in pence per share)	14.58p	(0.07)p
Adjusted earnings		
Profit/(loss) for the period attributable to owners of the parent	32,923	(138)
Adjusted for:		
Amortisation arising on intangibles recognised through business combinations	5,352	3,970
Share-based payments charge	7,433	1,725
NI on share-based payments charge	1,177	355
Exceptional income	(15,861)	(1,267)
Exceptional costs	—	4,372
Exceptional finance costs	—	4,542
Taxation impact of items listed above	(3,314)	(3,553)
Adjusted earnings, net of taxation	27,710	10,006
Adjusted basic earnings per share (in pence per share)	12.63p	5.26p
Adjusted diluted earnings per share (in pence per share)	12.27p	5.26p

14. Property, plant and equipment and other intangible assets

		Intangible assets		
	Plant, property and equipment £'000	Computer software £'000	Other intangibles £'000	Total intangibles £'000
Net book value 1 January 2014	31,473	12,773	222,639	235,412
Acquisitions (note 9)	525	—	8,840	8,840
Additions	9,006	2,624	—	2,624
Disposals	(71)	(6)	—	(6)
Depreciation and amortisation	(4,241)	(1,979)	(5,352)	(7,331)
Net book value 30 June 2014	**36,692**	**13,412**	**226,127**	**239,539**

Capital commitments

Under agreements with CGI, for the outsourcing of IT arrangements, the Group has committed to a computer hardware refresh programme. Capital expenditure contracted (in respect of property, plant and equipment) for at the end of the reporting period but not yet incurred, relating to 2014 and the four subsequent years, was £5.5 million (31 December 2013: £7.1 million).

15. Goodwill

	£'000
Net book value at 1 January 2014	379,834
Acquisitions (note 9)	27,197
Net book value at 30 June 2014	**407,031**

16. Investments

	Investment in joint venture £'000	Available-for-sale assets £'000
At 1 January 2014	2,913	42,877
Purchased for cash	—	2,186
Shares acquired on crystallisation of warrants	—	2,835
Disposal of shares	—	(17,786)
Movement in fair value	—	9,025
Amortisation	—	(11)
Share of profit	950	—
Dividends received	(507)	—
At 30 June 2014	**3,356**	**39,126**

Notes to the condensed consolidated interim financial report continued

17. Trade and other receivables

	30 June 2014 £'000	31 December 2013 £'000
Current:		
Trade receivables	**75,950**	67,300
Less: Provision for impairment of receivables	**(3,812)**	(3,848)
Trade receivables – net	**72,138**	63,452
Amounts due from customers for contract work	**1,665**	1,346
Other receivables	**7,076**	8,670
Prepayments and accrued income	**15,799**	18,386
	96,678	91,854

18. Investment properties classified as held for sale

	£'000
Net book value at 1 January 2014	—
Additions (note 6)	9,214
Net book value at 30 June 2014	**9,214**

19. Trade and other payables

	30 June 2014 £'000	31 December 2013 £'000
Trade payables	**25,421**	13,625
Other financial liabilities	**4,995**	4,955
Deferred consideration	**5,064**	2,174
Financial liabilities	**35,480**	20,754
Other tax and social security payable	**29,739**	28,755
Accruals and other payables	**52,196**	63,912
	117,415	113,421
Current	**108,795**	106,286
Non-current	**8,620**	7,135
	117,415	113,421

20. Borrowings

	30 June 2014 £'000	31 December 2013 £'000
Non-current		
Bank borrowings	80,000	70,000
Other loans	1,000	1,000
Capitalised banking fees	(2,193)	(1,960)
Finance lease liabilities	4,862	8,217
	83,669	77,257
Current		
Bank borrowings	30,000	5,000
Finance lease liabilities	3,911	2,487
	33,911	7,487
Total borrowings	117,580	84,744

On 20 February 2014 the Company entered into an Amendment and Restatement Agreement relating to the Term and Revolving Credit Facility Agreement, originally dated 20 March 2013, which terminates in March 2017. The facilities are split between £100 million Term Loan and £50 million Revolving Credit Facility (RCF), which is repaid £20 million on 20 March 2015, £25 million on 20 March 2016, £55 million on 20 March 2017. Until 30 June 2014, interest is payable based on LIBOR plus a margin of 3%, with the margin reducing to 1.75% from July 2014. The margin is linked to the leverage ratio of the Group and the margin rate is reviewed annually. The RCF is available for utilisation subject to satisfying fixed charge and leverage covenants and £10 million was drawn down during the period.

The unsecured loan notes are non-interest bearing.

21. Deferred income

	Cash £'000	Non-cash £'000	Total £'000
At 1 January 2014	10,089	5,080	15,169
Additional non-cash deferred income crystallised	—	2,835	2,835
Movement/non-cash amortisation	(668)	(1,267)	(1,935)
At 30 June 2014	9,421	6,648	16,069
Current	5,238	2,534	7,772
Non-current	4,183	4,114	8,297
	9,421	6,648	16,069

The Group recognises deferred income as a result of cash received in advance in relation to certain sales distribution contracts and lease incentives relating to the Group's operating leases. The cash is received and amortised over the life of the contract to which it relates. The non-cash portion relates to unamortised income created on acquisition of Zoopla shares (see note 10).

Notes to the condensed consolidated interim financial report continued

22. Provisions

	2014					
	Onerous contracts £'000	Property repairs £'000	Clawback £'000	Claims and litigation £'000	Other £'000	Total £'000
At 1 January	1,943	4,276	2,857	32,909	3,130	45,115
Acquired in acquisition (note 9)	—	40	—	75	—	115
Utilised in the period	(509)	(434)	(1,883)	(9,261)	(220)	(12,307)
Charged to income statement	—	91	2,008	1,739	(38)	3,800
At 30 June	**1,434**	**3,973**	**2,982**	**25,462**	**2,872**	**36,723**
Current	742	1,930	2,041	16,949	258	21,920
Non-current	692	2,043	941	8,513	2,614	14,803
	1,434	**3,973**	**2,982**	**25,462**	**2,872**	**36,723**

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

23. Share capital

	Number	£'000
Called up issued and fully paid ordinary shares of 1 pence each		
At 1 January 2014 and 30 June 2014	219,444,961	2,194

24. Reserves

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

	Capital reorganisation reserve £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Available-for-sale financial assets reserve £'000	Treasury share reserve £'000	Total £'000
Balance at 1 January 2013	—	45,540	(29)	953	—	46,464
Repurchase of shares	—	1	—	—	—	1
Currency translation differences	—	—	7	—	—	7
Capital reorganisation	92,820	(45,541)	—	—	—	47,279
Balance at 30 June 2013	92,820	—	(22)	953	—	93,751
Balance at 1 January 2014	**92,820**	**—**	**(56)**	**28,428**	**(226)**	**120,966**
Currency translation differences	—	—	6	—	—	6
Movement in fair value of available-for-sale financial assets	—	—	—	9,025	—	9,025
Disposal of fair value of available-for-sale financial assets	—	—	—	(11,059)	—	(11,059)
Treasury shares	—	—	—	—	(506)	(506)
Balance at 30 June 2014	**92,820**	**—**	**(50)**	**26,394**	**(732)**	**118,432**

25. Related party transactions

Transactions with key management personnel

Key management compensation amounted to £11.1 million for the six months ended 30 June 2014 (30 June 2013: £3.8 million). See below for details:

	30 June 2014 £'000	30 June 2013 £'000
Wages and salaries	3,550	2,021
Short term non-monetary benefits	22	34
Share-based payments	7,490	1,647
Defined contribution pension scheme	77	91
	11,139	3,793

Trading transactions

		Transaction amount		Balance owed	
Related party relationship	Transaction type	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	30 June 2014 £'000	30 June 2013 £'000
Joint venture	Purchases by Group	1,354	1,124	268	135
Joint venture	Rebate received	198	227	—	—
Joint venture	Dividend received	507	777	—	—
Apollo Management	Director's fee paid	—	15	—	15
Oaktree Capital Management	Director's fee paid	20	15	10	15
Apollo Management	Management fee paid	—	180	—	—
Oaktree Capital Management	Management fee paid	—	180	—	—

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

During the six month period ended 30 June 2014, the Group incurred £20,000 of directors' fees from Oaktree (30 June 2013: £360,000 management fees split equally between Apollo Management and Oaktree Capital Management). Following the IPO, management fees have not been incurred but fees have been payable in respect of each of the respective directors appointed to the Board at a rate of £40,000 per annum.

Prior to the IPO, Oaktree Capital Management and Apollo Management LP both owned in excess of 20% of the share capital of the Group. Following the IPO, each entity had a director on the Board of the Company and Apollo Management LP was therefore deemed to have significant control even though its shareholding fell below 20%. However, the Apollo nominated director resigned in August 2013 following divestment of shares.

26. Events occurring after the reporting period

Details of the interim and special dividends proposed are given in note 12.

Following the period end, two further acquisitions have been completed within the Lettings division for total consideration of £0.9 million, and an additional investment property has been acquired at a cost of £3.7 million which will also form part of the pool of properties held for sale.

Independent review report to Countrywide plc

Report on the condensed consolidated interim financial report

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the condensed consolidated interim financial report of Countrywide plc for the six months ended 30 June 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Countrywide plc, comprise:

- the condensed consolidated interim income statement for the period then ended;
- the condensed consolidated interim statement of other comprehensive income for the period then ended;
- the condensed consolidated interim statement of changes in equity for the period then ended;
- the condensed consolidated interim balance sheet as at 30 June 2014;
- the condensed consolidated interim cash flow statement for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial report.

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

The condensed consolidated interim financial statements included in this condensed consolidated interim financial report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated interim financial statements involves

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

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

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

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

The condensed consolidated interim financial report, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the condensed consolidated interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
31 July 2014

Company information

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

Solicitors
Slaughter and May

Financial calendar

Interim results	31 July 2014
Interim dividend record date	15 August 2014
Interim dividend payment	15 September 2014
Interim management statement	31 October 2014
Full year results	February 2015

*Shareholder enquiries

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

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

Capita shareholder helpline:	0871 664 0300 (calls cost 10 pence per minute plus network extras) (Overseas: +44 02 8639 3399)
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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.

consultancy, design and production by
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