THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document, which comprises a circular and prospectus relating to Countrywide plc and the Issue, has been prepared in accordance with the Prospectus Rules of the UKLA made under section 73A of FSMA, has been approved by the UKLA in accordance with section 87A of FSMA and has been made available to the public in accordance with Rule 3.2.4 of the Prospectus Rules. This document can also be obtained on request from Countrywide's Receiving Agent, Link Asset Services, or from www.countrywide.co.uk.

If you sell or transfer, or have sold or otherwise transferred, all of your Existing Ordinary Shares (other than ex-entitlement) held in certificated form before 8:00 a.m. on 2 August 2018 (being the Ex-Entitlement Time), please send this document, together with any Application Form (if applicable and when received), as soon as possible to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer will be or was effected for onward delivery to the transferee, except that such documents should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of registration or of other local securities laws or regulations including, but not limited to, any of the Excluded Territories. If you sell or transfer, or have sold or otherwise transferred, all or some of your Existing Ordinary Shares (other than ex-entitlement) held in uncertificated form before the Ex-Entitlement Time, a claim transaction will automatically be generated by Euroclear UK which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee. If you sell or transfer, or have sold or otherwise transferred, only part of your holding of Existing Ordinary Shares (other than ex-entitlement) held in certificated form before the Ex-Entitlement Time, you should refer to the instruction regarding split applications in Part VII (*Terms and Conditions of the Issue*) of this document and in the Application Form.

The distribution of this document, any other offering or publicity material relating to the Issue and/or any Application Form and/or the transfer of New Ordinary Shares into jurisdictions other than the United Kingdom may be restricted by law or regulation, and therefore persons into whose possession this document and/or accompanying documents come should inform themselves about and observe any such restrictions. In particular, subject to certain exceptions, such documents should not be distributed in, forwarded to or transmitted in or into any Excluded Territory. Any failure to comply with these restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction. The transfer of the New Ordinary Shares may also be so restricted by law or regulation.

Countrywide
integrated solutions local expertise

Countrywide plc

(incorporated in England and Wales under the Companies Act 2006 with registered number 08340090)

Firm Placing of 1,114,419,569 Firm Placing Shares at 10 pence each

Placing and Open Offer of 285,580,431 Open Offer Shares at 10 pence each

Notice of General Meeting

Sponsor

Jefferies

Joint Global Co-Ordinators and Joint Bookrunners

Barclays **Jefferies**

The Existing Ordinary Shares have been admitted to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. Application will be made to the UKLA for the New Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that admission to listing of the New Ordinary Shares on the premium segment of the Official List will become effective, and that dealings in the New Ordinary Shares on the London Stock Exchange's main market for listed securities will commence, at 8:00 a.m. on 30 August 2018.

Your attention is drawn to the letter from the Executive Chairman of Countrywide, which is set out in Part I (*Letter from the Executive Chairman of Countrywide*) of this document. You should read the whole of this document, including the information incorporated by reference into this document and any accompanying document. Shareholders and any other persons contemplating a purchase of New Ordinary Shares should review the Risk Factors set out on pages 30 to 47 of this document for a discussion of certain risks, uncertainties and other factors that should be considered when deciding on what action to take in relation to the Issue or deciding whether or not to subscribe for or purchase New Ordinary Shares. In making an investment decision each investor must carry out their own examination, analysis and enquiry of Countrywide and the terms of the Issue, including the merits and risks involved. No person has been

authorised to give any information or make any representations other than those contained in this document and the Application Form and, if given or made, such information or representations must not be relied upon as having been authorised by Countrywide or by either Barclays or Jefferies.

The latest time and date for acceptance and payment in full for the Open Offer Shares by Qualifying Shareholders is expected to be 11:00 a.m. on 17 August 2018. The procedures for acceptance and payment are set out in Part VII (*Terms and Conditions of the Issue*) of this document and, for Qualifying Non-CREST Shareholders only, also in the Acceptance Form. Qualifying CREST Shareholders should refer to section 6 of Part VII (*Terms and Conditions of the Issue*) of this document.

Barclays Bank PLC, acting through its investment bank, which is authorised by the PRA in the United Kingdom and regulated by the PRA and the FCA, is acting for Countrywide and no one else in connection with the Issue and will not regard any other person (whether or not a recipient of this document) as its client in connection with the Issue and will not be responsible to anyone other than Countrywide for providing the protections afforded to its clients nor for giving advice in relation to Issue or any arrangement referred to, or information contained, in this document.

Jefferies International Limited, which is authorised and regulated by the FCA, is acting for Countrywide and no one else in connection with the Issue and will not regard any other person (whether or not a recipient of this document) as its client in connection with the Issue and will not be responsible to anyone other than Countrywide for providing the protections afforded to its clients nor for giving advice in relation to the Issue or any arrangement referred to, or information contained, in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Barclays and Jefferies by FSMA or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Barclays nor Jefferies, nor any of their respective affiliates, directors, officers, employees or advisers, accept any responsibility whatsoever for the contents of this document, or make any representation or warranty, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or regarding the legality of any investment in the New Ordinary Shares by any person under the laws applicable to such person or for any other statement made or purported to be made by it, or on its behalf, in connection with Countrywide, the New Ordinary Shares or the Issue, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. To the fullest extent permissible, Barclays and Jefferies accordingly disclaim all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement.

NOTICE TO OVERSEAS SHAREHOLDERS

This document does not constitute an offer of, or a solicitation to subscribe for or purchase, any securities in any jurisdiction in which such offer or solicitation is unlawful or to any person to whom it is unlawful to make such offer or solicitation.

The New Ordinary Shares have not been, and will not be, registered under the US Securities Act, or under the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged, taken up, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The New Ordinary Shares offered outside the United States are being offered in reliance on Regulation S under the US Securities Act. There will be no public offer of New Ordinary Shares in the United States.

Countrywide, Barclays and Jefferies do not make any representation to any offeree, subscriber or acquirer of the New Ordinary Shares regarding the legality of an investment in the New Ordinary Shares by such offeree, subscriber or acquirer under the law applicable to such offeree, subscriber or acquirer. Each investor should consult with his or its own advisers as to the legal, tax, business, financial and related aspects of an acquisition of the New Ordinary Shares.

The New Ordinary Shares, the Application Form and this document have not been recommended, approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of the Application Form or this document. Any representation to the contrary is a criminal offence in the United States.

The New Ordinary Shares may not be offered, sold, pledged, taken up, resold, transferred or delivered, directly or indirectly, within any of the other Excluded Territories except pursuant to an applicable exemption from registration and in compliance with any applicable securities laws. There will be no public offer of the New Ordinary Shares in any of such other Excluded Territories.

EXCEPT AS OTHERWISE PROVIDED FOR HEREIN, NEITHER THE APPLICATION FORM NOR THIS DOCUMENT CONSTITUTES AN OFFER OF NEW ORDINARY SHARES TO ANY PERSON WITH A REGISTERED ADDRESS, OR WHO IS LOCATED OR RESIDENT, IN THE UNITED STATES OR ANY OF THE OTHER EXCLUDED TERRITORIES.

The Joint Bookrunners may arrange for the Firm Placing Shares and any Open Offer Shares not taken up in the Open Offer to be offered and sold only: (i) outside the United States in accordance with Regulation S under the US Securities Act; or (ii) inside the United States to persons reasonably believed to be “qualified institutional buyers” (QIBs) within the meaning of Rule 144A under the US Securities Act in reliance on an exemption from the registration requirements of the US Securities Act. Any such persons are notified that such offers may be made in reliance on the exemption from the registration provisions of Section 5 of the US Securities Act provided by Rule 144A.

A QIB will be permitted to take up its entitlements to New Ordinary Shares under the Open Offer only if the QIB executes a US Purchaser's Letter in the form provided by Countrywide and delivers it to Countrywide with a copy to the Joint Bookrunners. The US Purchaser's Letter will require each such QIB to represent and agree that, among other things: (i) it is a QIB; and (ii) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the New Ordinary Shares in transactions exempt from the registration requirements of the US Securities Act and in compliance with applicable securities laws. The US Purchaser's Letter contains additional written representations, agreements and acknowledgements relating to the transfer restrictions applicable to the New Ordinary Shares.

In addition, until 40 days after the commencement of the Open Offer, an offer, sale or transfer of the New Ordinary Shares within the United States by a dealer (whether or not participating in the Issue) may violate the registration requirements of section 5 of the US Securities Act.

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Application Form, if and when received, or any other document to a jurisdiction outside the United Kingdom should read section 8 of Part VII (*Terms and Conditions of the Issue*).

NOTICE TO EEA INVESTORS

In relation to each EEA State (except for the United Kingdom) which has implemented the Prospectus Directive (each a "relevant member state"), no New Ordinary Shares have been offered or will be offered pursuant to the Issue to the public in that relevant member state before the publication of a prospectus in relation to the New Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, offers of New Ordinary Shares may be made to the public in that relevant member state at any time:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) to fewer than 100 or, if the relevant member state has implemented the relevant provision of the PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such relevant member state; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Ordinary Shares shall result in a requirement for the publication by Countrywide, Barclays and Jefferies of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in that relevant member state.

For this purpose, the expression "offer of any New Ordinary Shares to the public" in relation to any New Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Issue and any New Ordinary Shares to be offered so as to enable an investor to decide to subscribe for or acquire any New Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

NOTICE TO CANADIAN RESIDENTS (ONTARIO, QUEBEC, ALBERTA, MANITOBA AND BRITISH COLUMBIA ONLY)

The distribution of the New Ordinary Shares in Canada is being made only in the provinces of Ontario, Quebec, Alberta, Manitoba and British Columbia on a private placement basis exempt from the requirement that Countrywide prepares and files a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of the New Ordinary Shares in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of such securities. Please see section 7 of Part II (*Important Information*) for further information.

NOTICE TO ALL INVESTORS

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in New Ordinary Shares is prohibited. By accepting delivery of this document, each offeree of the New Ordinary Shares agrees to the foregoing.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or its own legal, financial or tax adviser for legal, financial or tax advice.

None of Countrywide, the Joint Bookrunners, or any of their respective affiliates, directors, officers, employees or advisers, is making any representation to any offeree, purchaser or acquirer of New Ordinary Shares regarding the legality of an investment in the Issue or the New Ordinary Shares by such offeree, purchaser or acquirer under the laws applicable to such offeree, purchaser or acquirer.

Without limitation, the contents of the Group's websites do not form part of this document.

Capitalised terms have the meanings ascribed to them in the Definitions set out at the end of this document.

The date of this document is 2 August 2018.

TABLE OF CONTENTS

SUMMARY

*Summaries are made up of disclosure requirements known as "**Elements**". These Elements are numbered in Sections A — E (A.1 — E.7).*

This summary contains all the Elements required to be included in a summary for this type of: (i) issuer; and (ii) issue of securities. Given that some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of the words "not applicable".

Section A — Introduction and warnings		
Element	**Disclosure requirement**	**Disclosure**
A.1	Warning	This summary should be read as an introduction to this document. Any decision to invest in the New Ordinary Shares should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.
A.2	Resale or final placement of securities through financial intermediaries	Not applicable. Countrywide is not engaging any financial intermediaries for any resale of securities or final placement of securities requiring a prospectus after publication of this document.

Section B — Issuer		
Element	**Disclosure requirement**	**Disclosure**
B.1	Legal and commercial name	Countrywide plc.
B.2	Domicile/ legal form/ legislation under which the issuer operates/ country of incorporation	Countrywide is a public limited company, incorporated in England and Wales with its registered office at County House, Ground Floor, 100 New London Road, Chelmsford CM2 0RG. The principal legislation under which Countrywide operates is the Companies Act 2006.
B.3	Current operations/ principal activities and markets	The Group is the largest integrated, full service residential estate agency and property services provider in the UK, as measured by market share of all new listings on the Rightmove Portal (based on Rightmove data for August 2017 through 23 July 2018). The Group operates across a broad range of UK residential and commercial property markets. The

		Group is focused on delivering end-to-end property services to the residential, B2B and commercial sectors and on having the right local brand in the right location to reach customers across different price points. The Group serves its residential and commercial customers through more than 1,000 locations across the UK and also has nominal operations overseas through informal affiliations with local real estate operators. The Group offers products and services through four Business Units, as described below (although, from H1 2018, the UK Sales and Lettings and London Sales and Lettings Business Units are being reported as a single "Sales and Lettings" Business Unit for the purposes of the Group's segmental reporting). • **UK Sales and Lettings.** The UK Sales and Lettings Business Unit covers both estate agency and lettings operations in the UK (excluding London and excluding operations in overseas markets through affiliations with real estate operators in those markets). As at 31 December 2017, the UK Sales and Lettings business comprised 649 physical locations across 50 brands across the UK (excluding London), serving customers' residential sales and lettings needs across a range of price bands. The sales function generates commission revenue on sales of residential and, to a lesser extent, commercial properties, and the lettings function generates fees from the letting and management of residential properties. • **London Sales and Lettings.** The London Sales and Lettings Business Unit covers both estate agency and lettings operations in London, and also includes the Group's operations in overseas markets through affiliations with real estate operators in those markets. As at 31 December 2017, the London Sales and Lettings business comprised 231 physical locations across 16 brands, serving customers' residential sales and lettings needs across a range of price bands. The sales function generates commission revenue on sales of residential and, to a lesser extent, commercial property, and the lettings function generates fees from the letting and management of residential properties. • **B2B**. The B2B offering comprises all lines of business with corporate customers and conveyancing services to residential customers. Revenue is generated from surveying and valuation fees received from financial institutions, conveyancing fees, and fees from commercial property consultancy and advisory services, estate management and valuation services provided through Lambert Smith Hampton (the Group's commercial property consultancy that provides services to investors, developers and

		occupiers across the full property lifecycle) and through Countrywide Residential Development Solutions (one of the largest land and new homes agencies in the UK according to Rightmove data). • **Financial Services**. The Financial Services Business Unit generates commission revenue from the sale of mortgages, insurance policies and related products under contracts with financial services providers. The Group is a leading independent mortgage broker in the UK, having arranged approximately 10 *per cent*. of the gross value of all mortgages arranged through intermediaries in 2017 (based on UK Finance data, excluding buy-to-let). As at 31 December 2017, the Group employed more than 600 mortgage and protection consultants, including specialist remortgage consultants and specialist new home mortgage consultants. Through its Mortgage Intelligence brand, the Group owns one of the foremost networks of advisers in the UK (based on the number of appointed representatives as at 30 April 2018), while The Buy To Let Business and Mortgage Bureau brands arrange specialist lending. The Group does not itself provide mortgage financing, underwrite insurance or otherwise provide financial services.
B.4a	Current trends, trading and outlook	**Current Group strategy** On 8 March 2018, the Group outlined its turnaround plan. The strategy includes, among other things, going "Back to Basics" in Sales and Lettings, involving the redefinition of the business back into separate Sales and Lettings service lines (for operational purposes but not for external financial reporting purposes), the rebuilding of an experienced industry team which had been depleted under the previous management, and investment in front-line staff. In addition, the Group is focused on implementing various cost saving initiatives and improving its financial discipline, working capital management, cash flows and operational efficiencies. **Current trading** In H1 2018, the Group generated total income of £303.6 million, and reported a loss for the period of £205.8 million and Adjusted EBITDA of £10.7 million, compared to total income of £332.7 million, a loss for the period of £0.5 million and Adjusted EBITDA of £27.8 million in H1 2017. The underlying results were principally driven by the significantly smaller opening sales pipeline in UK Sales and Lettings and London Sales and Lettings in January 2018 compared to January 2017, which the Board believes was driven by the Group's significant sales pipeline deficit as well as a 3.5 *per cent*. decline year-on-year in the number of second-hand homes exchanged in the UK in 2018 as at the end of May 2018 (according to HMRC transaction figures). While the Board believes that significant progress has been made with the strategy

		and turnaround plan during H1 2018, the continued subdued external environment and the deterioration in trading, which became apparent after conclusion of the 2018 business planning process that underpinned the Group's 2017 impairment review, has resulted in a £223.5 million increase in the Group's exceptional costs, from £2.7 million in H1 2017 to £226.2 million in H1 2018, principally driven by further impairment charges of £210.7 million since those recognised in 2017, which has had a material adverse effect on the Group's results for H1 2018. The Board believes the weaker performance and metrics in Sales and Lettings in H1 2018 compared to H1 2017 was also impacted by a longer time lag between market appraisals and instructions in H1 2018 (with the level and speed of instructions adversely impacted in part by the subdued UK housing market). While the Group's market appraisals were up between the periods, the number of exchanges across both London and the rest of the UK had suffered, which had a material adverse effect on the Group's results. Market conditions in H1 2018 had less of an impact on the B2B and Financial Services operating segments' results of operations, although they did impact the Countrywide Residential Development Solutions and Lambert Smith Hampton businesses, thus impacting revenue from the B2B operating segment as they more than offset stronger performance in the surveying and estate and asset management businesses. The Financial Services business on the other hand was impacted by the smaller opening sales pipeline in January 2018 compared to January 2017, a reduction in the average number of mortgage and protection consultants in H1 2018 and lower levels of referred business from Sales, which adversely impacted the core number of mortgages arranged and core gross mortgage value in H1 2018. This more than offset the strong growth in non-core numbers of mortgages arranged and non-core gross mortgage value, as well as strong demand for remortgaging in the UK market as rates remained competitive in H1 2018. The Board believes that the early signs from the turnaround plan are encouraging. The sales pipeline is showing signs of improvement: as at 30 June 2018, the sales pipeline was down 9 *per cent*. year-on-year, compared to down 15 *per cent*. year-on-year as at 31 December 2017, the fee pipeline was down 13 *per cent*. year-on-year as at 30 June 2018, compared to down 19 *per cent*. year-on-year as at 31 December 2017, and the register of properties available was up 3 *per cent*. year-on-year as at 30 June 2018, compared with a year-on-year decrease of 24 *per cent*. at 30 June 2017. As part of the Group's turnaround plan, the Group has, in H1 2018, increasingly highlighted the importance of the sale of complementary services from its Financial Services

and conveyancing businesses, and the Board is encouraged to see that the intra-Group referral rate for complementary services during H1 2018 was 41 pence for every £1 (H1 2017: 38 pence for every £1), representing an 8 *per cent*. increase compared to H1 2017.

Outlook

While the Board expects the UK housing market, as measured by the number of second-hand homes exchanged, to remain broadly flat year-on-year for the next three years (at approximately 1.2 million homes exchanged based on HMRC data), with no recovery in the London market, the Board expects average house prices to continue to grow, albeit at a slower rate than in the periods under review, by approximately 2 *per cent*. in 2018, compared to 2017, and 3 *per cent*. in 2019, compared to 2018 (based on data from the UK Land Registry). The UK population is also forecast to continue growing steadily (with the UK population forecast to increase by 3.6 million people between 2021 and 2026), which is expected to create significantly more households, driven by net positive migration into the UK and changing age demographics.

The Board also expects that high employment rates will continue to support the UK housing market in the near-term, with the unemployment rate having fallen to 4.2 *per cent*. in the second quarter of 2018. However, the Board expects that political and economic uncertainty in the UK will continue to impact the UK housing market in H2 2018. Subdued consumer spending and business investment arising from a weak currency, inflation and uncertainty surrounding Brexit is expected to contribute to a subdued housing market, which the Board expects will continue to have a more marked impact on the London market as compared to the rest of the UK.

The volume of exchanges (which tends to be more volatile than prices) is expected to continue to be impacted by recent reforms to stamp duty. While the Lettings business is not expected to be impacted until April 2019 by the proposed Tenant Fees Bill, which contains a ban on letting agent fees charged to tenants, the Group is targeting various mitigating actions in an attempt to lessen the impact on its results. The Board currently anticipates that, if implemented in its current form, the Tenant Fees Bill would have a negative annualised impact on Group revenue of approximately £21 million, which the Board hopes to reduce to a £16 million annualised impact on Group revenue net of mitigating actions that the Group intends to take. The Board expects the rental market to grow in size, notwithstanding reducing stock levels,

		and expects that tax exemptions for corporate landlords will incentivise growth in this sector, leading to smaller landlords incorporating and expanding portfolios in the future. Institutional investment in rental markets is picking up as the demand for housing grows and the UK housing market continues to face challenges in respect of affordability. The Board expects the Group's results will benefit from an improved sales pipeline in H2 2018, a traditionally stronger performance in the second half of the year due to seasonality, as well as cost efficiencies that it aims to achieve in the Financial Services and B2B businesses. The Board also expects the Group's revenue from complementary services will increase by the end of 2018, and the Group intends to continue to drive this activity as a key part of its sales strategy, with an aim of increasing revenue from complementary services to historical levels in the medium term. The Board expects demand for remortgaging to remain robust and rates to remain competitive in H2 2018, while purchases in the buy-to-let market are expected to continue to be constrained by recent regulatory and tax changes in the UK, the full impact of which has yet to be fully felt.
B.5	Group structure	Countrywide is the parent company of the Group, with headquarters in the United Kingdom. The Group operates principally in the United Kingdom. The principal subsidiaries of Countrywide, all of which are wholly owned by Countrywide (other than The Buy To Let Business Limited, in respect of which the Group holds 51 *per cent*. of the voting rights), are: • Countrywide Group plc • Balanus Limited • Countrywide Estate Agents • Hamptons Group Limited • Lambert Smith Hampton Limited • Lambert Smith Hampton (NIreland) Limited • Lambert Smith Hampton Limited (Republic of Ireland) • Lambert Smith Hampton Group Limited • Countrywide Surveyors Limited • Countrywide Property Lawyers Limited • TitleAbsolute Limited • Countrywide Principal Services Limited • The Buy To Let Business Limited • JAM Advisors Limited (trading as "Mortgage Bureau") • Mortgage Intelligence Limited • Mortgage Next Limited • Capital Private Finance Limited • Life and Easy Limited

<table>
<tr>
<td rowspan="2">B.6</td>
<td>Persons with notifiable interests</td>
<td>As at the Reference Date, Countrywide had been notified in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules of the following interests in its Ordinary Shares:

<table>
<tr><th>Name</th><th>Ordinary Shares</th><th>% of voting rights</th></tr>
<tr><td>Oaktree Capital Management</td><td>71,696,855</td><td>30.13</td></tr>
<tr><td>Brandes Investment Partners</td><td>37,264,920</td><td>15.66</td></tr>
<tr><td>Investec Asset Management</td><td>22,214,579</td><td>9.33</td></tr>
<tr><td>Jupiter Asset Management</td><td>16,293,401</td><td>6.85</td></tr>
<tr><td>Harris Associates LP</td><td>11,462,622</td><td>4.82</td></tr>
<tr><td>Hosking Partners LLP</td><td>7,936,725</td><td>3.33</td></tr>
</table>

The number of Ordinary Shares and/or the percentage of voting rights held by each of the above may change as a result of the Issue.

Oaktree Capital Management is a controlling shareholder within the definition set out in the Listing Rules. Countrywide has entered into the Relationship Agreement with the Oaktree Affiliates under which it has agreed to comply with certain independence provisions.</td>
</tr>
<tr>
<td>Different voting rights/
controlling interests</td>
<td>Not applicable. All Ordinary Shares (other than treasury shares) have the same voting rights.</td>
</tr>
</table>

B.7	Historical key financial information	Selected historical financial information relating to the Group for 2015, 2016 and 2017, and for H1 2017 and H1 2018, is set out in the following tables. All information has been extracted, without material adjustment, from the Financial Statements.

2015, 2016 and 2017

Consolidated Income Statement

	FY 2015	FY 2016	FY 2017[1]
	(£ in thousands, unless indicated otherwise)		
Revenue	718,699	723,970	661,049
Other Income	15,037	12,985	10,829
Total revenue	**733,736**	**736,955**	**671,878**
Employee benefit costs	(418,583)	(425,156)	(389,694)
Other operating costs	(215,517)	(237,562)	(223,049)
Depreciation and amortisation	(31,358)	(32,872)	(33,490)
Share of (loss)/profit from joint venture	(914)	(13)	690
Group operating profit before exceptional items	**67,364**	**41,352**	**26,335**
Profit on disposal of available-for-sale assets	—	32,804	—
Employee benefit costs	(3,767)	(8,109)	(4,405)
Other operating costs	(3,706)	(16,262)	(6,978)
Impairment of non-current assets	(6,126)	(20,922)	(214,486)
Exceptional items (net)[2]	(13,599)	(12,489)	(225,869)
Operating profit/(loss)	**53,765**	**28,863**	**(199,534)**
Finance costs	(6,376)	(9,672)	(12,607)
Finance Income	321	304	82
Net finance costs	**(6,055)**	**(9,368)**	**(12,525)**
Profit/(loss) before taxation	**47,710**	**19,495**	**(212,059)**
Taxation (charge)/credit	(5,942)	(1,955)	3,987
Profit/(loss) for the year	**41,768**	**17,540**	**(208,072)**
Attributable to:			
Owners of the parent	41,351	17,404	(208,072)
Non-controlling interests	417	136	—
Profit/(loss) for the year	**41,768**	**17,540**	**(208,072)**
Earnings/(loss) per share attributable to owners of the parent			
Basic earnings/(loss) per share	18.93p	8.03p	(89.56)p
Diluted earnings/(loss) per share	18.82p	8.03p	(89.56)p

1 Following a recent management review of client accounting, and having received legal advice on the use of orphan funds, the Group now understands that some historical and untraceable orphan funds arising from the lettings business for the period from 2008 to 2017 should be held in trust under a separate client account. A liability of £4.7 million in respect of certain untraceable orphan funds for such period has therefore been recognised in the Group's balance sheet in the 2018 Unaudited Interim Financial Statements, £4.5 million of which was recognised as a prior-year correction, along with a related reduction in retained earnings net of deferred tax. The equivalent value in cash has been reported as restricted cash in the 2018 Unaudited Interim Financial Statements, which increased net debt at 30 June 2018. The Group's segment results for the Sales and Lettings business for H1 2017 (as the

comparative period) were also restated. This is collectively referred to as the "**Prior-Year Correction**." The Prior-Year Correction is not reflected for 2017, but the prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

2 The presentation of exceptional items including profit on disposal of available-for-sale assets, employee benefit costs, other operating costs and impairment of non-current assets has been conformed to the way in which such items have been presented in the 2017 Annual Financial Statements.

Reconciliation of EBITDA and Adjusted EBITDA to profit/(loss) for the period

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to profit/(loss) for the period, for the periods indicated. The Board believes that the exclusion of each of the adjusted items in arriving at Adjusted EBITDA, considered to be exceptional or non-operational in nature, is necessary to provide a more consistent indication of the trading performance of the Group than profit/(loss) for the period or EBITDA. The Board believes that this alternative performance measure provides additional useful information to Shareholders on the underlying trends and comparable performance of the Group over time.

	FY 2015	FY 2016	FY 2017[1]
	(£ in thousands)		
Profit/(loss) for the period	**41,768**	**17,540**	**(208,072)**
Finance costs	6,376	9,672	12,607
Finance Income	(321)	(304)	(82)
Taxation charge/(credit)	5,942	1,955	(3,987)
Depreciation and amortisation	31,358	32,872	33,490
EBITDA	**85,123**	**61,735**	**(166,044)**
Exceptional items (net)[2]	13,599	12,489	225,869
Contingent consideration	8,947	6,834	3,929
Share-based payments	4,394	2,477	1,623
Share of profit/(loss) from joint venture	914	13	(690)
Adjusted EBITDA	**112,977**	**83,548**	**64,687**

1 Does not reflect the Prior-Year Correction. The prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

2 Presented as exceptional items (net), which comprises exceptional income less exceptional costs.

Balance Sheet Information

	As at 31 December		
	2015	**2016**	**2017[1]**
	(£ in thousands)		
Assets			
Non-current assets			
Goodwill	471,626	471,749	279,496
Other intangible assets	239,457	250,310	220,658
Property, plant and equipment	49,974	49,445	41,798
Investments accounted for using the equity method:			
Investments in joint venture	2,305	2,292	2,982
Available-for-sale financial assets	57,760	16,058	17,085
Deferred tax assets	10,645	9,250	9,676
Total non-current assets	**831,767**	**799,104**	**571,695**
Current assets			
Trade and other receivables	123,432	120,355	103,111
Cash and cash equivalents	24,336	45,326	22,533
Total current assets	**147,768**	**165,681**	**125,644**
Total assets	**979,535**	**964,785**	**697,339**
Equity and liabilities			
Equity attributable to the owners of the parent			
Share capital	2,196	2,197	2,413
Share premium	211,839	211,838	211,838
Other reserves	25,482	(17,941)	(16,121)
Retained earnings	304,959	283,454	111,007
Non-controlling interest	103	—	—
Total equity	**544,579**	**479,548**	**309,137**
Liabilities			
Non-current liabilities			
Borrowings	204,586	292,505	213,489
Derivative financial instruments	—	2,367	337
Net defined benefit scheme liabilities	415	3,663	5,626
Provisions	16,899	12,503	11,985
Deferred income	4,967	2,563	663
Trade and other payables	4,709	13,659	8,295
Deferred tax liability	40,669	38,694	33,522
Total non-current liabilities	**272,245**	**365,954**	**273,917**
Current liabilities			
Borrowings	4,662	721	1,011
Trade and other payables	128,503	95,072	94,779
Deferred income	4,111	3,890	1,379
Provisions	22,336	19,600	17,116
Current tax liabilities	3,099	—	—
Total current liabilities	**162,711**	**119,283**	**114,285**
Total liabilities	**434,956**	**485,237**	**388,202**
Total equity and liabilities	**979,535**	**964,785**	**697,339**

1 Does not reflect the Prior-Year Correction. The prior-year comparative for 2017 was restated in the 2018 Unaudited Interim Financial Statements (see balance sheet information as at 31 December 2017 compared to balance sheet information as at 30 June 2018) and restated balance sheet information will be reflected in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

Cash Flow

The following table contains the primary components of the Group's cash flows for the periods indicated:

	FY 2015	FY 2016[1]	FY 2017[2]
	(£ in thousands)		
Net cash generated from operating activities[3]	65,175	27,892	58,122
Net cash inflow from operating activities[3]	46,275	8,780	43,308
Net cash outflow from investing activities	(82,874)	(15,488)	(17,132)
Net cash inflow/(outflow) from financing activities	32,352	27,698	(48,969)
Net (decrease)/increase in cash and cash equivalents	(4,247)	20,990	(22,793)
Cash and cash equivalents at 1 January	28,583	24,336	45,326
Cash and cash equivalents at 31 December	24,336	45,326	22,533

1 Consolidated cash flow information for 2016 has been restated for the reclassification of: (i) purchase of non-controlling interest from investing to financing activities; and (ii) contingent consideration paid from investing to operating activities as this relates to contingent consideration arrangements that are deemed remuneration.

2 Does not reflect the Prior-Year Correction. The prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

3 Included within net cash generated from operating activities is £6.1 million of cash expended on exceptional strategic and restructuring costs (excluding property closure costs which have been provided for but not yet incurred) in relation to 2017.

H1 2017 and H1 2018

Consolidated Income Statement

	H1 2017[1] *(unaudited)*	H1 2018 *(unaudited)*
	(£ in thousands, unless indicated otherwise)	
Revenue	326,740	298,570
Other Income	5,937	5,050
Employee benefit costs	(194,026)	(191,825)
Other operating costs	(113,174)	(107,502)
Depreciation and amortisation	(16,535)	(15,218)
Group operating profit/(loss) before exceptional items	**8,942**	**(10,925)**
Exceptional items (net)[2]	(2,706)	(223,029)
Operating profit/(loss)	**6,236**	**(233,954)**
Finance costs[3]	(6,107)	(8,937)
Finance Income	63	140
Net finance costs	**(6,044)**	**(8,797)**
Profit/(loss) before taxation	**192**	**(242,751)**
Taxation (charge)/credit	(683)	36,935
Loss for the period	**(491)**	**(205,816)**
Attributable to:		
Owners of the parent	(491)	(205,816)
Non-controlling interests	—	—
(Loss) attributable for the period	**(491)**	**(205,816)**
(Loss) per share attributable to owners of the parent		
Basic (loss) per share	(0.21)p	(87.41)p
Diluted (loss) per share	(0.21)p	(87.41)p

1 Restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the adoption of IFRS 15 and the Prior-Year Correction.

2 Excludes exceptional financing costs not reported in operating profit. The Group's exceptional items (net) increased by £220.3 million in H1 2018 compared to H1 2017 and comprise items that have or will result in cash charges of £17.7 million and non-cash charges of £212.3 million, principally comprising a £210.7 million impairment charge in respect of goodwill, brand names and customer contracts associated with the UK cash generating unit and the London cash generating unit, as well as impairment charges in respect of other non-current assets, in each case, following an assessment of the recoverable value against the carrying value. In addition, exceptional items (net) reflect £7.9 million of strategic and restructuring costs as a result of the implementation of the Group's cost optimisation initiatives in H1 2018 and an onerous lease provision with a present value of £7.5 million in H1 2018, recognised in relation to the economic outflows arising from onerous contracts in respect of loss-making branches which are to unwind over periods up to 2026.

3 Includes exceptional financing costs.

Reconciliation of EBITDA and Adjusted EBITDA to profit/(loss)

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to profit/(loss) for the period, for the periods indicated.

	H1 2017[1] *(unaudited)*	**H1 2018** *(unaudited)*
	(£ in thousands)	
(Loss) for the period	**(491)**	**(205,816)**
Finance costs[2]	6,107	8,937
Finance Income	(63)	(140)
Taxation charge/(credit)	683	(36,935)
Depreciation and amortisation	16,535	15,218
EBITDA	**22,771**	**(218,736)**
Exceptional items (net)[3]	2,706	223,029
Contingent consideration	1,125	4,640
Share-based payments	1,207	1,723
Share of profit/(loss) from joint venture	—	—
Adjusted EBITDA	**27,809**	**10,656**

1 Restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the adoption of IFRS 15 and the Prior-Year Correction.

2 Includes exceptional financing costs.

3 Presented as exceptional items (net), which comprises exceptional income less exceptional costs and, for H1 2018, excludes exceptional financing costs not reported in operating profit.

Balance Sheet Information

	As at 31 December 2017[1] *(unaudited)*	As at 30 June 2018 *(unaudited)*
	(£ in thousands)	
Assets		
Non-current assets		
Goodwill	279,496	234,681
Other intangible assets	220,658	77,576
Property, plant and equipment	41,798	9,757
Investments accounted for using the equity method:		
Investments in joint venture	2,982	2,982
Available-for-sale financial assets	17,085	—
Financial assets at fair value through profit and loss	—	2,532
Deferred tax assets	14,424	19,740
Total non-current assets	**576,443**	**347,268**
Current assets		
Trade and other receivables	101,957	100,474
Cash and cash equivalents	22,533	37,856
Total current assets	**124,490**	**138,330**
Total assets	**700,933**	**485,598**
Equity and liabilities		
Equity attributable to the owners of the parent		
Share capital	2,413	2,413
Share premium	211,838	211,838
Other reserves	(16,121)	(18,280)
Retained earnings	90,761	(112,056)
Non-controlling interest	—	—
Total equity	**288,891**	**83,915**
Liabilities		
Non-current liabilities		
Borrowings	213,489	243,552
Derivative financial instruments	337	—
Net defined benefit scheme liabilities	5,626	3,256
Provisions	11,985	15,574
Deferred income	11,213	10,728
Trade and other payables	8,295	9,761
Deferred tax liability	33,522	6,863
Total non-current liabilities	**284,467**	**289,734**
Current liabilities		
Borrowings	1,011	1,325
Trade and other payables	99,235	84,244
Deferred income	11,008	9,804
Provisions	16,321	16,576
Current tax liabilities	—	—
Total current liabilities	**127,575**	**111,949**
Total liabilities	**412,042**	**401,683**
Total equity and liabilities	**700,933**	**485,598**

1 Restated from the prior year in the 2018 Unaudited Interim Financial Statements following the adoption of IFRS 15 and the Prior-Year Correction.

Cash Flow

The following table contains the primary components of the Group's cash flows for the periods indicated:

	H1 2017[1] (unaudited)	H1 2018 (unaudited)
	(£ in thousands)	
Net cash generated from/(used in) operating activities[2]	11,670	(17,218)
Net cash inflow/(outflow) from operating activities[2]	4,629	(21,205)
Net cash (outflow)/inflow from investing activities	(8,380)	9,443
Net cash (outflow)/inflow from financing activities	(5,577)	27,085
Net (decrease)/increase in cash and cash equivalents	(9,328)	15,323
Cash and cash equivalents at 1 January	45,326	22,533
Cash and cash equivalents at 30 June	35,998	37,856

1 Restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the adoption of IFRS 15, as well as for the Prior-Year Correction and the reclassification of contingent consideration paid from investing activities to operating activities as this relates to contingent consideration arrangements that are deemed remuneration.

2 Included within net cash generated from operating activities is £5.5 million of net cash expended on exceptional strategic and restructuring costs (excluding property closure costs that have been provided for but not yet incurred) in relation to H1 2018.

Significant changes to the Group's financial condition and results of operations

Certain significant changes to the Group's financial condition and results of operations occurred during 2015, 2016, 2017 and H1 2018. These changes are set out below. Other than the matters set out below, there has been no significant change in the financial condition and results of operations of the Group during or after the period covered by the historical key financial information on the Group set out in this Element.

Deterioration of the Group's financial condition and results of operations in 2016 and 2017

The Board believes that the Group's financial condition and results of operations were materially adversely impacted by the Group's prior strategy between 2015 and 2017. The Board believes that poor performance in the core UK Sales and Lettings and London Sales and Lettings Business Units between 2015 and 2017 overshadowed the performance of the more resilient areas of the Group's business and substantially impacted the Group's overall profitability, market share and leverage.

The Group's Adjusted EBITDA declined from £113.0 million in 2015 to £64.7 million in 2017 (2016: £83.5 million) and the Group reported a loss for the period of £208.1 million in 2017 compared to a profit for

		the period of £41.8 million in 2015 and £17.5 million in 2016. The Board believes that that the impact of branch closures (including closure of certain profitable branches) and the loss of experienced and trusted industry professionals in the Group's branch network made it increasingly challenging to sell houses and win instructions within its Sales and Lettings business and, as a result, to provide complementary services. This loss of expertise is believed to have contributed not only to a decline in the number of exchanges (particularly in the UK, and, to a lesser extent, in London, which was more impacted by macroeconomic, geopolitical and market conditions and which was largely unaffected by the Group's prior strategy in higher value brands), but also the average fee per exchange earned by the Group (which declined by 5.2 *per cent*. in UK Sales and Lettings in 2017 compared to 2016, notwithstanding a 2.5 *per cent*. increase in average house prices in the UK (excluding London)), as well as a decline in properties under management and a significantly weaker sales pipeline. The B2B and Financial Services operating segments' results of operations were impacted by the adverse performance of the UK Sales and Lettings and London Sales and Lettings operating segments, with a decline in referrals from the Sales and Lettings businesses and opportunities to generate complementary income (particularly impacting the conveyancing business), which more than offset the strong performance in the surveying and mortgage broking businesses in 2016 and 2017. To fund the Prior Strategy, the Group's drawdowns under its Previous Credit Facility increased from £120.0 million as at 31 December 2014 to £210.0 million as at 31 December 2017 (£200.0 million and £290.0 million as at 31 December 2015 and 2016 respectively), with finance costs more than doubling from £5.6 million in 2014 to £12.6 million in 2017 (£6.4 million and £9.7 million in 2015 and 2016, respectively). *Deterioration of the Group's financial condition and results of operations in H1 2018* The Group's Adjusted EBITDA declined from £27.8 million in H1 2017 to £10.7 million in H1 2018 and the Group reported a loss for the period of £205.8 million in H1 2018 compared to a loss for the period of £0.5 million in H1 2017. The Board believes the decline in underlying results was principally due to a decline in revenue and profitability in the Sales and Lettings business, attributable to a smaller opening sales pipeline in January 2018 compared to January 2017 as well as the impact of the 3.5 *per cent*. decline year-on-year in the number of second-hand homes exchanged in the UK in 2018 as at the end of May 2018 (according to HMRC data). The loss also reflected the general lengthening of the time taken from sale to exchange in H1 2018 compared to H1 2017 (most predominantly in the month of April, when expected exchanges were unusually slow to materialise) in part

		due to continued weak consumer sentiment experienced across multiple sectors in the UK (which impact was more marked in London than in the rest of the UK). The Board also believes that the Group's declining profitability across the periods was impacted by declining revenue and profitability in the B2B and Financial Services businesses, due to a reduction in the number of Countrywide Residential Development Solutions exchanges between the periods (as a result of a smaller opening sales pipeline in January 2018 compared to January 2017 and more difficult trading conditions experienced in the UK housing market in H1 2018 and declining revenue from Lambert Smith Hampton against the backdrop of continued uncertainty in the UK economic and political environment), a smaller opening sales pipeline in January 2018 compared to January 2017, a reduction in the average number of protection consultants in H1 2018 and lower levels of referred business from Sales, respectively. While the Board believes that significant progress has been made with the strategy and turnaround plan during H1 2018, the continued subdued external environment and the deterioration in trading, which became apparent after the conclusion of the 2018 business planning process that underpinned the Group's 2017 impairment review, has resulted in a £223.5 million increase in the Group's exceptional costs, from £2.7 million in H1 2017 to £226.2 million in H1 2018, principally driven by further impairment charges of £210.7 million since those recognised in 2017, which has had a material adverse effect on the Group's results for H1 2018.
B.8	Selected key *pro forma* financial information	Not applicable. No *pro forma* financial statements are included in this document.
B.9	Profit forecast / estimate	On 25 June 2018, Countrywide issued an announcement containing the following profit forecast for 2018: "*Following a recently completed review, Adjusted EBITDA is now expected to be around £20 million lower in the first half [of 2018] compared with the same period last year and we do not expect this shortfall to be recovered in the second half.*" The statement above represents a profit forecast under the Prospectus Rules. The Board has considered and confirms that the profit forecast continues to be valid at the date of this document.
B.10	Qualifications in the audit reports	PricewaterhouseCoopers LLP's audit report in the 2017 Annual Financial Statements expressed a material uncertainty as to the ability of Countrywide and the Group to continue as a going concern. PricewaterhouseCoopers LLP's review opinion in the 2018 Unaudited Interim Financial Statements also expressed a material uncertainty as to the ability of Countrywide and the Group to continue as a going concern.

		Save as set out above, the audit reports on the historical financial information contained in, or incorporated by reference into, this document are not qualified.
B.11	Working capital qualification	Not applicable. In the opinion of Countrywide, taking into account the net proceeds of the Issue (being approximately £129 million, after deduction of estimated commissions, fees and expenses) and the drawings available under the Amended Credit Facility, the working capital available to the Group is sufficient for its present requirements (that is, for at least 12 months following the date of this document).

Section C — Securities

Element	**Disclosure requirement**	**Disclosure**
C.1	Type and class of the securities	Countrywide is proposing to offer 1,400,000,000 New Ordinary Shares, comprising 1,114,419,569 Firm Placing Shares and 285,580,431 Open Offer Shares, at an Issue Price of 10 pence per New Ordinary Share. The New Ordinary Shares will be Ordinary Shares of £0.01 each in the capital of Countrywide. When admitted to trading, the New Ordinary Shares will be registered with the same ISIN as the Existing Ordinary Shares (GB00B9NWP991). The ISIN of the Open Offer Entitlements is GB00BFYYCW80.
C.2	Currency of issue	The Existing Ordinary Shares are quoted and traded in pounds sterling, and the New Ordinary Shares will also be quoted and traded in pounds sterling.
C.3	Number of shares issued and par value	As at the Reference Date, Countrywide has in issue 241,303,439 fully paid Ordinary Shares of £0.01 each (including 3,319,746 Ordinary Shares held in treasury).
C.4	Rights attaching to the securities	The New Ordinary Shares will be issued and credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares in issue at the time that the New Ordinary Shares are delivered. Subject to any special rights, restrictions or prohibitions on voting for the time being attached to any Ordinary Shares (for example, in the case of joint holders of a share, the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the share), Shareholders shall have the right to receive notice of, and to attend and vote at, general meetings of Countrywide. Subject to the provisions of the Companies Acts, Countrywide may from time to time declare dividends and make other distributions on the Ordinary Shares. Shareholders are entitled to participate in the assets of Countrywide attributable to their shares in a winding-up of Countrywide or other return of capital, however, they have no rights of redemption.
C.5	Restrictions on free transferability	Not applicable. There are no restrictions on the free transferability of the Ordinary Shares in the United Kingdom.

C.6	Admission/ Regulated markets where the securities are traded	The Existing Ordinary Shares have been admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. Application will be made for the New Ordinary Shares to: (i) the UKLA to be admitted to the premium segment of the Official List; and (ii) the London Stock Exchange to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that admission to listing of the New Ordinary Shares on the premium segment of the Official List will become effective, and dealings in the New Ordinary Shares on the London Stock Exchange's main market for listed securities will commence, at 8:00 a.m. on 30 August 2018.
C.7	Dividend policy	The Board does not expect to pay dividends in the medium term, during which the Group will invest in the business and implement the Capital Refinancing Plan in conjunction with its strategy and turnaround plan. The Board understands the importance of optimising value for Shareholders and it is the Board's intention to return to paying a dividend once they believe it is financially prudent for the Group to do so.

Section D — Risks		
Element	**Disclosure requirement**	**Disclosure**
D.1	Summary information on the key risks that are specific to Countrywide or its industry	*Key risk relating to the inter-conditionality of the Capital Refinancing Plan* If Shareholders do not approve the Capital Refinancing Resolutions: • the Issue cannot be implemented; and • under the terms of the Amended Credit Facility, the Group's lenders could (following a short negotiation period) demand repayment of all borrowings, which the Group cannot afford. In such circumstances, the Board believes that the only realistic option for Countrywide would be to seek to further renegotiate or refinance the Amended Credit Facility, and there can be no certainty that the Group would be able to do so on commercially acceptable terms or at all. In the event that the Group were unable to renegotiate or refinance the Amended Credit Facility and the Group's lenders were to demand repayment of all borrowings, a working capital shortfall of the amounts owed (less any surplus working capital held immediately before the demand for repayment) would arise, which would have a material adverse effect on the Group's financial condition and prospects. Without the support of the Group's lenders, Countrywide would be unable to meet its liabilities as they fall due, which would likely result in Countrywide becoming immediately insolvent and having to cease trading.

		Key risks relating to the Group's business • The Group has in the past sought and obtained consents and amendments to avoid a default under the financial covenants under its debt facilities. Most recently, the covenant ratios were amended in February 2018 after deterioration of the Group's business performance in 2017 placed greater pressure on Countrywide's ability to comply with the covenants under the Previous Credit Facility, in particular the leverage ratio (which measures debt to cash flow and therefore the ability to service the Group's debt). If the Group is unable to comply with any covenants under its debt facilities in the future and is unsuccessful in amending the relevant covenants or obtaining waivers, it will default under such debt facilities and may cease trading. • The Group may not achieve its strategic and turnaround plans or realise the expected benefits from such plans, which could have a material effect on the Group's financial and competitive position. • The Group relies on its ability to sell services that are complementary to the sale of residential properties. Any impact on the Group's ability to sell complementary services may affect the Group's results of operations or prospects. • The Group's Financial Services Business Unit relies on its business partners, which exposes it to third party risks over which it has no or limited control. • The Group receives the majority of its instructions in the surveying business from a highly consolidated lending industry. The loss of major customers for the Group's surveying services could affect the Group's prospects. *Key risks relating to the Group's industry* • The cyclical nature of the UK property industry has historically caused, and is expected to continue to cause, fluctuations in the Group's results. • The Group's business is dependent on the availability to its customers of mortgage financing. A lack of available mortgage financing at rates and on terms that are acceptable to consumers could have a material adverse effect on the Group's business. • Increases in interest rates are likely to adversely affect the level of residential property sales and reduce the commissions that the Group generates from arranging mortgages. • Changes in government policy, law or regulation, such as the Tenant Fees Bill introduced in Parliament in May 2018, may limit the Group's

		ability to offer certain products or services, reduce the number of residential property transactions, and/or increase the cost of providing services related to such transactions. • The Group's business, prospects, financial condition and results of operations may be adversely affected by changes in macroeconomic, geopolitical and/or market conditions that affect the UK housing market, including the implications of Brexit. • Competition, including from competitors with digital or hybrid offerings or offerings with different charging schemes, could have a material adverse effect on the Group's business, results of operations or prospects.
D.2	Summary information on the key risks that are specific to Countrywide	See "*Key risks relating to the inter-conditionality of the Capital Refinancing Plan*" and "*Key risks relating to the Group's business*" in Element D.1 immediately above.
D.3	Summary information on the key risks that are specific to the securities	*Key risks relating to the Firm Placing, the Placing and Open Offer, and the Ordinary Shares* • The market price for Ordinary Shares may decline below the Issue Price at which investors subscribe for New Ordinary Shares. • Countrywide has not declared a dividend since July 2016 and dividend payments may not be made in the future. • Most Shareholders will experience dilution in their ownership of Countrywide as a result of the Issue.

Section E — Admission and the Offer		
Element	**Disclosure requirement**	**Disclosure**
E.1	Total net proceeds and costs of the issue	Countrywide expects to raise net proceeds of approximately £129 million by way of the Issue (after deduction of estimated commissions, fees and expenses). No expenses will be charged by Countrywide to Shareholders who take up their rights in the Issue.
E.2a	Reasons for the offer/ Use of proceeds	The Board believes that the Group is over-leveraged and that the Group's current capital position is unsustainable. The Group's net debt at 30 June 2018 was £211.7 million, compared with Adjusted EBITDA for H1 2018 of £10.7 million. The Group's net debt to Adjusted EBITDA ratio and Covenant net debt to Covenant Adjusted EBITDA ratio were 4.66x and 4.79x respectively, as at the same date. All leverage ratios in this document have been calculated on the basis of 12-month trailing Adjusted EBITDA or Covenant Adjusted EBITDA, as applicable. In order to provide Countrywide with the flexibility to implement its new strategy and turnaround plan, the Board is proposing to implement the Capital Refinancing Plan comprising the following components:

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the raising of gross proceeds of approximately £111.4 million by way of the Firm Placing and £28.6 million by way of the Placing and Open Offer (approximately £129 million in aggregate after deduction of estimated commissions, fees and expenses);
the amendment of covenant levels by way of the Amended Credit Facility (which is now effective), including an increase of the Group's Covenant net debt to Covenant Adjusted EBITDA ratio at 31 December 2018 to 5.25x from 3.25x under the Previous Credit Facility (with stepped decreases over time); and
the reduction of overall indebtedness by repaying outstanding indebtedness under the Amended Credit Facility (using approximately £115 million of the net proceeds from the Issue). The remaining net proceeds may be used for general corporate purposes, including to provide additional working capital, but not for the payment of dividends or other returns of capital to Shareholders.

The Capital Refinancing Plan is intended to deliver the Group's objectives of:

accelerating the deleveraging of the Group's balance sheet. As part of Countrywide's strategy and turnaround plan, the Board aims to reduce the Group's Covenant net debt to Covenant Adjusted EBITDA ratio to 2.0-2.5x following the Capital Refinancing Plan and will strive to reduce this ratio further to below 1.0x in the medium term;
providing the Group with greater long-term certainty, flexibility and balance sheet strength, together with improved liquidity and covenant headroom; and
reducing the Group's interest payments as a result of the reduction of indebtedness. Countrywide currently spends approximately £10 million per year on bank interest payments. Following the Capital Refinancing Plan, this is expected to reduce to approximately £5 million, helping to improve Group profitability.

The overall effect will be to give the Group the time and flexibility to rebuild the business and execute its strategy and turnaround with a more sustainable financial structure. The Board, having carefully considered the available alternatives, believes that the Capital Refinancing Plan is the best solution to address the Group's current challenges and deliver on its renewed strategic potential.
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<tr><td>E.3</td><td>Terms and conditions of the offer</td><td>
Countrywide is proposing to raise gross proceeds of £140 million (approximately £129 million after deduction of estimated commissions, fees and expenses) by way of:

a Firm Placing of 1,114,419,569 Firm Placing Shares; and

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</table>

		• a Placing and Open Offer of 285,580,431 Open Offer Shares, in each case at an Issue Price of 10 pence per New Ordinary Share. The Issue Price represents an 80 *per cent*. discount to the Closing Price of 50 pence on the Reference Date. *The Firm Placing* Countrywide proposes to issue 1,114,419,569 Firm Placing Shares to Firm Placees at the Issue Price, on a non- pre-emptive basis. The Firm Placing will not be subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer. The Firm Placing is fully underwritten by the Joint Bookrunners on the terms and subject to the conditions of the Underwriting Agreement. *The Open Offer* Under the Open Offer, Qualifying Shareholders are being given the opportunity to subscribe for Open Offer Shares *pro rata* to their Existing Holdings on the basis of **6 Open Offer Shares for every 5 Existing Ordinary Shares** held by them and registered in their name at the Record Date (and so in proportion to any other number of Existing Ordinary Shares then held) on the terms and subject to the conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders, the Application Form). Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their Open Offer Entitlement. Fractions of Open Offer Shares will not be allotted and each Qualifying Shareholder's Open Offer Entitlement under the Open Offer will be rounded down to the nearest whole number. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Open Offer Entitlements. **The latest time and date for receipt of completed Application Forms and payment in full or the settlement of the relevant CREST instruction (as applicable) will be 11:00 a.m. on 17 August 2018.** *The Placing* Any Open Offer Shares which are not applied for under the Open Offer may be allocated to Conditional Placees at the Issue Price, with the proceeds retained for the benefit of Countrywide. The 285,580,431 Open Offer Shares will be conditionally placed to Conditional Placees at the Issue Price, subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer. The Placing is fully underwritten by the Joint Bookrunners on the terms and subject to the conditions of the Underwriting Agreement.

		Conditions The Firm Placing and the Placing and Open Offer are, *inter alia*, conditional upon: • the Capital Refinancing Resolutions having been passed by Shareholders at the General Meeting; • the Underwriting Agreement having become unconditional in all respects, save for the condition relating to Admission, and not having been terminated in accordance with its terms before Admission occurs; and • Admission having become effective by not later than 8:00 a.m. on 30 August 2018 (or such later time and/or date as the Joint Bookrunners and Countrywide may agree, not being later than 14 September 2018). If any of the conditions are not satisfied or, if applicable, waived, then neither the Firm Placing nor the Placing and Open Offer will take place. *Oaktree Capital Management* OCM Luxembourg Castle Holdings S.à r.l and OCM Luxembourg EPF III Castle Holdings S.à r.l (each an indirect wholly owned subsidiary of funds advised and managed by Oaktree Capital Management), have provided an irrevocable undertaking to Countrywide confirming that they shall vote in favour of the Capital Refinancing Resolutions (other than Resolution 3) to be proposed at the General Meeting. Subject to the passing of the Capital Refinancing Resolutions, OCM Luxembourg EPF III Castle Holdings S.à r.l will subscribe for 240,000,000 New Ordinary Shares pursuant to the Firm Placing and/or the Placing (subject to clawback of its participation in the Placing to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer). On this basis, following the Issue, funds advised and managed by Oaktree Capital Management will indirectly hold at least 18.9 *per cent*. of the Enlarged Share Capital of Countrywide. OCM Luxembourg EPF III Castle Holdings S.à r.l (an indirect wholly owned subsidiary of funds advised and managed by Oaktree Capital Management) is a related party of Countrywide for the purposes of the Listing Rules as it is a substantial shareholder of Countrywide (or an associate of such a shareholder) which is entitled to exercise, or control the exercise of, 10 *per cent*. or more of the votes able to be cast at general meetings of Countrywide. *Brandes Investment Partners* Subject to the passing of the Capital Refinancing Resolutions, Brandes Investment Partners has committed to subscribe for 228,480,000 New Ordinary Shares pursuant to the Firm Placing and/or the Placing (subject to clawback of its participation in

		the Placing to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer). On this basis, following the Issue, Brandes Investment Partners will hold at least 16.2 *per cent*. of the Enlarged Share Capital of Countrywide.
E.4	Interests that are material to the issue/ Conflicting interests	• Barclays (among others) was a lender to the Group under the Previous Credit Facility Agreement. • Barclays (among others) is a lender to the Group under the Amended Credit Facility Agreement. Other than the foregoing, there is no interest (including any conflicting interest) that is material to Countrywide or the Issue.
E.5	Name of offeror	Countrywide plc.
	Lock-up arrangements	Pursuant to the Underwriting Agreement, Countrywide has undertaken (subject to certain exceptions) not to offer, issue or grant any rights over any Ordinary Shares or related securities for a period ending 180 calendar days from the date of Admission.
E.6	Dilution	If a Qualifying Shareholder who is not a Placee does not take up any of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 85.3 *per cent*. as a result of the Firm Placing and the Placing and Open Offer. If a Qualifying Shareholder who is not a Placee takes up his Open Offer Entitlement in full, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 67.9 *per cent*. as a result of the Firm Placing.
E.7	Estimated expenses charged to investors	Not applicable. No expenses of the Issue will be directly charged to the investors by Countrywide.

RISK FACTORS

Any investment in the New Ordinary Shares is subject to a number of risks and uncertainties. Before investing in the New Ordinary Shares, prospective investors should consider carefully the factors, risks and uncertainties associated with any such investment, the Group's business, strategy and the industry and macroeconomic environment in which it operates, together with all other information contained in this document including, in particular, the risk factors described below.

Prospective investors should note that the risks and uncertainties identified in the Summary are the risks and uncertainties that Countrywide believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Ordinary Shares. However, as the risks and uncertainties which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks and uncertainties summarised in the Summary but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the New Ordinary Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations, financial condition or prospects and, if any such risk should materialise, the price of the New Ordinary Shares may decline and investors could lose all or part of their investment. Prospective investors should carefully consider whether an investment in the New Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.

1. RISKS RELATING TO THE INTER-CONDITIONALITY OF THE CAPITAL REFINANCING PLAN

1.1 The Group's financial position will be materially adversely affected if the Capital Refinancing Resolutions are not passed and the Capital Refinancing Plan does not proceed.

If Shareholders do not approve the Capital Refinancing Resolutions:

(i) the Issue cannot be implemented; and

(ii) under the terms of the Amended Credit Facility, the Group's lenders could (following a short negotiation period) demand repayment of all borrowings, which the Group cannot afford.

In such circumstances, the Board believes that the only realistic option for Countrywide would be to seek to further renegotiate or refinance the Amended Credit Facility, and there can be no certainty that the Group would be able to do so on commercially acceptable terms or at all. In the event that the Group were unable to renegotiate or refinance the Amended Credit Facility and the Group's lenders were to demand repayment of all borrowings, a working capital shortfall of the amounts owed (less any surplus working capital held immediately before the demand for repayment) would arise, which would have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Without the support of the Group's lenders, Countrywide would be unable to meet its liabilities as they fall due, which would likely result in Countrywide becoming immediately insolvent and having to cease trading.

2. RISKS RELATING TO THE GROUP'S BUSINESS

2.1 The Group was unable to comply with certain covenants under the Previous Credit Facility. If the Group is unable to comply with any covenants under its debt facilities in the future and is unsuccessful in amending the relevant covenants or obtaining waivers, it will default under such debt facilities and may cease trading.

The Group has in the past sought and obtained consents and amendments to avoid a default under the financial covenants under its debt facilities. The covenant ratios in the Previous Credit Facility were amended in February 2018 after deterioration of the Group's business performance in 2017 placed greater pressure on Countrywide's ability to comply with those covenants, in particular the leverage ratio (which measures debt to cash flow and therefore the ability to service the Group's debt). In June 2018, the Group agreed with its lenders under the Previous Credit Facility to defer the June testing date in respect of certain financial covenants (although this deferral has since been superseded by the entry into the Amended Credit Facility Agreement).

The Group's key financial covenants are now set out in the Amended Credit Facility. While the Amended Credit Facility has lifted the Group's testing ratios (including an increase of the Group's Covenant net debt to Covenant Adjusted EBITDA ratio at 31 December 2018 to 5.25x from 3.25x under the Previous Credit Facility (with stepped decreases over time)), the Group's performance and ability to comply with financial covenants under the Amended Credit Facility in the future (or any other future lending arrangements) is dependent on a number of factors discussed in these risk factors, including market and macroeconomic factors, recovery of the sales pipeline, achieving the volume of anticipated exchanges per branch and associated productivity measures in other areas of the Group's business, mitigation of the impact of changes to government policies, regulation and legislation (such as the potential impact of new government legislation banning lettings tenancy fees) and successful realisation of the Group's new strategy and turnaround plan (including realisation of cost saving initiatives that are currently underway). Failure to achieve one or more of the foregoing could result in lower Covenant Adjusted EBITDA and/or higher projected net debt, placing greater pressure on the leverage and interest cover ratios.

In the opinion of the Board, taking into account the net proceeds of the Issue (being approximately £129 million, after deduction of estimated commissions, fees and expenses) and the drawings available under the Amended Credit Facility, the working capital available to the Group is sufficient for its present requirements (that is, for at least 12 months following the date of this document). However, there is a material risk that the Group may be unable to comply with the financial covenants thereafter. In the event the Group is again unable to comply with financial covenants or again procure required amendments or waivers under its existing or future debt facilities, it may default under its facilities, following which the banks would have the right to withdraw existing facilities, and trigger cross-default or cross-acceleration provisions under other indebtedness. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

2.2 The Group may not achieve its strategic and turnaround plans or realise the expected benefit from such plans, which could have a material effect on the Group's financial and competitive position.

On 8 March 2018, in response to a steep decline in the Group's profitability (operating loss for 2017: £199.5 million; operating profit for 2016: £28.9 million; operating profit for 2015: £53.8 million), Countrywide announced a new strategy and turnaround plan. The Group's strategy and turnaround plan, or the implementation of it, may not be successfully achieved, in whole or in part, including as a result of internal and external factors, some of which may be beyond the Group's control. In addition, the Group may fail to realise, or experience delays in realising, the potential and anticipated benefits, including expected cost and revenue benefits, operational efficiencies, synergies (including through the sale of complementary products and services) and other benefits, of such plans.

Failure to achieve or realise the benefits of the strategic and turnaround plan, within a reasonable time and within the Group's anticipated cost parameters, may result in the Group incurring higher than expected costs and may adversely impact its revenue growth and profitability, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. Even if the Group is able to fully realise its strategic goals and turnaround plan, there is no guarantee that the Group will return to profitability promptly, or indeed at all.

2.3 The Group relies on its ability to sell services that are complementary to the sale and letting of residential properties. Any impact on the Group's ability to sell complementary services may affect the Group's prospects and results of operations.

The Group seeks to capture revenue streams at each stage of a typical residential property sale, from listing to completion. 38.5 *per cent.* of the Group's revenue in 2017 was derived from the provision of services that are complementary to the sale of residential property, including conveyancing, surveying and financial services. In particular, the Group's estate agency operations in the UK Sales and Lettings and London Sales and Lettings Business Units are used as a distribution channel to sell complementary services from the B2B and Financial Services Business Units. As a result of this relationship between the Group's different business functions, a decrease in the number of customers in the UK Sales and Lettings and London Sales and Lettings Business Units, or a failure to sell complementary services effectively or offer a fully integrated service, could have a material adverse effect on the income that the Group derives from services provided in the B2B and Financial Services Business Units (particularly in businesses such as conveyancing, which is heavily reliant on referrals). For example, in 2012, the intra-Group referral rate for complementary services was 50 pence for every £1. In 2017, partly as a result of the Group's prior strategy, this had reduced to 38 pence for every £1, which has contributed to the Group's recent weak financial performance.

Customers may procure complementary services from sources outside the Group, which would decrease revenue generated by the B2B and Financial Services Business Units. Future changes in law or regulation may also limit or proscribe the Group's ability to sell complementary services or subject it to more onerous conduct of business requirements. In addition, any reduction in the propensity of landlords to use the Group's property management services could result in reduced revenues.

Any of the foregoing factors could have a material adverse effect on the Group's ability to sell complementary services and, therefore, could impact its business, results of operations, financial condition or prospects.

2.4 The Group's Financial Services Business Unit relies on its business partners, which exposes it to third party risks over which it has no or limited control.

Through its Financial Services Business Unit, the Group arranges the sale of mortgage products, life insurance, general insurance and other financial services products provided by third parties. The Financial Services Business Unit generates commissions from financial services providers and end-customers for arranging the sale of financial products. These arrangements include: (i) arrangements with a panel of 14 lenders that account for 98 *per cent.* of mortgages arranged by the Group; and (ii) insurance distribution agreements with Aviva and AXA (the contracts with Aviva and AXA being the "**Key Insurance Distribution Agreements**"). The loss of one or more of these contracts, or a significant reduction in volumes of transactions or fees, could have a material effect on revenues in more than one area of the Group's business and on its profitability.

In addition to the various insurance intermediary, broker and agency agreements with third party mortgage providers and insurers, two of the Group's key subsidiaries, Capital Private Finance Limited and Mortgage Intelligence distribute life insurance products and general insurance products through a broad panel of insurance providers. In 2017, Capital Private Finance Limited and Mortgage Intelligence together accounted for 10 *per cent.* of income generated by the Financial Services Business Unit.

The Key Insurance Distribution Agreements are due to terminate in December 2020 and May 2022, respectively. If a Key Insurance Distribution Agreement or any other key contract with a financial services business partner is not renewed, or if it is not renewed in a timely manner or on commercially satisfactory terms, the Group may not be able to enter into an agreement with an alternative provider in a timely manner or on commercially satisfactory terms, which could have a material adverse effect on the total income generated by the Financial Services Business Unit. In addition, migrating from one financial services product provider to another could disrupt the Group's operations, give rise to significant retraining and infrastructure costs and may result in compliance complexity for the Financial Services Business Unit during the period of transition.

Any of the foregoing factors could adversely affect the Group's ability to sell complementary services and, therefore, could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

2.5 The Group receives the majority of its instructions in the surveying business from a highly consolidated lending industry. The loss of major customers for the Group's surveying services could affect the Group's prospects.

The Group generated 7.5 *per cent.* of its total income in 2017 from the provision of surveying services for its top six customers, which include large mortgage lenders like Nationwide and HSBC. The B2B Business Unit generates income from the provision of surveying services to lenders in two ways: (i) the carrying out of mortgage valuations or similar instructions for an agreed fee; and (ii) the provision of valuation panel management services where the Group is required to carry out an agreed proportion of the lender's valuations. The panel management contracts that the Group enters into are typically fixed-term contracts, with certain early termination rights for the lender (including if the Group fails to carry out the agreed proportion of valuations), and are subject to competitive tender. In 2019, two of the Group's top eight panel contracts will be subject to review. In the future, the Group may not be able to retain all of its major customers or achieve the same level of income and profit after the panel management contracts have been tendered, which would have a material adverse effect on the income derived from the Group's surveying services.

The Group's ability to retain customers for its surveying services depends on its ability to: (i) provide an efficient and timely service to its customers and maintain high standards of accuracy in respect of the surveys and valuations provided; (ii) fulfil its obligations under panel management contracts while taking into account risk management and performance monitoring controls over the lender's surveying panel; (iii) provide a high standard of service in the provision of other services to those customers; (iv) maintain relationships with such customers in other areas of business; and (v) effectively compete with other providers and tender for new and existing business by utilising the other relationships that the Group has with that particular lender. Any failure in any of these regards may result in the loss of customers and an adverse impact on the Group's income. Moreover, if the volume of mortgages written in the mortgage lending market decreases, the number of valuations managed by the Group would also decrease. The loss of major customers for the Group's surveying services, challenges to the terms of a contract, a decrease in mortgage valuation volumes or a decrease in the average fee per survey, could each have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

2.6 The Group's business and its ability to execute its strategy are dependent on retaining key personnel and attracting qualified employees.

The Group's ability to maintain its competitive position and to implement its strategy and turnaround plan depends in part on it attracting, developing, motivating and retaining senior management, employees and other personnel of the highest quality. There is significant competition for qualified employees in the Group's industry, which is characterised by high levels of employee turnover, and the Group expects that competition for employees in the industry, particularly in the fields of surveying and mortgage consulting where employees must be authorised by relevant regulators, will continue to increase. The Group incurs significant costs in training new employees and may be unable to attract, retain and motivate such employees, which could result in wasted training costs as well as an increase in the Group's costs to incentivise existing employees and attract new employees.

The loss of key personnel, whether at Board or senior management level or within the Group's branch network or otherwise, or a failure to recruit, retain and adequately train key personnel and qualified employees, could have a material adverse effect on the Group's ability to execute its strategy and turnaround plan, disrupt its business and impact its ability to compete, which could in turn adversely impact on its business, results of operations, financial condition or prospects.

2.7 The Group has outsourced a number of important business functions to third parties, which subjects it to various counterparty risks.

The Group has outsourced its IT infrastructure, and transferred a majority of its IT personnel, to CGI through a long-term contractual arrangement. This arrangement has created dependency on a single supplier. Since IT is critical to the Group's operations, any failure to perform on the part of CGI or any future IT provider could impair the Group's ability to operate. In addition, the Group is able to terminate the outsourcing arrangement without cause only for a significant fee. If problems develop with any of its outsourcing arrangements, the Group may incur significant costs to replace such arrangements. The Group may not be able to renew its arrangement with CGI or any other key IT provider in the future on acceptable terms or at all. The Group also has outsourcing arrangements in place for important parts of its lettings and conveyancing services businesses. The Group has established an outsourced lettings support centre in Delhi, India, which provides non-customer facing services to the UK Sales and Lettings and London Sales and Lettings Business Units, including administrative services relating to a customer's tenancy. The Group has also consolidated a number of legal administration tasks related to its conveyancing services in the B2B Business Unit, as well as certain financing and accounting functions, in a centre in Pune, India. The two support centres for lettings and conveyancing services in Delhi and Pune are managed by third parties. If these support centres are not successful in managing customer expectations in an adequate and timely manner or at all, or if the costs associated with outsourcing increase, or if the Group is required to replace any outsourced arrangements, the Group's business may be adversely impacted and its operating costs may be higher than predicted, which could have a material adverse effect on its reputation, financial condition or results of operations.

2.8 Any failure involving, or cyber-attacks directed at, the Group's computer systems, networks or data could disrupt its businesses, result in the loss or disclosure of confidential information or data, damage its reputation and cause losses.

The Group processes, stores and transmits a high volume of data and information through its computer systems and networks, including personal and confidential data. The Group is also reliant on a series of interdependent systems for operational performance and financial information. Although the Group takes protective measures, its computer systems, its data stored on third party servers or applications by means of "cloud computing," its software and its networks may fail to operate properly or become disabled and may be vulnerable to unauthorised access, computer viruses, ransomware, other malicious code and other cyber threats. Cyber-attacks and ransomware, in particular, have become far more prevalent in the past few years, leading potentially to the theft or manipulation of confidential and proprietary information or loss of access to, or destruction of, data on the Group's systems. In addition, the Group's systems, data and networks may be affected by circumstances beyond its control, including by natural and man-made disasters, political unrest, riots, and rebellions. The occurrence of any such event in respect of the Group's systems, its data (wherever stored), its software or its networks could jeopardise confidential and other information processed and stored in, and transmitted through, its computer systems and networks or third party platforms, and/or disrupt the Group's, its customers' or third parties' operations, which could result in significant losses, operational and other interruptions, reputational harm, and third party liability. The Group recently commenced a significant investment programme to upgrade and strengthen its IT infrastructure. There can be no assurances that this programme will successfully protect the Group during its implementation or following its completion.

In the event that the Group suffers a breach of its systems, it may be required to expend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures, or be subject to litigation and financial losses that are not fully insured against. Regulators are increasingly focused on promoting the protection of the customer and customer information and the integrity of information technology systems of regulated firms, a recent example of which is the EU GDPR, which came into force on 25 May 2018. Failure to comply with the EU GDPR and other applicable regulations would expose the Group to significant regulatory fines (for example, the maximum fine for non-compliance with certain EU GDPR requirements would be up to €20 million or 4 *per cent.* of the Group's global turnover (whichever is greater)).

The Group also routinely transmits and receives personal, confidential and proprietary information by email and other electronic means. The Group works with customers, partners, service providers, and other third parties to develop secure transmission capabilities, but it does not have, and may be unable to put in place, secure capabilities with all of its customers, partners, service providers and other third parties and it may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a customer, vendor, service provider, counterparty or other third party could result in legal liability, regulatory action and reputational harm.

2.9 The Group's business, financial condition and results of operations may be adversely impacted if it is found to be non-compliant with regulatory requirements.

The Group's business is subject to regulation in each of the segments in which it conducts business:

(i) The Group's Sales and Lettings businesses are principally subject to the Consumer Protection from Unfair Trading Regulations 2008 and the Estate Agents Act 1979. These businesses must also comply with the Business Protection from Misleading Marketing Regulations 2008, the Consumer Rights Act 2015 and the Consumers, Estate Agents and Redress Act 2007.

(ii) The Group's surveying businesses are regulated by RICS, which is a designated professional body under FSMA. RICS has the ability to impose fines and other sanctions, and to withdraw RICS accreditation.

(iii) The Group's conveyancing businesses are principally overseen by the Council of Licensed Conveyancers, with some of the Group's solicitors also regulated by the Solicitors Regulation Authority.

(iv) Five companies in the Group (Countrywide Principal Services Limited, Mortgage Next Network Limited, Mortgage Intelligence Limited, Life and Easy Limited and The Buy To Let Business Limited) are authorised by the FCA in connection with their mortgage and insurance broking businesses. These firms are currently supervised, for both conduct and prudential purposes, by the FCA. The main framework for the regulation of these firms is found in FSMA and various instruments made thereunder. The FCA has wide powers to intervene in the affairs of an authorised firm, and may make use of a number of supervisory tools in its oversight of the Group (including formal investigation). The FCA's disciplinary powers include the ability to impose sanctions, public censure, restitution and revocation of authorisation.

These are in addition to oversight of more general business conduct such as money laundering, bribery and competition compliance.

Regulators (and, in particular, financial services regulators) can, and often do, conduct thematic reviews and industry-wide investigations into certain products, selling practices or other aspects of the Group's business. Failure to comply with applicable laws, regulations or rules, whether as a result of an investigation or otherwise, could result in adverse publicity for, or negative perceptions regarding, the Group and affect its relationships with regulators and current and potential customers, as well as diverting management time and other resources. In addition, non-compliance may lead to prosecution, disciplinary action, imposition of fines, the revocation of a licence, permission or authorisation and/or the need to take remedial action. In particular, the loss of a licence, permission or authorisation could mean that the Group is no longer able to carry out the regulated business or activity for which it was previously authorised or licensed and any remedial action that may need to be undertaken may result in significant costs being incurred by the Group. Any of these outcomes could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

2.10 While the Board pursues its current strategy of predominantly focusing on organic growth, the Group may miss out on appropriate or desirable acquisition targets. In the future, the Group may not be able to identify appropriate acquisition targets, may not be able to successfully acquire such targets, or may apply incorrect assumptions and determinations in respect of such acquisitions.

The Group made no acquisitions in 2017 and the Board intends to continue with its new strategy of predominantly focusing on organic growth while it focuses on implementing its turnaround plan. However, the acquisition of suitable businesses has historically been important to the Group, and the Board's current strategy of focusing on organic growth may mean that the Group misses out on appropriate or desirable acquisition targets that would, if acquired, enhance the Group's business, prospects, financial condition and/or results of operations.

Notwithstanding the above, acquisitions may in the future be important to the Group. Acquisitions present a range of uncertainties and risks. If the Group decides to pursue acquisitions in future, it may be restricted by a lack of appropriate targets, by applicable competition laws and regulations or by a lack of resources. Acquisitions can require significant lead times to complete, and market dynamics may change in the interim period before completion. Moreover, challenges presented in identifying or acquiring particular acquisition targets may cause the Group, after expending significant time, management resources and financial resources, to change its approach and establish a greenfield operation instead, or to postpone entry into a market until acquisition terms become more attractive.

Completed acquisitions present a range of operational and structural risks. When deciding to complete an acquisition, the Group makes certain business assumptions and determinations based on its investigation of the business to be acquired, as well as other information then available, including information that has not been independently verified and which may subsequently prove to be inaccurate. These business assumptions and determinations involve risks and uncertainties that may cause them to be incorrect. As a result, the Group may not realise the full benefits that it expects from an acquisition. Significant declines in asset valuations or cash flows may result in the Group not realising expected benefits from a transaction, which has in the past affected and may in the future affect its results, including adversely impacting the carrying value of the acquisition premium or goodwill (such as material impairment of goodwill and assets associated with acquired businesses and brands). Acquisitions can affect the Group's credit profile and cashflows (including due to reduced financial flexibility as a result of using cash on hand or borrowings to finance such acquisitions), and the impact of an acquisition on the Group's financial condition and results of operations could be exacerbated if the acquired operations do not generate the results expected following integration within a reasonable time.

The Group may also assume unknown or undisclosed business, operational, tax, regulatory and other liabilities, fail to properly assess known contingent liabilities or acquire businesses with internal control deficiencies. While the Group seeks to mitigate these risks through, among other things, due diligence processes and indemnification provisions, the Group cannot be certain that the due diligence process it conducts is adequate or that the indemnification provisions and other risk mitigation measures put in place will be sufficient. Further, acquisitions expose the Group to the risk of ongoing compliance issues until such time as it can fully integrate acquired operations into its compliance and control frameworks. Any unknown or undisclosed liabilities that the Group assumes, or any additional information about the acquired operations that adversely affects it, including unknown or contingent liabilities and issues relating to compliance with applicable laws, could significantly increase the Group's costs and have a material adverse effect on its business, results of operations, financial condition or prospects.

2.11 The Group remains the subject of a number of claims from lenders relating to the misvaluation of property and it could be exposed to significant liability as a result.

The Group conducts valuations on behalf of mortgage lenders, with approximately 350,000 valuations carried out *per annum*. Properties that have been valued by the Group have, in some cases, been subsequently repossessed by mortgage lenders. When lenders sell repossessed properties, they will incur a loss if the sale price is less than the amount outstanding under the mortgage. Lenders may claim, and historically have in various instances claimed, that the Group's original valuation of the property was too high. During H1 2018, eight new misvaluation claims were notified to the Group (2017: 37; 2016: 62; 2015: 113) and 62 existing misvaluation claims were closed (2017: 135; 2016: 290; 2015: 389). The aggregate value of the misvaluation claims closed during H1 2018 was £11.1 million (2017: £4.7 million; 2016: £9.5 million; 2015: £11.1 million), of which 79 *per cent.* was borne by the Group's insurers (2017: 37 *per cent.*; 2016: 64 *per cent.*; 2015: 48 *per cent.*) under professional indemnity policies. Overall, the Group's liability (net of liabilities borne by insurers) in respect of claims closed during H1 2018 represented 0.77 *per cent.* of total income (2017: 0.44 *per cent.*; 2016: 0.46 *per cent.*; 2015: 0.78 *per cent.*).

The Group is currently subject to the following significant misvaluation claims:

(i) Regeneration Investment Fund for Wales LLP ("**RIFW**"): On 19 December 2017, RIFW initiated proceedings against Lambert Smith Hampton and a third party, Amber Fund Management Limited ("**Amber**"). The proceedings claim that Lambert Smith Hampton and Amber misadvised RIFW in respect of the disposal of a portfolio of 15 properties for considerably less than their true value. The Group accepts no liability and, on 25 April 2018, issued a defence and counterclaim for outstanding success fees due from RIFW to Lambert Smith Hampton. Amber has also denied liability and issued a defence and counterclaim on 23 April 2018. Amber and LSH have issued contribution notices against each other alleging that the other party must indemnify them for any liability that they have to RIFW. On 5 July 2018, RIFW acknowledged that Lambert Smith Hampton's liability to RIFW for the alleged misadvice is limited to £10 million plus costs and expenses. Lambert Smith Hampton is insured against liabilities arising from the claim, including in respect of defence costs (subject to customary excesses, caps and other limitations in the relevant insurance policy).

(ii) Ulster Bank Ireland Limited ("**Ulster Bank**"): On 29 June 2016, Lambert Smith Hampton received a statement of claim from Ulster Bank. The claim relates to the alleged misvaluation of a development site. Ulster Bank claims that it used the valuation to determine how much it would lend against the site and when the borrowers defaulted there were insufficient proceeds from the sale of the site to cover the loan. Ulster Bank are claiming their loss on the loan of approximately €10.6 million. Lambert Smith Hampton served a Notice for Particulars on 15 December 2016, replies to which are still awaited and there has been no correspondence on the claim since then. Lambert Smith Hampton is insured against liabilities arising from the claim, including in respect of defence costs (subject to customary excesses, caps and other limitations in the relevant insurance policy).

The Group's insurers have in the past sought, and may in the future seek, to dispute coverage. This has in the past and may in the future have a material adverse effect on the Group's results of operations, as the Group is required to cover the cost of any claims not covered by its insurance. In addition, a potential area of dispute between the Group and its insurers could involve determining whether related claims constitute a single claim, which would be subject to a single excess, or multiple claims, each subject to its own excess. Although the Group considers aggregating claims, where circumstances so permit, to mitigate its exposure (so that the claims exceed the excess), any ultimate determination (for example, by a court) to disaggregate incidents into multiple claims could increase the amounts payable by the Group.

The Group has established and maintains provisions for surveying and valuation claims. These provisions are based on a detailed and systematic analysis of the claims notified to the Group and the Group's insurance coverage. Nevertheless, the determination of such provisions requires management to make judgements, estimates and assumptions with respect to a complex set of facts and the Group continues to review the claim trends and inputs underpinning its existing provisions. Such judgements, estimates and assumptions and, therefore, the provisions, are subject to uncertainty. In addition, the existence of these provisions does not mean that the Group does not suffer a cash cost as a result of a claim. Regardless of whether a provision exists, a successful or settled claim results in a cash cost. When losses exceed the provisions, additional charges are recorded in the profit and loss account. In the future, additional provisions could be required with respect to further claims or positions taken by the Group's insurer. As a result, ultimate losses incurred in respect of misvaluation claims could exceed the Group's current provisions.

If a large volume of claims, or a claim or claims of a significant nature are made against the Group, it may be required to expend significant management resources in defending such claims and insurers may not cover some or all of its losses, which the Group would then have to bear. The ultimate resolution of the misvaluation claims (or even a single claim involving a significant amount) could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

2.12 The Group has been exposed to claims connected with, among other things, the misselling of mortgage payment protection insurance and it may be exposed to claims connected with such misselling in the future.

The Group has arranged and continues to arrange the sale of MPPI in relation to mortgages entered into by customers. Since 2005, various investigations by the FCA and its predecessor, the Financial Services Authority, have revealed that some forms of payment protection insurance were missold by some financial institutions and intermediaries. Although MPPI is a different proposition to loan and credit card payment protection, the Group has in the past been the subject of MPPI misselling claims. An increase in the number and scale of successful MPPI misselling claims could result in the Group having to make settlement payments or incurring costs or disciplinary sanctions, which could in turn have a material adverse effect on its business, prospects, financial condition and results of operations.

From 1991 to 1999, Countrywide Principal Services sold PPI policies on behalf of Pinnacle Insurance plc ("**Cardif Pinnacle**"). In total, approximately 35,000 Cardif Pinnacle PPI policies were sold by Countrywide Principal Services. In 2012, Cardif Pinnacle claimed that Countrywide Principal Services was liable to compensate Cardif Pinnacle for misselling liabilities arising in respect of policies sold by Countrywide Principal Services. So far, the Group understands that the total compensation paid out by Cardif Pinnacle for the missale of PPI policies that were sold by Countrywide Principal Services is approximately £50,000. In addition to the compensation paid to misadvised policyholders, Cardif Pinnacle is also seeking to recover Financial Ombudsman Service fees that they have incurred in respect of misselling claims relating to policies sold by Countrywide Principal Services (whether the claims are upheld or not). There is considerable uncertainty around this matter, including as to the total amount that Cardif Pinnacle may seek to claim, although the Group is insured against liabilities arising from the claim (subject to customary excesses, caps and other limitations in the relevant insurance policy).

As at 31 December 2017, the Group had determined that it is was not necessary for it to make a specific provision in its accounts in respect of liabilities for MPPI misselling, but it does have a general incurred but not reported (IBNR) provision of £3.1 million (2016: £3.3 million) for customer complaints, which covers the misselling of MPPI. There can be no assurances, however, that the Group will not be subject to liabilities for misselling MPPI and, if so, that its general IBNR provisions would be sufficient to cover any such liabilities.

2.13 Litigation and regulatory enforcement actions could have a material adverse effect on the Group.

The Group is subject to claims and complaints, including lawsuits, by customers, employees, suppliers, insurers and others in the ordinary course of business or otherwise, including those referred to in sections 2.11 and 2.12 above.

The Group's regulators and governmental authorities (including tax authorities) have in the past brought and may in the future bring administrative or other enforcement actions against it. For example:

(i) CMA Hampshire investigation: In 2015 the Competition and Markets Authority concluded its investigation into an association of estate and lettings agents in Hampshire. The investigation found that Hamptons International was one of three parties forming part of an association with arrangements that had the object of reducing competitive pressure on estate agents and lettings agents' fees in the local area in and around Fleet. The Group was fined £582,455.

(ii) HMRC money laundering investigation: In 2016, HMRC imposed a £360,000 penalty on Countrywide for breaches of the Money Laundering Regulations 2007, with respect to the Group's vendor due diligence procedures. In May 2018, HMRC issued a request for information in respect of the Group's purchaser due diligence procedures following the implementation of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. Countrywide has responded to this request and, while the Group believes that it is now fully compliant with applicable anti-money laundering regulations, HMRC may yet impose a further penalty or take other enforcement action in respect of the Group's historical customer due diligence practices.

(iii) RICS orphan funds enquiry: Please see section 2.15 below for information on the Group's historical practice of transferring orphan funds to Countrywide's corporate account, in respect of which Countrywide has received a letter from RICS and has recognised the Prior-Year Correction in its 2018 Unaudited Interim Financial Statements which, for H1 2017 has had, and for the comparative 2017 period in the Group's consolidated financial statements as of and for the year ending 31 December 2018 is expected to have, a material adverse effect on the Group's results and financial condition.

(iv) RICS contractor commission investigation: The Group currently receives commission from third party contractors who provide services to the Group's landlord customers (e.g. maintenance services). This commission is not always disclosed to customers when they are charged for the services provided by third party contractors (either directly by the contractor, or by way of deduction from rents collected by the Group). RICS is currently investigating this practice and, in particular, whether such commissions are sufficiently transparent to comply with the RICS Rules. While the Group believes that its practices are compliant with the RICS Rules, RICS may yet take enforcement action against the Group or limit the Group's ability to receive such commission in the future.

Claims for significant amounts or a significant number of claims (regardless of amount) may be expensive to defend and may divert time, money and other resources away from the Group's operations, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. In addition, adverse publicity or a substantial judgment against the Group could adversely impact its reputation, which could further impact its business, results of operations, financial condition or prospects.

2.14 Failure to maintain the value of its brands could harm the Group's competitive advantage, results of operations and strategy.

The Board believes that the Group's brands, trade marks and other intellectual property contribute significantly to its business and success and represent one of the Group's most valuable assets. The

Group's ability to maintain this key competitive advantage depends on the continued strength and recognition of its brands, particularly as competition intensifies. The Group's brands could be harmed if its public image or reputation were to be tarnished by negative publicity, whether or not true, about the Group or the housing or financial intermediary services industry in general, or by a negative perception of the Group's short term or long term financial prospects. Maintaining, promoting and positioning its brands will depend largely on the Group's ability to provide consistent, high quality products and services to customers. Failure to maintain its brands could adversely affect the Group's competitive advantage, results of operations and strategy.

Although the Board believes that the Group's intellectual property is adequately supported by applications for registrations, existing registrations and other legal protections in the Group's principal markets, these protections may be challenged by others. A successful challenge to these protections, or any other damage to the Group's intellectual property (such as, for example, the loss of a brand's strength), could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

2.15 The Group holds client money, which exposes it to custodial and regulatory risks.

The Group holds money on behalf of parties to property transactions. For example, the Group holds deposits made by lessees of properties. As at 31 December 2017, the Group held client money totalling £315.7 million (in contrast to its cash of £22.5 million). Generally, the Group does not recognise client money on its consolidated balance sheet. However, the Group deposits client money in interest-bearing accounts and recognises the interest component as finance income in the Group's consolidated income statement.

The Group takes all practical and reasonable measures to identify the ownership of client money and to trace and return funds in a timely manner. Historically, orphan balances that remained untraceable and were more than six years old were recognised in Countrywide's consolidated income statement as other income and an indemnity was put in place by Countrywide to the underlying subsidiary entities to ensure that any claims arising subsequently on these funds would be met by Countrywide. In practice, less than 1 *per cent*. of the funds released were ever claimed and paid out. Following a recent management review of client accounting, and having received legal advice on the use of orphan funds, the Group now understands that some of these funds should be held in trust under a separate client account. This has resulted in the Prior-Year Correction in the 2018 Unaudited Interim Financial Statements in respect of certain untraceable orphan funds for the period from 2008 to 2017 (which includes the recognition of a £4.7 million liability, £4.5 million of which was recognised as a prior-year correction, along with a related reduction in retained earnings net of deferred tax).

Client money must be held in accordance with applicable law and regulations, and this is monitored by the Group's compliance function. Changes in applicable regulations may make holding client money more onerous, which could have an adverse impact on the Group's business, or may limit the Group's ability to recognise the interest earned on client money as finance income. On 20 June 2018, Countrywide received a letter from RICS expressing concern about the Group's now-historical practices in relation to orphan cash. Countrywide is in the process of updating RICS.

Client money may be misused, including as a result of employee fraud, negligence, inadequate internal procedures or insufficient or unqualified personnel. For example, there could be fraudulent transactions entered into for a client's account or diversion of funds. Further, as client money is deposited with banks, the Group is exposed to some counterparty and reputational risk if any of those banks were to become unable to repay those deposits.

While the Group has not been the subject of penalties or claims in relation to client money, given the amount of client money held, any of the foregoing, including any breach of applicable law or regulation, could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

2.16 The Group has funding risks relating to its pension schemes.

The Group operates the Countrywide plc Pension Scheme (the "**Scheme**") to provide pension arrangements to eligible employees. The Scheme includes a defined benefit section (the "**DB**

Section") which is closed to new entrants and future accrual. As at 31 December 2017, the DB Section had a deficit of £5.6 million on an IAS19 basis.

The most recent actuarial funding valuation was carried out as at 5 April 2015, showing a deficit on the "technical provisions" basis (as defined in the applicable UK legislation) of £10.6 million. In 2016, the Group agreed a pension funding plan with the trustees of the Scheme to fund the DB Section deficit. The funding plan commits the Group to a contribution of £2.0 million per year in the years 2017 to 2020.

The funding level of the DB Section is dependent on the market value of the assets of the section and on the value placed on its liabilities. A variety of factors, including factors outside the Group's control, may adversely affect the value of the DB Section's assets or liabilities, including interest rates, inflation rates, investment performance, exchange rates, life expectancy assumptions, actuarial data and adjustments and regulatory changes. The Group may in the future be required to increase its level of contribution due to changes to these or other internal or external factors.

In addition, if certain statutory requirements are met, the UK Pensions Regulator has the power to issue contribution notices or financial support directions to the Group and/or any associated company. The Pensions Regulator may require additional contributions to be paid into a pension scheme or additional financial support to be made available in respect of such scheme. Any requirement to contribute additional funds into the Scheme could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

2.17 The Group's business is geographically concentrated in the UK, which may put it at a disadvantage to more geographically diverse businesses.

The Group derives its revenues principally from the UK, which contributed 99.7 *per cent*. of total revenue in H1 2018 (H1 2017: 99.7 *per cent*.). Were the UK property market to underperform relative to property markets outside the UK (in terms of transaction volumes, transaction values, or both), Countrywide would be at a disadvantage against businesses with less concentrated exposure to the UK market. Due to the substantial concentration of the Group's business in the UK, any sustained stagnation or deterioration of the UK property market or other adverse economic or political circumstances in the UK could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

3. RISKS RELATING TO THE GROUP'S INDUSTRY

3.1 The cyclical nature of the UK property industry has historically caused, and is expected to continue to cause, fluctuations in the Group's results.

The Group's success depends on the health of the UK property market, which is cyclical and affected by changes in general economic conditions beyond its control. There is a high correlation between the volumes and prices of properties sold and the Group's business performance within areas such as estate agency, conveyancing, surveying, mortgage broking and other complementary services that the Group offers. Any of the following macroeconomic factors could adversely affect demand for real estate, result in falling property prices and negatively impact the Group's business, including:

(i) increased interest rates (see section 3.3 below for further details);

(ii) increased unemployment rates (see section 3.4 below for further details) or stagnant or declining wages;

(iii) slow economic growth or recessionary conditions, including weak credit markets;

(iv) low consumer confidence in the economy or the UK property market;

(v) adverse changes in local or regional economic conditions in the markets served by the Group;

(vi) fluctuations in local and regional property inventory levels;

(vii) constraints on the availability of mortgage financing, enhanced mortgage underwriting standards, or increased down payment requirements (see section 3.2 below for further details);

(viii) legislative, tax or regulatory changes that would adversely affect the UK property market, including reforms to stamp duty land tax, incentives for first time or other home buyers, treatment of buy-to-let investments and limitations on the deduction of certain mortgage interest expenses (see section 3.5 below for further details);

(ix) increases in the exchange rate for pounds sterling compared to foreign currencies, causing UK real estate to be more expensive for foreign purchasers;

(x) foreign regulatory changes or capital controls that would make it more difficult for foreign purchasers to withdraw capital from their home countries or purchase and hold UK real estate;

(xi) a decline in home ownership rates;

(xii) political uncertainty relating to Brexit or other geopolitical developments (see section 3.6 below for further details); or

(xiii) acts of nature, such as hurricanes, earthquakes, and other natural disasters, as well as adverse environmental and climate changes that disrupt the local or regional real estate markets that the Group serves.

The UK property market can also be highly sensitive to market perception of the economy generally and the Group's industry specifically. Real estate markets are thought to lag behind the broader economy, meaning that even when underlying economic fundamentals improve in a given market, it may take additional time for these improvements to take effect in the UK property market. The cyclical nature of the UK property market has led, and is expected to continue to lead, to volatility in the Group's results of operations and financial condition.

3.2 The Group's business is dependent on the availability to its customers of mortgage financing. A lack of available mortgage financing at rates and on terms that are acceptable to consumers could have a material adverse effect on the Group's business.

The Group's business is exposed to the availability to its customers of mortgage financing, particularly outside of the high value real estate sector. The number of mortgage approvals may be affected by, among other things, macroeconomic factors, constrained wholesale funding markets, deleveraging of banks' balance sheets and mortgage providers adopting a more conservative attitude to risk; new regulations, especially those increasing the capital requirements of certain banks; and changes in lenders' approval policies and processes.

Low levels of mortgage approvals have resulted, and could in the future result, in a decrease in the number of residential properties sold by the Group, particularly in markets other than in high value real estate. This has adversely affected, and could in the future adversely affect, the Group's total income and profitability. The unavailability of mortgage finance could also impact the Group's ability to sell complementary products and services to customers. For example, lower levels of mortgage approvals could also adversely affect the amount of commission that the Group is able to generate from the Financial Services Business Unit, which in 2017 derived 55 *per cent.* of its total income from commissions earned on arranging the sale of mortgages, including through remortgaging activity. The lack of available mortgage financing at rates and on terms that are acceptable to consumers could therefore have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

3.3 Increases in interest rates are likely to adversely affect the level of residential property sales and reduce the commissions that the Group generates from arranging mortgages.

The Group's business, in particular its Sales business and arrangement of mortgage financing, is affected by prevailing interest rates. Increases in the interest rate generally have a negative impact on the UK housing market, as an increase in the interest rates charged on mortgages makes residential property more expensive for prospective buyers to purchase.

Current interest rates are near historical lows. The Bank of England base rate increased to 0.5 *per cent.* in November 2017 and has not been adjusted since. This followed the Bank of England's decision to reduce interest rates to a record low of 0.25 *per cent.* in August 2016 (from 0.5 *per cent.*, where the interest rate had been since 2008), which resulted in increased competition in the UK mortgage market.

Prospective buyers who can obtain a mortgage at current interest rate levels may be deterred by the possibility of increased rates and instead elect to remain in their current property or to continue renting. Higher interest rates (and, in turn, higher monthly interest payments) may make mortgages unobtainable for some prospective buyers. In addition, a significant rise in mortgage interest rates could lead to more homeowners being unable to make their mortgage payments which could result in an increase in repossessions and potential losses for lenders. Any of these factors could depress the UK's residential property market, which may reduce the volume and value of property transactions facilitated by the Group and the total income generated from property sales and mortgage arrangements. This could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

3.4 An increase in the UK's unemployment rates could have a material adverse effect on the Group's business.

One of the most important economic drivers of housing demand is the rate of employment. Employment rates in the UK are currently healthy: according to ONS data, in the fourth quarter of 2017, the UK employment rate was 75.2 *per cent*. and the UK unemployment rate was 4.4 *per cent*.

Decreases in the UK's employment rate (and/or increases in the UK's unemployment rate) have in the past adversely affected, and may in the future adversely affect, the total number of residential property transactions in the UK. Any decrease in the employment rate (and/or increase in the unemployment rate) could therefore have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

3.5 Changes in government policy, law or regulation, such as the Tenant Fees Bill introduced in Parliament in May 2018, may limit the Group's ability to offer certain products or services, reduce the number of residential property transactions, and/or increase the cost of providing services related to such transactions.

Past changes in government policy, laws and regulations in the UK, such as the introduction of the additional 3 *per cent.* stamp duty on purchases of second homes in April 2016 and the tapering of interest tax relief for landlords in 2017, have adversely impacted the number of residential property transactions and increased the Group's cost of providing services related to such transactions. There is a risk that future changes to the regulation of estate agency business, or to tax or stamp duty land tax policies, may also:

(i) affect transaction volumes in the UK residential property market;

(ii) increase the Group's cost of providing services related to such transactions (for example, by requiring changes to the Group's operations or the way in which it currently conducts its business);

(iii) reduce the Group's access to transactions or sales opportunities; or

(iv) limit the scope of permissible activities or affect the competitive balance in the market.

On 2 May 2018, the government introduced the Tenant Fees Bill in Parliament. Among other measures, the changes proposed include the introduction of a ban on letting agent fees charged to tenants. If passed without amendment, the draft bill would prevent the Group from raising fees directly from tenants and would likely increase competition between letting agencies for landlords' business. Greater pricing transparency for tenants in the lettings market may also have an impact on the number of lettings transactions. The Board currently anticipates that, if implemented in its current form, the Tenant Fees Bill would have a negative annualised impact on Group revenue of approximately £21 million. While the Board hopes to reduce this to a £16 million annualised impact on Group revenue net of mitigating actions that the Group intends to take, there can be no assurance that such mitigating actions will be successful.

Elimination or other changes to supportive government policies, such as the "help-to-buy" scheme, may also adversely impact the residential property market and affect the Group's ability to offer certain products and services. In addition, the Group could be adversely impacted by changes in interpretations by regulators of existing or new regulations or by the imposition of new requirements by regulators based on discretionary authority or otherwise. Regulatory changes may also have an impact on the Group to the extent they otherwise have an impact on its customers or strategic partners. Increases in the level and scope of regulations require greater internal resources to monitor compliance and track developments, and can also delay the entry into contracts pending compliance review.

Even if some changes may have a beneficial impact in the medium or long term, they may create uncertainty and decrease residential property transaction volumes in the short term, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Ultimately, the impact on the Group of any change in policy, law or regulation will be dependent on the nature of the change in question, but may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

3.6 The Group may be adversely affected by changes in macroeconomic, geopolitical and/or market conditions that affect the UK housing market, including the implications of Brexit.

Substantially all of the Group's business is in the UK and, therefore, the Group's business, prospects, financial condition and results of operations depend on the condition of the UK property market and, in particular, on transaction volumes in that market (rather than just the overall level of property prices). The Group generated 99.7 *per cent*. of its total income from the UK property market in 2017. If the UK property market weakens or contracts, the transaction volumes handled and total income and profits generated by the Group (as a result of lower transaction volumes or lower residential property prices) could decrease. A decrease in the volumes and prices of properties sold may have an adverse effect on the Group's business performance within areas like estate agency, conveyancing, surveying, mortgage broking and other complementary services offered by the Group.

In addition, the strength of the UK property market has historically been linked to the strength of the UK economy and other macroeconomic and geopolitical factors that are outside of the Group's control and often interrelated. The Group has in the past been, and could in the future be, negatively impacted by such factors, particularly where they reduce transaction volumes, sale prices or demand for complementary financial products or services, whether through reduced opportunities to sell complementary services or refer business or otherwise.

Uncertainties and concerns relating to Brexit, including the nature of the future trading relationship between the UK and the European Union, the practical aspects of unwinding the relationships between the two and the potential consequences of a failure to reach agreement, led to a reduction in investment and in hiring in the UK, with an adverse impact particularly on the volume of property transactions in the London market in 2017, and may continue to have adverse effects on economic and other conditions in the UK during any transition period following 29 March 2019 that may be negotiated and potentially thereafter. Those uncertainties and concerns may deter foreign investment in the UK and cause international businesses to relocate staff outside the UK, both of which are reported to be occurring and, depending on the levels thereof, could have a disproportionate impact on the property market in London and more broadly cause a drop in consumer confidence throughout the country. In addition, the uncertainty regarding the future of EU nationals residing in the UK (and those considering moving to the UK) may lead to a decline in the number of expatriates living in the UK, particularly in London. Concerns over Brexit, together with slowdowns in high street spending, an increasing number of high street retailers entering administration and decreases in manufacturing output, are contributing to reported increases in pessimism among employers and a widening trade deficit in goods. The underlying factors contributing to the foregoing could cause the Group's customers to either defer or renegotiate transactions, which in turn could have an adverse impact on property prices, mortgage approvals and transaction volumes.

According to the official House Price Index published by the ONS in August 2016, residential property prices in the UK grew at a rate of 8.7 *per cent.* in the 12 months to 30 June 2016 (which predominantly covered the period before the Brexit referendum), with the average residential property valued at around £214,000 in June 2016. This was supported in part by an increase in transactions in February and March 2016, as buyers purchased homes to avoid the new stamp duty surcharge introduced in April 2016 for properties other than the buyer's principal residence. However, following the Brexit referendum, the Group experienced a slowdown in transaction volumes, with a 15 *per cent.* decline year-on-year in the third quarter of 2017 compared to the same period in 2016, a 17 *per cent.* decline year-on-year in the fourth quarter of 2017 compared to the same period in 2016, and an 18 *per cent.* decline year-on-year in 2017 compared to 2016, with a consequent decline in total income from commissions earned by the Group in those periods. When the number of transactions that the Group facilitates decreases, the total commissions earned by the Group will also decrease (assuming that commission and price levels remain the same). While commission levels may increase in periods of adverse market conditions, the Group's total income from commissions on the sale of properties (and the Group's opportunities to refer and sell complementary services across other Business Units) generally decreases when prices or the number of property sales decreases.

Historically, and particularly since the financial crisis that began in 2008, conditions in the UK residential property market have varied by region. Of the Group's 880 branches operating in the UK as at 31 December 2017, 231 of them are situated in London and 649 are situated in the rest of the UK. In the run up to and following the referendum on Brexit, the London market, where high value residential property is often regarded as a safe haven for international capital, was adversely affected by weaker housing sentiment, more so than in any other part of the UK. Residential property prices in the South East of the UK have generally been more volatile than in the rest of the country. In the future, the variations between regions may become more pronounced and the Group cannot predict whether, when, or which parts of, the UK residential property market will return to a period of sustained growth (or suffer further declines). If the UK economy, or parts of it, stagnate or contract, average property prices and the volume of activity in the UK property market could decrease further, which would have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

3.7 Competition, including from competitors with do-it-yourself or hybrid offerings or offerings with different charging schemes, could have a material adverse effect on the Group's results of operations.

The Group operates across a range of highly competitive markets, a number of which are experiencing changes due to technological advancements. Competition in the types of products and services that the Group provides is based on many factors, including the overall geographic scope of business, reputation, strategic partnerships and customer relationships, the skills and qualifications of employees, the ability to attract and retain employees, the products and services offered, level of commissions charged, contract terms and operational efficiencies. The nature of the competition faced by the Group may be affected by disruption and deterioration in the UK financial market and economic downturns, as well as by governmental responses to such competition.

The Group faces competition on a local and national basis, particularly in the estate agency, lettings, surveying and estate and asset management businesses. Apart from competition from other full service estate agencies and lettings services providers (for example, Connells, Savills, Foxtons and LSL), the Group has also in recent years faced competition from competitors with do-it-yourself and hybrid offerings (for which an agent receives a fee for listing a property, whether or not the property is sold) such as Purplebricks and Yopa. Competitors with do-it-yourself offerings or different charging schemes typically have lower operating costs because they automate certain tasks like viewing timetabling and sending offers to sellers. Increased competition, including from such competitors, may reduce both the number of transactions facilitated by the Group and the commission and price levels that the Group is able to charge. It may also affect the way in which the Group structures its fees and charging schemes in the future.

In addition, an increase in the use by lenders of automated services, such as automated valuation models, which is a service that provides real estate property valuations using mathematical modelling combined with a database, may lead to a decrease in the volume and price of surveys undertaken by the Group.

A failure to compete effectively, including against market participants with do-it-yourself or hybrid offerings that have not traditionally been direct competitors, may result in the loss of existing business and potential new business and a reduction in profitability, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

3.8 The Group is exposed to the risk of an increase in private sales of residential property without an intermediary, including through the internet.

Increased use of the internet and the proliferation of websites and other market platforms that facilitate private sales of residential property without an intermediary may lead to an increase in private sales of residential property. Competitors with do-it-yourself or hybrid offerings, such as Purplebricks and Yopa, also facilitate sales of residential property where the estate agent has a limited role in the entire transaction process.

If any price comparison websites or other platforms were to facilitate an increased number of private sales in the UK, the volume of the Group's property sales transactions (and therefore the Group's income from estate agency operations) could suffer. Changes in legislation and regulation could increase the number of private sales by making it easier for private sellers to sell property without the aid of estate agents. A significant increase in the volume of private sales and a corresponding decrease in the volume of sales through estate agents, could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

4. RISKS RELATING TO THE FIRM PLACING, THE PLACING AND OPEN OFFER, AND THE ORDINARY SHARES

4.1 The price of the Ordinary Shares has fluctuated and may continue to fluctuate.

Prospective investors should be aware that the value of an investment in the Ordinary Shares may go down as well as up. The price of the Ordinary Shares may fall in response to market appraisal of the Group's current strategy or if the Group's results of operations or prospects, from time to time, are below the prior expectations of market analysts and investors. Countrywide has a number of major Shareholders with material holdings, and the holdings of some of these Shareholders may further increase as a result of the Issue; if any of these Shareholders were to choose to sell their Ordinary Shares, this could cause significant fluctuations in the value of Countrywide's Ordinary Shares. In addition, stock markets have, from time to time (including recently), experienced significant price and volume fluctuations that affect the market price of the Ordinary Shares. A number of factors outside the control of the Group may affect the price of the Ordinary Shares. The factors that may affect Countrywide's share price include (but are not limited to):

(i) the Group's targeted and actual results of operations and the performance of other companies in the markets in which the Group operates;

(ii) speculation about the Group's prospects, business, business partners, mergers or acquisitions involving the Group or major divestments by the Group in the press, media or investment community;

(iii) changes in markets conditions or legislative and regulatory developments which are relevant to the Group's business;

(iv) the publication of credit ratings by rating agencies or of research reports by analysts; and

(v) the Group's financial condition and ability to comply with its debt covenants.

Countrywide has no current plans for a subsequent offering of Ordinary Shares within 12 months from the date of this document. However, it is possible that Countrywide may decide to offer additional Ordinary Shares in the future. An additional offering or a significant sale of Ordinary Shares by any of Countrywide's major Shareholders may adversely affect the market price of the Ordinary Shares.

4.2 The market price for Ordinary Shares may decline below the Issue Price at which investors subscribe for New Ordinary Shares.

There is no assurance that the public trading market price of the Ordinary Shares will not decline below, as the case may be, the Issue Price. Should that occur, relevant Shareholders will suffer an immediate unrealised loss as a result, which may be significant. Moreover, there can be no assurance that, following the exercise of rights, Shareholders will be able to sell their New Ordinary Shares at a price equal to or greater than the acquisition price for those shares.

4.3 The admission of the New Ordinary Shares to listing on the Official List and to trading on the London Stock Exchange may not occur when expected.

Until the New Ordinary Shares are admitted to listing on the Official List and to trading on the London Stock Exchange, they will not be fungible with Existing Ordinary Shares currently traded on the London

Stock Exchange. There is no assurance that the admission to listing on the Official List and to trading on the London Stock Exchange will take place when anticipated.

4.4 Countrywide has not declared a dividend since July 2016 and dividend payments may not be made in the future.

Countrywide has not declared a dividend since July 2016. The Board does not expect to pay dividends in the medium term, during which the Group will invest in the business and implement the Capital Refinancing Plan in conjunction with its strategy and turnaround plan.

Countrywide's ability to pay dividends in the future will depend on (among other things) improved financial performance and successful implementation of its turnaround strategy. The Amended Credit Facility Agreement restricts Countrywide's ability to pay dividends unless it meets certain leverage ratio targets. In addition, under UK company law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. As a parent company, Countrywide's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from its subsidiaries. The payment of dividends to Countrywide by its subsidiaries is, in turn, subject to restrictions, including certain statutory requirements and the existence of sufficient distributable reserves and cash in those subsidiaries. These restrictions could limit Countrywide's ability to fund other operations or to pay a dividend to Shareholders.

4.5 Most Shareholders will experience dilution in their ownership of Countrywide as a result of the Issue.

The economic and voting interests (as a percentage of the Enlarged Share Capital) of Shareholders who do not participate in the Firm Placing or the Placing will be diluted as a result of the Issue, regardless of whether they participate in the Open Offer or not. Even if a Shareholder participates in the Firm Placing or the Placing (in addition to taking up his Open Offer Entitlements), his interests in Countrywide may still be diluted (depending on the size of his participation in the Firm Placing or the Placing).

If a Qualifying Shareholder who is not a Placee does not (or is not permitted to) take up any of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 85.3 *per cent.* as a result of the Firm Placing and the Placing and Open Offer.

If a Qualifying Shareholder who is not a Placee takes up his Open Offer Entitlement in full, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 67.9 *per cent*. as a result of the Firm Placing.

4.6 Overseas Shareholders may have only limited ability to bring actions or enforce judgments against Countrywide or the Directors.

The ability of an Overseas Shareholder to bring an action against Countrywide may be limited under law. Countrywide is a public limited company incorporated in England and Wales. The rights of holders of Ordinary Shares are governed by English law and by the Articles of Association. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. In particular, the circumstances under which shareholders may bring derivative actions under English law are subject to significant limitations; and, in general terms, only a company may be the claimant in proceedings in respect of wrongful acts committed against it. In addition, it may be difficult for an Overseas Shareholder to effect service of process outside the United Kingdom or to prevail in a claim against Countrywide under, or to enforce liabilities predicated upon, non-UK securities laws, including US appraisal rights afforded to dissenting Overseas Shareholders, US disclosure liability laws and other US federal securities laws.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers of Countrywide. The majority of the Directors are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors or executive officers of Countrywide judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. An Overseas Shareholder may not be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United

Kingdom against the Directors or executive officers of Countrywide who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on non-UK securities laws brought against Countrywide or its Directors or executive officers in a court of competent jurisdiction in England or other jurisdictions.

4.7 Overseas Shareholders may not be able to exercise pre-emptive rights in the future.

As part of the Issue, the share capital of Countrywide will be increased and New Ordinary Shares will be issued. In addition, further share capital increases and share issues may be proposed in the future. Shareholders are entitled to pre-emptive rights in respect of new issues of shares for cash unless those rights are waived by a Shareholders' resolution.

Overseas Shareholders may not be able to exercise their pre-emptive rights as part of a future issue of shares for cash (even if pre-emption rights were not waived), unless Countrywide decides to comply with applicable local laws and regulations. This is because securities laws of certain jurisdictions may restrict Countrywide's ability to allow participation by certain Shareholders in any future issue of shares. In particular, Overseas Shareholders who are located in the United States may not be able to exercise their rights on a future issue of shares, unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The New Ordinary Shares will not be registered under the US Securities Act and Countrywide is unlikely to file registration statements for future share issues.

4.8 Investors with a reference currency other than pounds sterling are subject to certain exchange risks when they invest in New Ordinary Shares.

The Group's Ordinary Shares are denominated in pounds sterling, and any dividends on the Ordinary Shares will be paid in pounds sterling. Investors in the New Ordinary Shares whose reference currency is a currency other than pounds sterling may be adversely affected by any reduction in the value of the pound relative to the respective investor's reference currency. Any depreciation of the pound in relation to such foreign currency will reduce the value of the investment in the New Ordinary Shares or any dividends in foreign currency terms, and any appreciation of the pound will increase the foreign currency terms of any such investment or dividends. In addition, such investors could incur additional transaction costs if they convert pounds sterling into another currency.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains statements that may be considered to be "forward-looking statements". Forward-looking statements appear in a number of places throughout this document, including, without limitation, the Risk Factors, Part I (*Letter from the Executive Chairman of Countrywide*), Part III (*Information on the Group*) and Part VI (*Operating and Financial Review*). Forward-looking statements include, but are not limited to, statements regarding the Group's objectives, goals, strategies, future events, future revenue or performance, financing needs, future plans or intentions, competitive strengths and weaknesses, business strategy, the trends management anticipates in the UK real estate industry, the political and legal environment in which the Group operates and other information that is not historical information.

In some cases, forward-looking statements may be identified by words such as "believe," "expect," "estimate," "anticipate," "project," "intend," "plan," "should," "could," "would," "may," "will," "seeks," "probability," "target," "goal," "objective," "future" or similar expressions or variations on such expressions. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the Group's actual results of operations, financial condition or prospects to be materially different from any future results of operations, financial condition or prospects expressed or implied by such statements. Any statement included in this document other than a statement of historical fact may be a forward-looking statement (including, without limitation, statements regarding the Group's business strategy, management plans, objectives for future operations, and earnings guidance). These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it expects to operate in the future. Important factors that could cause the Group's actual results, performance or achievements to differ materially from those in the contemplated or expressed forward-looking statements include, among other factors referenced in this document:

(i) the Group's ability to implement successfully its turnaround plan and growth strategies, including to address areas where it is underrepresented, reducing potential cyclical exposure to UK residential property sales, to improve revenue generation from selling complementary services and referrals between Business Units, to reduce its costs and to identify and grow new sources of revenue;

(ii) changes in economic or geopolitical conditions in the United Kingdom that impact employment levels, consumer confidence, the availability of consumer credit, levels of disposable income of existing and potential customers for the Group's products and services, interest rates, foreign investment in the UK and taxation;

(iii) the impact of the increasing overall levels of macroeconomic uncertainty in the United Kingdom stemming from Brexit, which has adversely impacted confidence in the housing market with a knock-on effect on property prices, mortgage approvals and volume of transactions;

(iv) the cyclical nature of the UK housing market;

(v) continued constraints on, or adverse developments in, the UK residential property market, whether due to the impact of macroeconomic factors or otherwise including, but not limited to:

- (a) a lack of improvement in the volume of residential property sales;
- (b) negative trends and/or a negative perception of the market trends in the value of housing and persistent price instability in the housing market;
- (c) negative trends in the levels of commissions and other fees that the Group charges for its products and services;
- (d) unfavourable credit conditions, including increasing mortgage rates and deposit requirements and/or reduced availability of mortgage financing;
- (e) legislative, tax or regulatory changes that would adversely affect the housing market, such as, for example, increases in stamp duty land tax or other transactional taxes on home sales and changes to tenants' fees;
- (f) the inability or unwillingness of homeowners to enter into home sale transactions due to limited equity or negative equity in their existing homes;

(g) lower home ownership rates due to various factors, including, but not limited to, high unemployment levels, reduced demand or preferred use by households of rental housing due in part to uncertainty regarding future home values or inability to obtain mortgage financing; and

(h) increased levels of foreclosure activity;

(vi) the Group's ability to forecast and meet changes in demand for its products and services, respond to trends in the real estate market (including changes in consumer preferences across all of its channels and brands) as well as successfully diversify the mix of products and services that it offers to increase the resilience of its revenue streams, improve the diversity of its offerings and reduce its dependency on UK house prices and sales volumes;

(vii) the Group's ability to achieve and maintain cost savings and operational efficiencies;

(viii) the Group's ability to comply with its debt covenants;

(ix) the loss of, or adverse changes in, any of the Group's important commercial relationships;

(x) changes in, or failure or inability to comply with, laws or regulations in the United Kingdom governing or otherwise affecting the Group's business and operations and those of its customers, competitors or commercial partners (and therefore, their expectations of the Group), and the interpretations of such laws or regulations by regulators and courts;

(xi) legal actions or regulatory investigations or actions, including those in respect of industry requirements, competition, tax or business conduct rules of general applicability;

(xii) any increase in the Group's misvaluation liabilities or any adverse development in the litigation or other disputes to which the Group is a party;

(xiii) failure to maintain, or when needed obtain, authorisations or licences or other regulatory approvals to operate the Group's business, and the effects of actions by regulators, or other developments that may limit or otherwise affect the Group's ability to operate or to operate at the levels of profitability that it envisages;

(xiv) changing levels of competition in the Group's existing and future lines of business, including as a result of changes in traditional operating models;

(xv) interruption or failure of information technology systems and infrastructure upon which all of the Group's channels are reliant;

(xvi) changes in accounting standards;

(xvii) significant investments, acquisitions or dispositions, and any delays, unexpected costs, lower than expected benefits, or other issues experienced in connection with any such transactions;

(xviii) operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks and the ability to manage cybersecurity risks; and

(xix) the loss of any of the Group's senior management or key managers or employees.

This list of important factors is not exhaustive. There may be other risks, including risks of which the Group is unaware, that could adversely affect the Group's results or the accuracy of forward-looking statements in this document. Any forward-looking statements contained in this document apply only as at the date of this document and are not intended to give any assurance as to future results. Countrywide will update this document as required by applicable law, including the Prospectus Rules, the Listing Rules, the Disclosure Guidance and Transparency Rules and any other applicable law or regulations, but otherwise expressly disclaims any obligation or undertaking to update or revise any forward-looking statement after the date on which the forward-looking statement was made, whether as a result of new information, future developments or otherwise.

The contents of these sections relating to forward-looking statements in no way seek to qualify or negate the statement relating to the Group's working capital set out in section 18 of Part XII (*Additional Information*).

All subsequent written and oral forward-looking statements attributable to the Group are expressly qualified in their entirety by reference to these cautionary statements.

WHERE TO FIND HELP

If you have any questions relating to the Firm Placing or the Placing and Open Offer, please telephone the Shareholder Helpline on:

0371 664 0321 (from inside the United Kingdom)
+44 371 664 0321 (from outside the United Kingdom)

This helpline is available from Monday to Friday (except public holidays in England and Wales) between 9:00 a.m. and 5:30 p.m. (London time). Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

Please note that, for legal reasons, the Shareholder Helpline will only be able to provide the information contained in this document and information relating to Countrywide's register of members and will be unable to provide advice on the merits of the Issue or provide financial, tax, investment or legal advice.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change. Please read the notes to the timetable set out below.

Record Date for Open Offer Entitlements	5:00 p.m. on 31 July 2018
Announcement of the Capital Refinancing Plan and publication of this document	**7:00 a.m. on 2 August 2018**
Ex-Entitlement Time for the Open Offer	8:00 a.m. on 2 August 2018
Posting of this document, Application Forms (to Qualifying Non-CREST Shareholders only) and Proxy Forms	2 August 2018
Open Offer Entitlements credited to stock accounts in CREST (Qualifying CREST Shareholders only)	as soon as practicable after 8:00 a.m. on 3 August 2018
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST (i.e. if your Open Offer Entitlements are in CREST and you wish to convert them to certificated form)	4:30 p.m. on 13 August 2018
Latest time for depositing Open Offer Entitlements into CREST (i.e. if your Open Offer Entitlements are represented by an Application Form and you wish to convert them to uncertificated form)	3:00 p.m. on 14 August 2018
Latest time and date for splitting Application Forms (to satisfy *bona fide* market claims only)	3:00 p.m. on 15 August 2018
Latest time and date for receipt of completed Application Forms and payments in full and settlement of CREST instructions (as appropriate)	**11:00 a.m. on 17 August 2018**
Announcement of the results of the Open Offer	21 August 2018
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments	10:30 a.m. on 23 August 2018
General Meeting	**10:30 a.m. on 28 August 2018**
Announcement of the results of the General Meeting	28 August 2018
Admission and dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	**by 8:00 a.m. on 30 August 2018**
New Ordinary Shares credited to CREST stock accounts (uncertificated shareholders only)	by 8:00 a.m. 30 August 2018
Despatch of definitive share certificates for the New Ordinary Shares in certificated form	on or around 6 September 2018

Notes:

1. The ability to participate in the Issue is subject to certain restrictions relating to Shareholders with registered addresses outside the United Kingdom, details of which are set out in Part VII (Terms and Conditions of the Issue).
2. These times and dates and those mentioned throughout this document and the Application Form may be adjusted by Countrywide in consultation with the Sponsor and the Joint Bookrunners, in which event details of the new times and dates will be notified to the UKLA, the London Stock Exchange and, where appropriate, Qualifying Shareholders.
3. References to times in this timetable are to London time.
4. Each of the times and dates in the table below is indicative only and may be subject to change.

ISSUE STATISTICS

Ordinary Shares in issue as at the Reference Date	241,303,439 Ordinary Shares
Number of Firm Placing Shares to be issued pursuant to the Firm Placing	1,114,419,569 Firm Placing Shares
Number of Open Offer Shares to be issued pursuant to the Placing and Open Offer	285,580,431 Open Offer Shares
Aggregate number of New Ordinary Shares to be issued pursuant to the Issue	1,400,000,000 New Ordinary Shares
Enlarged Share Capital immediately following the Issue	1,641,303,439 Ordinary Shares
New Ordinary Shares as a percentage of the Enlarged Share Capital of Countrywide following the Issue(1)	85.3 *per cent.*
Open Offer Entitlement	6 Open Offer Shares for every 5 Existing Ordinary Shares
Issue Price	10 pence
Discount of the Issue Price to the Closing Price of 50 pence per Ordinary Share on the Reference Date	80 *per cent.*
Gross proceeds of the Issue	£140 million
Estimated net proceeds of the Issue receivable by Countrywide, after deduction of commissions, fees and expenses(2)	£129 million

Notes:

(1) On the assumption that no further Ordinary Shares are issued after the Reference Date as a result of vesting or exercise of any awards under the Share Plans.

(2) Based on estimated commissions, fees and expenses of £11 million.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Peter Long (*Executive Chairman*) David Watson (*Deputy Chairman and Senior Independent Non-Executive Director*) Paul Creffield (*Group Managing Director*) Himanshu Raja (*Chief Financial Officer*) Cathy Turner (*Independent Non-Executive Director*) Jane Lighting (*Independent Non-Executive Director*) Rupert Gavin (*Independent Non-Executive Director*) Natalie Ceeney (*Independent Non-Executive Director*) Caleb Kramer (*Non-Executive Director*)
Head of Legal and Company Secretary	Gareth Williams
Registered Office	County House Ground Floor 100 New London Road Chelmsford CM2 0RG
Sponsor	Jefferies
Joint Global Co-ordinators and Joint Bookrunners	Barclays Jefferies
Legal Advisers to Countrywide as to English law	Slaughter and May One Bunhill Row London EC1Y 8YY
Legal Advisers to Countrywide as to US law	Paul, Weiss, Rifkind, Wharton & Garrison LLP Alder Castle 10 Noble Street London EC2V 7JU
Legal Advisers to the Sponsor and the Joint Bookrunners as to English and US law	Ashurst LLP Broadwalk House 5 Appold Street London EC2A 2AG
Auditors and Reporting Accountants	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Receiving Agent	Link Asset Services Corporate Actions The Registry Beckenham Road Beckenham BR3 4TU
Registrar	Link Asset Services The Registry Beckenham Road Beckenham BR3 4TU

PART I

LETTER FROM THE EXECUTIVE CHAIRMAN OF COUNTRYWIDE

Countrywide
integrated solutions local expertise

(incorporated in England and Wales under the Companies Act 2006 with registered number 08340090)

Directors	Registered Office
Peter Long (*Executive Chairman*)	County House
David Watson (*Deputy Chairman and Senior Independent Non-Executive Director*)	Ground Floor
Paul Creffield (*Group Managing Director*)	100 New London Road
Himanshu Raja (*Group Chief Financial Officer*)	Chelmsford CM2 0RG
Cathy Turner (*Independent Non-Executive Director*)	
Jane Lighting (*Independent Non-Executive Director*)	
Rupert Gavin (*Independent Non-Executive Director*)	
Natalie Ceeney (*Independent Non-Executive Director*)	
Caleb Kramer (*Non-Executive Director*)	

2 August 2018

Dear Shareholder,

Proposed Firm Placing of 1,114,419,569 Firm Placing Shares at 10 pence per Firm Placing Share

Proposed Placing and Open Offer of 285,580,431 Open Offer Shares at 10 pence per Open Offer Share

1. INTRODUCTION

Today we announced a major Capital Refinancing Plan to enable Countrywide to continue to deliver our new strategy and turnaround plan. The Capital Refinancing Plan comprises a Firm Placing, a Placing and Open Offer and a £275.0 million Amended Credit Facility.

The purpose of this letter is: (i) to set out the background to, and reasons for, the Capital Refinancing Plan; (ii) to explain in greater detail the Group's strategy and turnaround plan; (iii) to summarise the key terms and conditions of the proposed Firm Placing and Placing and Open Offer; (iv) to explain why the Board considers the proposed Issue and related Capital Refinancing Resolutions to be proposed at the General Meeting to be in the best interests of the Shareholders and why the Board unanimously recommends that Shareholders vote in favour of the Capital Refinancing Resolutions; and (v) to set out the background, and reasons for, the additional Remuneration Resolutions to be proposed at the General Meeting.

The Issue is intended to provide the Group with a stronger capital base that the Board believes is necessary to enable the Group to implement the new strategy and turnaround plan and refinance its existing debt, both of which the Board considers fundamental to the future success of the Group.

The Issue is conditional on, among other things, the passing of the Capital Refinancing Resolutions by Shareholders at a General Meeting that we have also announced today. The General Meeting will take place at 10:30 a.m. on 28 August, at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED. You can find the Notice of General Meeting at the Appendix to this document. As explained in more detail in section 14 of this letter, your vote is important and failure to pass the Capital Refinancing Resolutions will materially and adversely affect the Group's business, results of operations, financial condition or prospects.

The Board unanimously recommends that Shareholders vote in favour of the Capital Refinancing Resolutions to be proposed at the General Meeting, as each Director intends to do in respect of their own beneficial holdings of Ordinary Shares.

2. BACKGROUND TO AND REASONS FOR THE CAPITAL REFINANCING PLAN

The Board believes that the Group is over-leveraged and that the Group's current capital position is unsustainable. The Group's net debt at 30 June 2018 was £211.7 million, compared with Adjusted EBITDA for H1 2018 of £10.7 million. The Group's net debt to Adjusted EBITDA ratio and Covenant net debt to Covenant Adjusted EBITDA ratio were 4.66x and 4.79x, respectively, as at the same date.

In order to provide Countrywide with the flexibility to implement its new strategy and turnaround plan, the Board is therefore proposing to implement a "**Capital Refinancing Plan**" comprising the following components:

(i) the raising of gross proceeds of approximately £111.4 million by way of the Firm Placing and £28.6 million by way of the Placing and Open Offer (approximately £129 million in aggregate after deduction of estimated commissions, fees and expenses);

(ii) the amendment of covenant levels by way of the Amended Credit Facility (which is now effective), including an increase of the Group's Covenant net debt to Covenant Adjusted EBITDA ratio at 31 December 2018 to 5.25x from 3.25x under the Previous Credit Facility (with stepped decreases over time); and

(iii) the reduction of overall indebtedness by repaying outstanding indebtedness under the Amended Credit Facility (using approximately £115 million of the net proceeds from the Issue). The remaining net proceeds may be used for general corporate purposes, including to provide additional working capital, but not for the payment of dividends or other returns of capital to Shareholders.

The Capital Refinancing Plan is intended to deliver the Group's objectives of:

(i) accelerating the deleveraging of the Group's balance sheet. As part of Countrywide's strategy and turnaround plan, the Board aims to reduce the Group's Covenant net debt to Covenant Adjusted EBITDA ratio to 2.0-2.5x following the Capital Refinancing Plan and will strive to reduce this ratio further to below 1.0x in the medium term;

(ii) providing the Group with greater long-term certainty, flexibility and balance sheet strength, together with improved liquidity and covenant headroom; and

(iii) reducing the Group's interest payments as a result of the reduction of indebtedness. Countrywide currently spends approximately £10 million per year on bank interest payments. Following the Capital Refinancing Plan, this is expected to reduce to approximately £5 million, helping to improve Group profitability.

The overall effect will be to give the Group the time and flexibility to rebuild the business and execute its strategy and turnaround with a more sustainable financial structure. The Board, having carefully considered the available alternatives, believes that the Capital Refinancing Plan is the best solution to address the Group's current challenges and deliver on its renewed strategic potential.

The Board believes that the Group remains well positioned in the medium to longer term. As the largest integrated, full service residential estate agency and property services provider in the UK, as measured by market share of all new listings on the Rightmove Portal (based on Rightmove data for August 2017 through 23 July 2018), with well-known and trusted brands, supported by able, experienced and dedicated colleagues and with strong foundations to build on, we are confident in returning Countrywide to profitable growth for the benefit of our customers, shareholders and employees.

3. STRATEGIC FOCUS

3.1 Previous strategy from 2015 to 2017

In October 2015, under previous management, Countrywide introduced the "Building our Future" strategy. This retail-centric strategy was accompanied by a centralisation of decision-making and significant investment in large head office-based functions such as marketing, human resources, risk, compliance and IT. At the same time the Group's indebtedness increased, driven by the use of cash that could have been used to pay down debt for acquisitions, dividends and share buybacks.

These changes contributed to a dramatic loss of market share in Sales and Lettings (based on HMRC, ONS, Register of Scotland and 20ci data) and declining profitability, overshadowing the performance of the stronger areas of the Group's business. During this period:

(i) the Group's reported Adjusted EBITDA fell from £121.1 million in 2014 to £64.7 million in 2017 (2015: £113.0 million; 2016: £83.5 million);

(ii) the Group's market share of property exchanges in the UK (excluding Northern Ireland) reduced from 6.1 *per cent.* in 2014 to 4.5 *per cent.* in 2017, despite the number of property exchanges remaining broadly flat (according to HMRC data);

(iii) the Group's net debt increased from £103 million at 31 December 2014 to £192 million at 31 December 2017; and

(iv) the Group's net debt to Adjusted EBITDA increased from 0.9x at 31 December 2014 to 3.0x at 31 December 2017.

3.2 Analysis of previous strategy failings

In the fourth quarter of 2017, the Board undertook a Group-wide analysis to understand why this strategy, which had been pursued from 2015, was not delivering growth and had in fact resulted in the Sales service line losing substantial market share and profitability, as well as a considerable increase in the Group's cost base as it pursued a centralised operating model. The key findings of the analysis were as follows:

(i) Combination of Sales and Lettings. The integration of Sales and Lettings as a single retail business led by a retailer failed to appreciate that these are trading businesses which have very different characteristics and customer bases and require different operational expertise. For example, customers in the Group's Sales business will generally buy and/or sell a home every 10-15 years and are either selling or purchasing what is their most valuable asset, whereas customers in the Group's Lettings businesses are landlords with whom we have longstanding relationships, letting and often undertaking rent collection and management of their key assets.

People with a retail background were recruited into the most senior positions while many of our existing senior team, with extensive experience in the property services industry, left the Group. Experienced Sales and Lettings professionals were lost at every level and were not replaced, resulting in significant dilution of operational expertise, which affected the Group's ability to win instructions and, as a result, sell complementary products and services.

(ii) Centralisation. At the same time as pursuing a retail-based business model, the Group moved to a centralised model and applied a "one size fits all" approach to what was, and should be, an entrepreneurial culture and business. Within the branch network, managers lost the autonomy to recruit, develop and promote colleagues and were no longer able to market locally and to win instructions. Property management centres were also centralised during this period without properly understanding which touch points should remain local and which were appropriate to the back office. The consequence was a loss of customer touch points, poorer service levels and substantial additional overheads in centralised functions.

(iii) Rationalisation of branch footprint. The Group's branch footprint reduced from 1,076 branches as at 31 December 2015 to 880 branches as at 31 December 2017. This rationalisation was based on an estimate of footfall (and the belief that business could be transferred to branches in other locations) rather than profitability, which resulted in a loss of scale and geographic reach.

(iv) Loss of focus on the provision of complementary services. The Group's previous strategy resulted in a loss of focus on offering a fully integrated service to customers. Over the period, the Group experienced a marked loss of ancillary revenue and profitability. In 2012, the intra-Group referral rate for complementary services was 50 pence for every £1; in 2017, this had reduced to 38 pence for every £1. This deterioration was felt more acutely in the wider UK business than in London.

(v) Erosion of the customer proposition. The Group operates in a highly fragmented and dynamic market that has seen online businesses also enter the market. The Group's previous management believed that it too should offer a fixed-fee proposition in order to compete with disruptive online-only do-it-yourself providers. The resulting hybrid digital fee proposition, however, led to confusion for the Group's customers who expected to receive a full service at a reduced fee from what is traditionally a branch-based operation. As a result, the Group discontinued this offering from March 2018.

(vi) Poor financial discipline. The Group delivered poor operating cash flow conversion and poor free cash flow. This was exacerbated by significant expenditure on acquisitions which were not, on the whole, properly integrated due to poor IT infrastructure and applications. The combination of declining profitability and increased net debt resulted in Countrywide having to repeatedly renegotiate its covenants with its lender group.

The results of these initial findings led to the resignation of the Group's Chief Executive from the business on 24 January 2018 and the appointment of myself as Executive Chairman. Paul Creffield, an industry expert with over 35 years' experience and who has been with the Group since 2006, was promoted to Group Operations Director (and has, today, joined the Board of Countrywide as Group Managing Director). This means that, operationally, we believe we have the management depth once again to enable the turnaround.

3.3 The Group's three-year turnaround plan

In addition to these management changes, the Group also reset its strategy and outlined its turnaround plan on 8 March 2018. This was followed by our trading update on 25 June 2018, in which we noted the encouraging early operational improvements since we set out our immediate priorities for a return to profitable growth in March 2018. There are five key tenets to the Group's three-year turnaround plan:

(i) going "Back to Basics" in Sales and Lettings to regain market share;

(ii) recovering the branch network's core strengths of selling complementary services;

(iii) cost efficiency;

(iv) financial discipline; and

(v) continuing to build on the strengths in our B2B and Financial Services Business Units.

With these actions and our improved management focus, we believe that the Group will be well positioned to deliver sustainable operating cash flow from our operations. The Board believes that, in conjunction with the Capital Refinancing Plan, Countrywide will be able to de-leverage its business to below 1.0x Covenant net debt to Covenant Adjusted EBITDA in the medium term as the business recovers.

Further detail on each of the five key tenets of the Group's plan to return to profitable growth is set out below.

(i) Going "Back to Basics" in Sales and Lettings to regain market share

The Board is confident that the market for no-frills do-it-yourself agencies is limited, and believes that the full service estate agency model (including businesses like Countrywide that provide modern digital services alongside local branch-based operations) will retain the largest part of market share as customers continue to seek the support and professional insight of local estate agents when undertaking the biggest financial transactions of their lives. That is why we are proposing to go "Back to Basics" in Sales and Lettings to regain market share.

The market for second hand transactions in the UK has remained relatively stable over the last four years, at around 1.2 million homes exchanged *per annum* (according to HMRC data). The Board believes that the market will remain at this level for the next three years, with no recovery in the London market. On the basis of certain assumptions and expectations, the Board believes that the following actions, if successfully implemented in full, will position the

Group well to return the Group's market share to levels last realised in 2016, and could potentially realise around £10-15 million of additional Adjusted EBITDA *per annum*. Early evidence already demonstrates that the strategy is working with the register of properties available up 3 *per cent*. year-on-year as at 30 June 2018, compared with a year-on-year decrease of 24 *per cent*. at 30 June 2017. The Group has begun to take a range of actions that it believes will deliver profitable growth in the Sales and Lettings business:

(a) Staffing levels and capability: As noted in our 25 June 2018 announcement, the Group has already made substantial progress in re-establishing industry expertise and the right level of staffing and capability in its Sales and Lettings business – at regional, territory and branch levels. Effective 1 April 2018, we had in place what we believe to be the right structure at regional level, and during H1 2018 we have moved swiftly to put in place local directors with the right experience to help ensure that there is the optimum level of oversight and control for the Group's decentralised decision-making approach. We now have 89 regional directors in place, covering 880 branches. At area and branch level the Board believes we now have in place the right level of staffing and management capability commensurate with the current size and activity levels of the UK housing market. Across the network as a whole, the Group is working to ensure that employees are deployed more effectively, depending on their industry knowledge and expertise, such that the Group enjoys a better result from its overall investment in its employees. The Group is encouraged by the fact that, in H1 2018, over 120 branch-level employees who had previously left the Group have re-joined us.

(b) Decentralising decision-making: The Group believes that its business is a fundamentally entrepreneurial one. As such, the Group is reversing measures implemented in the last few years and empowering local managing directors, regional and branch managers with the autonomy to recruit, develop and promote staff, to market locally and to develop pricing strategies that are competitive by local standards.

(c) Pricing and fee discipline: The Group is seeking to restore discipline in its pricing and fee strategy, which is particularly important given the backdrop of stagnant to declining house prices in London and Southern England and only modest increases forecast for Northern England and in Scotland. While there has been pressure on commission levels in recent years, this can be influenced positively by the more prevalent use of success fee and fixed fee payment structures. At the moment, only a small percentage of our branches use fixed fees to underpin the commission percentage, and we are currently rolling out fixed fee and success fee models more widely through the UK. Alongside this, we have begun to implement a range of supporting measures including: (i) designing and delivering more training to our people who undertake valuations; and (ii) better promotion of the value of our Group-wide services at the market appraisal stage. This allows branch managers to undertake more market appraisals, improving their expertise and local market knowledge and helping to achieve the best possible pricing for the vendor and optimum timescale to complete the transaction.

(d) Early indications of improvement: In part as a result of these initiatives, the register of properties available is up 3 *per cent*. year-on-year as at 30 June 2018, compared with a year-on-year decrease of 24 *per cent*. at 30 June 2017. Experienced and empowered local operational teams are rebuilding the sales pipeline, as well as working towards introducing greater volumes of ancillary business to our conveyancing and Financial Services businesses. The Board is encouraged to see that the intra-Group referral rate during H1 2018 was 41 pence for every £1 (H1 2017: 38 pence for every £1), representing an 8 *per cent*. increase compared to H1 2017.

    On certain metrics, the performance of Sales and Lettings in the North of the UK outperformed the performance of Sales and Lettings in the South of the UK during H1 2018. In the North, the fee pipeline was down 13 *per cent*. year-on-year as at 30 June 2018 (31 December 2017: down 20 *per cent*. year-on-year), whereas in the South the fee pipeline was down 23 *per cent*. year-on-year as at 30 June 2018 (31 December 2017: down 24 *per cent*. year-on-year). The Board expects that the fee pipeline in the North will exceed 2017 peak levels during H2 2018, whereas the Board only expects the fee pipeline in the South to exceed 2017 peak levels during the last quarter of 2018 or the first quarter of 2019. Similarly, the register of properties available in the North as at 30 June 2018 was up 2 *per cent*. year-on-year (31 December 2017: down 16 *per cent*. year-on-year), whereas in the South the register of properties available as at 30 June 2018 was only up 1 *per cent*. year-on-year (31 December 2017: down 17 *per cent*. year-on-year).

(e) Turnaround of loss-making branches: The Board has identified 152 branches that over the last 12 months generated £5.2 million of losses, which the Board believes can largely be attributed to the loss of staff and experience at the branch level. Rapid action has been taken to restore staffing levels and experience at these branches, and we are developing clear plans to turn around the profitability of these branches.

(f) Restoring the strength of the Group's Lettings business: The Group's Lettings business provides a reliable source of revenue that the Board regards as having a high potential to recur. The lettings service line has been generally resilient to economic downturns, as lettings transactions have typically increased when property sales decrease, providing a counter-cyclical benefit. A core component of the Group's turnaround plan is therefore to restore the capability, focus and expertise of the Lettings division. The Group has made progress to drive our network's listings, which the Board expects will underpin our recovery in the near future. If implemented in its current form, the Tenant Fees Bill is expected to have a negative annualised impact on Group revenue of approximately £21 million, which the Board hopes to reduce to a £16 million annualised impact on Group revenue net of mitigating actions that the Group intends to take.

(ii) Recovering the branch network's core strengths of selling complementary services

The delivery of integrated property services — comprising conveyancing and Financial Services (namely mortgages, life protection and general insurance) — is an integral part of Countrywide's service offering, as well as its profitability. Each penny of ancillary revenue per £1 of sales revenue equates to approximately £1.8 million in earnings.

Following the changes at the start of 2018, we re-invigorated the focus on selling complementary products and services by implementing new incentive structures and targets for referring complementary services. This has resulted in an increase in the intra-Group referral rate for complementary services during H1 2018 to 41 pence for every £1 (H1 2017: 38 pence for every £1), representing an 8 *per cent*. increase compared to H1 2017. We expect that the Group's revenue from complementary services will increase further by the end of 2018, and we intend to continue to drive this activity as a key part of our sales strategy, with an aim of increasing revenue from complementary services to historical levels in the medium term. On the basis of certain assumptions and expectations, the Board believes that the strategy and turnaround plan, if successfully implemented in full, could potentially realise around £10-15 million of additional Adjusted EBITDA *per annum* from the sale of complementary products and services.

(iii) Cost efficiency

The Group's pursuit of a more centralised operating model from 2015 to 2017, coupled with inefficiencies in the Group's end-to-end processes, resulted in a considerable growth in the Group's cost base over that period. As part of Countrywide's turnaround plan, the Group has started a range of cost reduction initiatives that the Board believes (on the basis of certain assumptions and expectations), if successfully implemented in full, could potentially realise around £20-25 million of Adjusted EBITDA savings *per annum*.

As noted in our 25 June 2018 trading update, in H1 2018, the Group has already reduced central function overheads by one third, delivering approximately £9 million in savings which has funded the investment to build back the front-line staffing levels in Sales and Lettings. The Group also plans further cost reduction programmes as follows:

- transformation of the Group's IT estate, where we are investing to address the Group's legacy IT infrastructure and line of business applications, which should deliver significant cost savings. The Board believes (on the basis of certain assumptions and expectations) that, if successfully implemented in full, these initiatives could potentially reduce the Group's IT costs by around 30-35 *per cent*. in the medium term;

- investment in contact centre optimisation to improve customer experience through automation, digitisation and improved productivity. The Board believes (on the basis of certain assumptions and expectations) that, if successfully implemented in full, these initiatives could potentially reduce the Group's contact centre costs by around 15-20 *per cent*. in the medium term; and
- savings from reduced overheads and other efficiency initiatives such as premises rationalisation, closure of unprofitable branches that cannot be turned around due to market conditions, and better procurement processes. The Board believes (on the basis of certain assumptions and expectations) that, if successfully implemented in full, these initiatives could potentially reduce Group-wide overhead costs by around 5-10 *per cent*. in the medium term.

(iv) Enhanced measures to improve financial discipline

In addition to the Capital Refinancing Plan, which the Board expects will realise a £4-6 million reduction in interest costs *per annum*, Countrywide intends to undertake further measures to improve the Group's financial discipline.

The Group's cash conversion has, historically, been poor and steps have been taken in H1 2018 to bring greater financial discipline to the Group's budgeting and forecasting processes and a more rigorous approach to working capital management. The focus areas, which the Board believes (on the basis of certain assumptions and expectations) could potentially, if successfully implemented in full, lead to improved operating cash flow conversion, are:

- improved working capital discipline by adding capability and improving processes over the collections of all B2B debts;
- an improvement programme on timeliness of billing and collections on completion of all residential property transactions; and
- one common pool of capital and improved capital allocation across all investment and the introduction of a Group Investment Committee comprising the Executive Committee of the Group.

(v) Continuing to build on the strengths in our B2B and Financial Services businesses

In its B2B and Financial Services Business Units, the Group has strong market positions in each of the addressable markets for those businesses (by Building Societies Association data). The Group continues to see opportunities to sustain or grow each of these markets as set out below. On the basis of certain assumptions and expectations, the Board believes that these businesses could potentially grow to realise around £4-8 million of additional Adjusted EBITDA per annum.

B2B Business Unit

(a) Countrywide Surveying Services (CSS): This is one of the Group's key businesses and has grown consistently since 2013. CSS's clients include many major UK banks and building societies. Such clients are typically underpinned by three-year supply agreements. The business also undertakes, at a much smaller scale, surveys directly for consumers. This is a distinct growth opportunity in the future and should act as a partial hedge to any reduction in future housing transactions. The CSS business has a number of initiatives in place to reinforce and grow our market position and share. This includes growing our survey penetration in the B2C market.

(b) Countrywide Conveyancing Services (CCS): Our conveyancing business is at scale and we operate one of the five largest conveyancing businesses in the UK through the Group's in-house legal operations (as measured by number of completions on the buy side using Land Registry data), having completed approximately 17,000 transactions (on the buy and sell side) amounting to over £4.2 billion in value in 2017, and the Board believes that we have the capacity for many more.

The market for conveyancing services is fragmented with the largest players estimated to have a market share of completions of less than 3 *per cent.* in 2017 with many small high street firms undertaking this work (Land Registry data). The industry is changing, however, with lenders now setting standards higher for businesses allowed to act for them in connection with obtaining a mortgage. With the law and regulation in this area getting ever more stringent, we expect the market to consolidate. Today in the remortgage market, our instructions levels are limited and we only focus on applicant paid work. However, we believe that through targeted marketing we can win significantly more volume. We also see a growing sustainable remortgage market and demand for remortgage conveyancing growing.

(c) Countrywide Residential Development Solutions (RDS): RDS is our land and new homes business which operates on a national basis. There is clear government support for the new homes sector and there is a push to reach 250,000 new home completions *per annum*. The UK is far off this level currently. While we have a national new homes business, our strength is not consistent across the UK. Our strategy is to market ourselves better with Lambert Smith Hampton (LSH) and our strong local estate agency brands to secure more instructions with a view to increasing our market share.

(d) Estate and Asset Management: Our Estate and Asset Management business focuses on corporate and professional landlords and the management of complete developments and blocks of apartments. In more recent times following the government's drive to grow the build-to-rent sector, we have been more active in the design, build and management of developments for institutional investors. Today we manage over 38,000 units across the UK and intend to grow this substantially.

(e) Lambert Smith Hampton (LSH): LSH is a national and regional provider of commercial property consultancy and advisory services to investors, developers and occupiers across the full property cycle. We are focused on strengthening business lines that have far greater opportunity for us such as investment management and advisory services. The LSH investment management business is a relatively new business line and, going forwards, we are looking towards becoming directly authorised by the FCA rather than an authorised representative. This should allow us to attract the larger opportunities carrying more significant fee opportunities.

Financial Services Business Unit

(a) Branch-based Mortgage and Protection Consultants (MPCs): Our MPCs are an integral part of the branch-based team providing valuable mortgage advice to both purchasers and vendors who are onward-purchasing. In addition to brokering mortgages, our MPCs are able to advise and arrange life protection and general insurance products for customers. MPCs also provide an important role in introducing customers to the Group's conveyancing service. We will, through the remainder of 2018 and beyond, continue to focus on the sale of complementary general insurance and protection products and expect to see incremental yearly improvements in the intra-Group referral rate for complementary services as our product range develops. In H1 2018, the Group signed up 26 *per cent*. of its mortgage customers with CSS for the provision of conveyancing services, and we aim to drive this up to 29 *per cent*. in 2019.

Our strategy is to grow our core branch-based team by around 60 MPCs by the end of 2018, providing comprehensive coverage to the integrated branch network in 2018. The planned growth of the MPC team reflects the growth in the opportunity arising from the Sales business and our strategy to introduce more of our Sales customers to other expert advisors across the Group to assess their suitability for complementary products and services.

We are also implementing a new sales management structure that is more closely aligned with the sales service line which should provide a greater focus on the performance management of the MPCs. The Board believes that this, together with planned IT improvements, will drive our current MPC written mortgage numbers per week to in excess of the 1.5 achieved in H1 2018 (H1 2017: 1.4 per week).

(b) Mortgage Intelligence Holdings (MIH): MIH is our network business that provides a compliance framework for third party brokers who apply to become Authorised Representatives (ARs) in the provision of mortgages, general insurance and protection products. MIH also conducts business as a directly authorised mortgage provider trading as Next Intelligence. MIH is an important element of our overall financial services offering as it placed £10.2 billion of mortgage business with lenders in 2017 (2016: £8.8 billion) and has a loyal AR base as a well as a recurring revenue stream.

(c) The Buy To Let Business: We acquired the Buy To Let Business in February 2016 and it is one of the few financial services businesses specialising in the placing of mortgages for landlords with buy-to-let properties. We are looking to expand the business and for it to become the Countrywide core telephony channel with the two brands of The Buy To Let Business and Countrywide Mortgage Line based in Camberley. In the time since we acquired The Buy To Let Business it has doubled in size in terms of employees and we will continue to look for growth opportunities.

(d) Mortgage Bureau: We acquired Mortgage Bureau in April 2016. Mortgage Bureau specialises in the placing of mortgages for new build property. It provides a complete end-to-end solution for developers, and the Group's ambition is for Mortgage Bureau to become the UK's leading new build specialist broker.

(e) Dynamo Mortgages: Dynamo is a direct-to-consumer digital mortgage offering that we have recently developed with our joint venture partner Blenheim Chalcott. We are very positive about the future of digital disruption within the mortgage sector. This new venture has only recently launched with the first few mortgages having been recently written. We will continue to review and develop this online offering that allows the customer greater control over their mortgage offering process.

4. CURRENT TRADING AND OUTLOOK

4.1 Current trading

In H1 2018, the Group generated total income of £303.6 million, and reported a loss for the period of £205.8 million and Adjusted EBITDA of £10.7 million, compared to total income of £332.7 million, a loss for the period of £0.5 million and Adjusted EBITDA of £27.8 million in H1 2017. The underlying results were principally driven by the significantly smaller opening sales pipeline in UK Sales and Lettings and London Sales and Lettings in January 2018 compared to January 2017, which the Board believes was driven by the Group's significant sales pipeline deficit as well as a 3.5 *per cent*. decline year-on-year in the number of second-hand homes exchanged in the UK in 2018 as at the end of May 2018 (according to HMRC transaction figures). While the Board believes that significant progress has been made with the strategy and turnaround plan during H1 2018, the continued subdued external environment and the deterioration in trading, which became apparent after conclusion of the 2018 business planning process that underpinned the Group's 2017 impairment review, has resulted in a £223.5 million increase in the Group's exceptional costs, from £2.7 million in H1 2017 to £226.2 million in H1 2018, principally driven by further impairment charges of £210.7 million since those recognised in 2017, which has had a material adverse effect on the Group's results for H1 2018.

The Board believes the weaker performance and metrics in Sales and Lettings in H1 2018 compared to H1 2017 was also impacted by a longer time lag between market appraisals and instructions in H1 2018 (with the level and speed of instructions adversely impacted in part by the subdued UK housing market). While the Group's market appraisals were up between the periods, the number of exchanges across both London and the rest of the UK had suffered, which had a material adverse effect on the Group's results.

Market conditions in H1 2018 had less of an impact on the B2B and Financial Services operating segments' results of operations, although they did impact the Countrywide Residential Development Solutions and Lambert Smith Hampton businesses, thus impacting revenue from the B2B operating segment as they more than offset stronger performance in the surveying and estate and asset management businesses. The Financial Services business on the other hand was impacted by the smaller opening sales pipeline in January 2018 compared to January 2017, a reduction in the average number of mortgage and protection consultants in H1 2018 and lower levels of referred business from Sales, which adversely impacted the core number of mortgages arranged and core gross mortgage value in H1 2018. This more than offset the strong growth in non-core numbers of mortgages arranged and non-core gross mortgage value, as well as strong demand for remortgaging in the UK market as rates remained competitive in H1 2018.

The Board believes that the early signs from the turnaround plan are encouraging. The sales pipeline is showing signs of improvement: as at 30 June 2018, the sales pipeline was down 9 *per cent*. year-on-year, compared to down 15 *per cent*. year-on-year as at 31 December 2017, the fee pipeline was down 13 *per cent.* year-on-year as at 30 June 2018, compared to down 19 *per cent.* year-on-year as at 31 December 2017, and the register of properties available was up 3 *per cent*. year-on-year as at 30 June 2018, compared with a year-on-year decrease of 24 *per cent*. at 30 June 2017. As part of the Group's turnaround plan, the Group has, in H1 2018, increasingly highlighted the importance of the sale of complementary services from its Financial Services and conveyancing businesses, and the Board is encouraged to see that the intra-Group referral rate for complementary services during H1 2018 was 41 pence for every £1 (H1 2017: 38 pence for every £1), representing an 8 *per cent*. increase compared to H1 2017.

4.2 Outlook

While the Board expects the UK housing market, as measured by the number of second-hand homes exchanged, to remain broadly flat year-on-year for the next three years (at approximately 1.2 million homes exchanged based on HMRC data), with no recovery in the London market, the Board expects average house prices to continue to grow, albeit at a slower rate than in the periods under review, by approximately 2 *per cent*. in 2018, compared to 2017, and 3 *per cent*. in 2019, compared to 2018 (based on data from the UK Land Registry). The UK population is also forecast to continue growing steadily (with the UK population forecast to increase by 3.6 million people between 2021 and 2026), which is expected to create significantly more households, driven by net positive migration into the UK and changing age demographics.

The Board also expects that high employment rates will continue to support the UK housing market in the near-term, with the unemployment rate having fallen to 4.2 *per cent*. in the second quarter of 2018. However, the Board expects that political and economic uncertainty in the UK will continue to impact the UK housing market in H2 2018. Subdued consumer spending and business investment arising from a weak currency, inflation and uncertainty surrounding Brexit is expected to contribute to a subdued housing market, which the Board expects will continue to have a more marked impact on the London market as compared to the rest of the UK.

The volume of exchanges (which tends to be more volatile than prices) is expected to continue to be impacted by recent reforms to stamp duty. While the Lettings business is not expected to be impacted until April 2019 by the proposed Tenant Fees Bill, which contains a ban on letting agent fees charged to tenants, the Group is targeting various mitigating actions in an attempt to lessen the impact on its results. The Board currently anticipates that, if implemented in its current form, the Tenant Fees Bill would have a negative annualised impact on Group revenue of approximately £21 million, which the Board hopes to reduce to a £16 million annualised impact on Group revenue net of mitigating actions that the Group intends to take. The Board expects the rental market to grow in size, notwithstanding reducing stock levels, and expects that tax exemptions for corporate landlords will incentivise growth in this sector, leading to smaller landlords incorporating and expanding portfolios in the future. Institutional investment in rental markets is picking up as the demand for housing grows and the UK housing market continues to face challenges in respect of affordability.

The Board expects the Group's results will benefit from an improved sales pipeline in H2 2018, a traditionally stronger performance in the second half of the year due to seasonality, as well as cost efficiencies that it aims to achieve in the Financial Services and B2B businesses. The Board also expects the Group's revenue from complementary services will increase by the end of 2018, and the Group intends to continue to drive this activity as a key part of its sales strategy, with an aim of increasing revenue from complementary services to historical levels in the medium term.

The Board expects demand for remortgaging to remain robust and rates to remain competitive in H2 2018, while purchases in the buy-to-let market are expected to continue to be constrained by recent regulatory and tax changes in the UK, the full impact of which has yet to be fully felt.

5. MANAGEMENT CHANGES

Alongside the Capital Refinancing Plan, we are delighted to announce a number of senior appointments within the Group. As of today:

(i) I will continue in my role as Executive Chairman through the medium term in order to oversee Countrywide's implementation of its new strategy and turnaround plan in that period;

(ii) Paul Creffield has been appointed to the Board of Countrywide as the Group Managing Director;

(iii) Paul Chapman, a member of our Executive Committee who was previously Managing Director of the B2B Business Unit, has been appointed Chief Operating Officer; and

(iv) Paul Wareham has been appointed Managing Director of the B2B Business Unit and will join Countrywide's Executive Committee.

With these changes, the Board believes that Countrywide has the right team in place to implement the Group's strategy and turnaround plan.

6. THE COUNTRYWIDE ABSOLUTE GROWTH PLAN

To support the implementation of Countrywide's strategy and turnaround plan, the Remuneration Committee has approved and, at the General Meeting, will be seeking the approval of a new long-term share plan, the Countrywide Absolute Growth Plan (the AGP), and associated changes to the Group's Remuneration Policy. The AGP has been designed to directly align the interests of the senior management team with those of shareholders. It will reward them only for achieving exceptional, yet sustainable, shareholder value creation (as measured by significant increases in the market capitalisation of Countrywide) and is subject to the achievement of a minimum level of performance before any reward can be earned. This is a one-off arrangement and is considered a crucial part of the overall aim to incentivise and reward Countrywide's senior leadership team for the turnaround of the business. A summary of the AGP is set out in section 9.5 of Part XII (*Additional Information*).

In connection with this new plan, the Board is also seeking Shareholders' approval for a new Directors' Remuneration Policy. The only material proposed change to the Directors' Remuneration Policy since it was last approved at Countrywide's 2017 annual general meeting is to allow senior management to participate in the AGP (instead of the existing Long Term Incentive Plan).

As part of my commitment to the business, subject to shareholder approval of the AGP and revised Remuneration Policy, I will be participating in the AGP in my role as Executive Chairman. No other changes to my current remuneration arrangements are being proposed when the Directors' Remuneration Policy is amended.

The Remuneration Committee has also decided to restructure the annual bonus plan for H2 2018 to better align with the turnaround strategy. The Remuneration Committee has already determined that there will be no bonus payable for performance during H1 2018. Any bonuses for H2 2018 will be, as before, subject to the achievement of EBITDA and strategic objectives, but will also be based on the achievement of turnaround objectives. The maximum bonus that can be earned by Executive Directors for 2018 will be half of the normal maximum, so 60 *per cent*. of salary for the Group Managing Director and the Chief Financial Officer. The intention is to ensure that the targets for the senior managers and the wider leadership team are relevant and motivational.

7. SUMMARY OF THE PRINCIPAL TERMS OF THE ISSUE

Countrywide is proposing to raise gross proceeds of £140 million (approximately £129 million after deduction of estimated commissions, fees and expenses) by way of:

(i) a Firm Placing of 1,114,419,569 Firm Placing Shares; and

(ii) a Placing and Open Offer of 285,580,431 Open Offer Shares,

(together, the "**Issue**") in each case at an Issue Price of 10 pence per New Ordinary Share. The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The Issue is fully underwritten by the Joint Bookrunners on the terms and subject to the conditions of the Underwriting Agreement, details of which are set out in section 17 of Part XII (*Additional Information*).

The Board has considered the best way to structure the proposed equity capital raising in light of the Group's current financial position. The decision to structure the equity capital raising by way of a combination of a Firm Placing and a Placing and Open Offer takes into account a number of factors, including the total net proceeds to be raised. The Board believes that the Firm Placing will enable Countrywide to satisfy demand from potential new investors as well as current Shareholders wishing to increase their equity positions in Countrywide. The Board has sought to balance the dilution to existing Shareholders arising from the Firm Placing with the need to bring in substantial investors with guaranteed commitments to ensure the success of the Issue. As a result, 20.4 *per cent*. of the New Ordinary Shares being issued will be available to existing Shareholders through the Open Offer on a *pro rata* basis. The Board is seeking the approval of Shareholders, by way of the Capital Refinancing Resolutions at the General Meeting, to the proposed Firm Placing and Placing and Open Offer.

Further details of the terms and conditions of the Open Offer, including the procedure for acceptance and payment and the procedure in respect of Open Offer Entitlements not taken up, are set out in Part VII (*Terms and Conditions of the Issue*) and, where relevant, the Application Form. Overseas Shareholders should refer to section 8 of Part VII (*Terms and Conditions of the Issue*) for further information regarding their ability to participate in the Issue.

7.1 Issue Price

The Firm Placing and the Placing and Open Offer will each be made at an Issue Price of 10 pence per New Ordinary Share. The Issue Price represents an 80 *per cent*. discount to the Closing Price of 50 pence on the Reference Date. The Issue Price (and the discount) has been set by the Directors following their assessment of the prevailing market conditions and anticipated demand for the New Ordinary Shares. The Board, having taken appropriate advice from its advisors, believes that the Issue Price (including the discount) is appropriate in the circumstances.

7.2 Firm Placing

Countrywide proposes to issue 1,114,419,569 Firm Placing Shares to Firm Placees at the Issue Price, on a non-pre-emptive basis. The Firm Placing will not be subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer.

Pursuant to the Underwriting Agreement, the Joint Bookrunners have severally agreed to use reasonable endeavours to procure subscribers for the Firm Placing Shares at the Issue Price. If the Joint Bookrunners are unable to procure subscribers for all of the Firm Placing Shares (including in the event that a prospective Firm Placee fails to take up any or all of the Firm Placing Shares which have been allocated to it or which it has agreed to take up at the Issue Price), then each of the Joint Bookrunners has agreed, on the terms and subject to the conditions set out in the Underwriting Agreement, severally (and not jointly or jointly and severally) to subscribe for such Firm Placing Shares at the Issue Price in its agreed proportion. Certain investors have already committed to participate in the Firm Placing; please see section 10 below for further information.

7.3 Placing and Open Offer

Under the Open Offer, Qualifying Shareholders are being given the opportunity to subscribe for Open Offer Shares *pro rata* to their Existing Holdings on the basis of 6 Open Offer Shares for every 5 Existing Ordinary Shares held by them and registered in their name at the Record Date (and so in proportion to any other number of Existing Ordinary Shares then held) on the terms and subject to the conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders, the Application Form).

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their Open Offer Entitlement. Fractions of Open Offer Shares will not be allotted and each Qualifying Shareholder's Open Offer Entitlement under the Open Offer will be rounded down to the nearest whole number. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Open Offer Entitlements.

Any Open Offer Shares which are not applied for under the Open Offer may be allocated to Conditional Placees at the Issue Price, with the proceeds retained for the benefit of Countrywide. Pursuant to the

Underwriting Agreement, the Joint Bookrunners have severally agreed to use reasonable endeavours to procure conditional subscribers (subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer) for the Open Offer Shares at the Issue Price. If the Joint Bookrunners are unable to procure subscribers for any Open Offer Shares that are not taken up by Qualifying Shareholders pursuant to the Open Offer (including in the event that a prospective Conditional Placee fails to take up any or all of the Firm Placing Shares which have been allocated to it or which it has agreed to take up at the Issue Price), then each of the Joint Bookrunners has agreed, on the terms and subject to the conditions set out in the Underwriting Agreement, severally (and not jointly or jointly and severally) to subscribe for such Open Offer Shares at the Issue Price in its agreed proportion. Certain investors have already committed to participate in the Placing; please see section 10 below for further information.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim by Euroclear UK's Claims Processing Unit. Open Offer Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their entitlements will have no rights, and will not receive any benefit, under the Open Offer. Any Open Offer Shares which are not applied for under the Open Offer may be allocated to Conditional Placees, subject to the terms and conditions of the Underwriting Agreement, with the proceeds retained for the benefit of Countrywide.

7.4 Dilution

If a Qualifying Shareholder who is not a Placee does not take up any of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 85.3 *per cent*. as a result of the Firm Placing and the Placing and Open Offer.

If a Qualifying Shareholder who is not a Placee takes up his Open Offer Entitlement in full, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 67.9 *per cent*. as a result of the Firm Placing.

7.5 Conditionality

The Issue is conditional, *inter alia*, upon:

(i) the Capital Refinancing Resolutions having been passed by Shareholders at the General Meeting;

(ii) the Underwriting Agreement having become unconditional in all respects, save for the condition relating to Admission, and not having been terminated in accordance with its terms before Admission occurs; and

(iii) Admission having become effective by not later than 8:00 a.m. on 30 August 2018 (or such later time and/or date as the Joint Bookrunners and Countrywide may agree, not being later than 14 September 2018).

If any of the conditions are not satisfied or, if applicable, waived, then the Issue will not take place.

If the Issue does take place but the gross proceeds received by Countrywide are less than £100.0 million, then the Group's lenders have the right under the Amended Credit Facility Agreement to demand full repayment of the Amended Credit Facility. However, provided that the Issue does take place, the Board is confident that the gross proceeds will exceed £100.0 million as the Issue is fully underwritten by the Joint Bookrunners on the terms and subject to the conditions of the Underwriting Agreement. Please see section 17 of Part XII (*Additional Information*) for further information on the Amended Credit Facility Agreement and the Underwriting Agreement.

8. DIVIDEND POLICY

The Board does not expect to pay dividends in the medium term, during which the Group will invest in the business and implement the Capital Refinancing Plan in conjunction with its strategy and turnaround plan. The Board understands the importance of optimising value for Shareholders and it is the Directors' intention to return to paying a dividend once they believe it is financially prudent for the Group to do so.

9. DIRECTORS' INTENTIONS

Each of the Directors who is a Shareholder has irrevocably committed to: (i) vote in favour of the resolutions to be proposed at the General Meeting; and (ii) participate in the Issue and subscribe for a number of New Ordinary Shares that is equal to or in excess of their Open Offer Entitlement. The Directors hold 1,430,497 Existing Ordinary Shares in aggregate as at the Reference Date, representing approximately 0.59 *per cent.* of the issued share capital of Countrywide as at the Reference Date.

10. IRREVOCABLE UNDERTAKINGS, SIGNIFICANT COMMITMENTS AND RELATED PARTY TRANSACTIONS

10.1 Oaktree Capital Management

OCM Luxembourg Castle Holdings S.à r.l and OCM Luxembourg EPF III Castle Holdings S.à r.l (each an indirect wholly owned subsidiary of funds advised and managed by Oaktree Capital Management), have provided an irrevocable undertaking to Countrywide confirming that they shall vote in favour of the Capital Refinancing Resolutions (other than Resolution 3) to be proposed at the General Meeting.

Subject to the passing of the Capital Refinancing Resolutions, OCM Luxembourg EPF III Castle Holdings S.à r.l will subscribe for 240,000,000 New Ordinary Shares pursuant to the Firm Placing and/or the Placing (subject to clawback of its participation in the Placing to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer). On this basis, following the Issue, funds advised and managed by Oaktree Capital Management will indirectly hold at least 18.9 *per cent*. of the Enlarged Share Capital of Countrywide.

OCM Luxembourg EPF III Castle Holdings S.à r.l (an indirect wholly owned subsidiary of funds advised and managed by Oaktree Capital Management) is a related party of Countrywide for the purposes of the Listing Rules as it is a substantial shareholder of Countrywide (or an associate of such a shareholder) which is entitled to exercise, or control the exercise of, 10 *per cent*. or more of the votes able to be cast at general meetings of Countrywide.

10.2 Brandes Investment Partners

Subject to the passing of the Capital Refinancing Resolutions, Brandes Investment Partners has committed to subscribe for 228,480,000 New Ordinary Shares pursuant to the Firm Placing and/or the Placing (subject to clawback of its participation in the Placing to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer). On this basis, following the Issue, Brandes Investment Partners will hold at least 16.2 *per cent*. of the Enlarged Share Capital of Countrywide.

Brandes Investment Partners is a related party of Countrywide for the purposes of the Listing Rules as it is a substantial shareholder of Countrywide (or an associate of such a shareholder) which is entitled to exercise, or control the exercise of, 10 *per cent*. or more of the votes able to be cast at general meetings of Countrywide.

11. WORKING CAPITAL

In the opinion of Countrywide, taking into account the net proceeds of the Issue (being approximately £129 million, after deduction of estimated commissions, fees and expenses) and the drawings available under the Amended Credit Facility, the working capital available to the Group is sufficient for its present requirements (that is, for at least 12 months following the date of this document).

12. GENERAL MEETING

This document includes a Notice convening a General Meeting to be held on 28 August 2018 at 10:30 a.m. at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED. The purpose of the General Meeting is to consider and, if thought fit, to pass the Capital Refinancing Resolutions and the Remuneration Resolutions.

In summary, the Capital Refinancing Resolutions (which comprise two ordinary resolutions and a special resolution) seek the approval of Shareholders:

(i) to issue up to 397,733,081 New Ordinary Shares to funds of Oaktree Capital Management pursuant to the Issue, in light of Oaktree Capital Management's holding of 71,696,855 Existing Ordinary Shares as at the Reference Date;

(ii) to issue up to 310,462,824 New Ordinary Shares to Brandes Investment Partners pursuant to the Issue, in light of Brandes Investment Partners' holding of 37,264,920 Existing Ordinary Shares as at the Reference Date;

(iii) to the terms including as to discount of the Firm Placing and the Placing and Open Offer as set out in this document, and to direct the Board to exercise all powers to cause Countrywide to implement the Firm Placing and the Placing and Open Offer;

(iv) to grant the Board authority to allot the New Ordinary Shares for cash for the purposes of the Firm Placing and the Placing and Open Offer pursuant to section 551 of the Companies Act 2006 as if the pre-emption rights in section 561 of the Companies Act 2006 did not apply;

(v) if the Issue proceeds, to grant the Board authority to allot Ordinary Shares for general purposes and, in light of section 549 of the Companies Act 2006, to grant rights to subscribe for or to convert any security into shares in Countrywide. This authority would be in substitution for the authority to allot Ordinary Shares which was given to the Board at the annual general meeting of Countrywide on 25 April 2018 (but in addition to the amount described in (iii) above in relation to the allotment of the New Ordinary Shares). The new authority would give the Board authority to allot Ordinary Shares and to grant rights to subscribe for or to convert any security into shares in Countrywide with an aggregate nominal amount of £10,942,022.92 which would represent approximately two-thirds of the Enlarged Share Capital of Countrywide in issue immediately following the Issue (assuming that no further Ordinary Shares are issued as a result of the vesting or exercise of any awards under the Share Plans in the period from the publication of this document to completion of the Issue); and

(vi) if the Issue proceeds, to replace the Board's authority (which was given to the Board at the annual general meeting of Countrywide on 25 April 2018) to disapply statutory pre-emption rights in respect of the issue of Ordinary Shares by Countrywide for cash consideration: (a) by way of rights to Shareholders in proportion to their respective holdings of such shares (excluding shares held in treasury); and (b) generally (otherwise than pursuant to (a) above), up to an aggregate nominal value of £820,651.71 which would represent approximately 5 *per cent.* of the Enlarged Share Capital of Countrywide in issue immediately following the Issue (assuming that no further Ordinary Shares are issued as a result of exercise of any options under the Share Plans in the period from the publication of this document until the completion of the Issue).

In summary, the Remuneration Resolutions (which comprise two ordinary resolutions) seek the approval of Shareholders:

(i) to implement the AGP; and

(ii) to amend Countrywide's Remuneration Policy to accommodate the AGP.

Please note that this is not the full text of the Capital Refinancing Resolutions and you should read this section 12 in conjunction with the Notice included at the Appendix to this document.

13. FURTHER INFORMATION

Your attention is drawn to the Risk Factors set out on pages 30 to 47 of this document, and to the information set out in Part II (*Important Information*) and Part XII (*Additional Information*).

You should not subscribe for any New Ordinary Shares except on the basis of information contained or incorporated by reference into this document.

14. IMPORTANCE OF YOUR VOTE

The Capital Refinancing Resolutions must be passed by Shareholders at the General Meeting in order for the Issue to proceed.

If Shareholders do not approve the Capital Refinancing Resolutions:

(i) the Issue cannot be implemented; and

(ii) under the terms of the Amended Credit Facility, the Group's lenders could (following a short negotiation period) demand repayment of all borrowings, which the Group cannot afford.

In such circumstances, the Board believes that the only realistic option for Countrywide would be to seek to further renegotiate or refinance the Amended Credit Facility, and there can be no certainty that the Group would be able to do so on commercially acceptable terms or at all. In the event that the Group were unable to renegotiate or refinance the Amended Credit Facility and the Group's lenders were to demand repayment of all borrowings, a working capital shortfall of the amounts owed (less any surplus working capital held immediately before the demand for repayment) would arise, which would have a material adverse effect on the Group's financial condition and prospects. Without the support of the Group's lenders, Countrywide would be unable to meet its liabilities as they fall due, which would likely result in Countrywide becoming immediately insolvent and having to cease trading.

Accordingly, it is very important that Shareholders vote in favour of the Capital Refinancing Resolutions so that the Capital Refinancing Plan can proceed (assuming that all other conditions are satisfied), whether you intend to be present at the General Meeting or not.

15. RECOMMENDATION

The Directors have been advised by Jefferies, and the Board believes that the terms of Oaktree Capital Management's (including via wholly owned subsidiaries of funds advised and managed by Oaktree Capital Management) and Brandes Investment Partners' respective participations in the Firm Placing and the Placing are fair and reasonable insofar as Countrywide's shareholders are concerned. Caleb Kramer, with respect to Oaktree Capital Management, did not participate in the considerations described above.

The Board considers that the Capital Refinancing Plan is in the best interests of the Shareholders of Countrywide taken as a whole and unanimously recommends that Shareholders vote in favour of the resolutions to be proposed at the General Meeting, as the Directors and Senior Managers intend to do in respect of their own beneficial holdings.

Yours sincerely,

Peter Long
Executive Chairman

PART II

IMPORTANT INFORMATION

1. NOTICE TO PROSPECTIVE INVESTORS

Subject to certain limited exceptions, neither this document nor the Application Form constitutes, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to subscribe for, purchase or acquire the New Ordinary Shares to any Shareholder with a registered address in or located in the United States or any other Excluded Territory. Notwithstanding the foregoing, Countrywide reserves the right to offer the New Ordinary Shares in the United States in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

Shareholders in any Excluded Territory, subject to certain exceptions, may not subscribe for New Ordinary Shares in connection with the Issue.

2. PRESENTATION OF FINANCIAL AND OTHER INFORMATION

2.1 Introduction

Unless otherwise indicated, the financial information included or incorporated by reference in this document is based on IFRS as adopted by the European Union and those parts of the Companies Act 2006 which are applicable to UK companies reporting under IFRS. IFRS as adopted by the European Union differs in certain aspects from IFRS as issued by the International Accounting Standards Board.

The preparation of financial information in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Group's financial year runs from 1 January to 31 December. References in this document to years in the context of financial information are to the years ended 31 December.

The financial information included or incorporated by reference in this document is not intended to comply with the accounting requirements and the related rules and regulations that would apply if the New Ordinary Shares were to be registered with the SEC under the US Securities Act. Compliance with such requirements would require the modification or exclusion of certain information included or incorporated by reference in this document and the presentation of certain information which is not included or incorporated by reference in this document. The financial information included or incorporated by reference in this document was not prepared in accordance with US GAAP or PCAOB Standards. No opinion or any other assurance with regard to any financial information was expressed under US GAAP, US GAAS or PCAOB Standards and the financial information is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification, reformulation or exclusion of certain financial measures. In addition, changes would be required in the presentation of certain other information.

2.2 Non-IFRS and other financial measures.

The Board considers certain non-IFRS measures and ratios at the Group level and at the operating segment level to be useful to better understand the trading performance of the Group and, accordingly, this document contains EBITDA, Adjusted EBITDA, net debt, as well as ratios derived therefrom, all of which are non-IFRS measures.

EBITDA and Adjusted EBITDA

The Group calculates:

(i) "**EBITDA**" as consolidated profit/ (loss) for the year before finance costs, finance income, taxation credit/(charge) and depreciation and amortisation.

(ii) "**Adjusted EBITDA**" as EBITDA before: (i) exceptional items (net) (comprising exceptional income less exceptional costs); (ii) contingent consideration in connection with acquisitions; (iii) share-based payments and related National Insurance contributions; and (iv) share of (loss)/profits from joint ventures. See the table below, which presents Adjusted EBITDA for each of the periods under review.

EBITDA and Adjusted EBITDA are included in this document as supplemental disclosures because the Group believes that these measures, when considered in connection with cash flows from operating, investing and financing activities, provide additional useful information to prospective investors on the underlying trends and comparable performance of the Group over time and assist prospective investors with evaluating the performance of the Group's underlying business by eliminating variations caused by the effects of differences in:

(i) capital structure (including the effects of finance costs);

(ii) taxation; and

(iii) depreciation and amortisation charges, including amortisation of intangibles arising on acquisitions (excluding software), which can vary significantly dependent on the level and size of acquisitions undertaken in the relevant period, and the related customer relationships and contracts recognised (brands not being subject to amortisation). In addition, the Group does not believe the amortisation charge provides insight into the costs of running the Group's business as the amortised assets are supported and maintained by marketing costs which are reflected within the Group's operating costs. The Board notes that the intangibles acquired in business combinations are used in the business to generate revenue but that there is no equivalent adjustment made to eliminate this revenue,

and, in the case of Adjusted EBITDA only:

(iv) exceptional items (costs or income), which items are material by their nature, size or incidence (see Part VI (*Operating and Financial Review*) for further information);

(v) contingent consideration, which can vary significantly dependent on the level and size of acquisitions undertaken and the associated performance criteria linked to the ongoing service requirement. The Group assesses the fair value of the resulting liabilities across these arrangements at each reporting period end, reflecting its best estimates of future performance. However, these estimates are inherently judgmental as the Group is required to look beyond its normal three-year budgeting and planning cycle for the five-year agreements in place. Remeasurement could cause material volatility in the Group's reported results over the earn out periods which would not be reflective of the business' performance in the relevant period;

(vi) share-based payments and related National Insurance contributions. The Group's income statement has been subject to significant changes in respect of the IPO options up to and including 2016; as the Group is now in a turnaround situation, it is anticipated that the incentivisation of performance will be driven by award of future LTIPs which, provided Group performance meets these targets, will see the share-based payment charge continue to increase and reintroduce material volatility into the income statement and distortion to underlying trading results; and

(vii) share of (loss)/profits from joint ventures, which can vary significantly dependent on the performance of the joint ventures that the Group has invested in.

The use of Adjusted EBITDA as a consistent measure of underlying performance is also aligned with management's internal financial reporting (including monthly management information reports reviewed by the Board as the chief operating decision maker) and executive director remuneration and senior management incentive targets. Adjusted EBITDA is used by the Group's Executive Committee to assess the performance of the operating segments.

EBITDA and Adjusted EBITDA are supplemental measures of the Group's performance and liquidity that are not recognised terms under, required by, or presented in accordance with, IFRS. EBITDA and Adjusted EBITDA should not be considered as an alternative to profit or loss for the year or as an alternative to cash flow from operating, investing and financing activities as derived in accordance with IFRS or any other financial or performance measure derived in accordance with IFRS. EBITDA and Adjusted EBITDA do not necessarily indicate whether cash flow will be sufficient or available for the Group's cash requirements and may not be indicative of the Group's results of operations. Neither EBITDA nor Adjusted EBITDA is intended to be indicative of the Group's future results. In addition, these measures, as defined by the Group, may not be comparable with other similarly titled measures used by other companies.

Net debt

The Group calculates "**net debt**" as the Group's consolidated outstanding current and non-current loans and borrowings (including accrued and unpaid interest only on the Buy To Let Loan) and its obligations under finance leases (including the interest component), minus the Group's cash and cash equivalents and capitalised banking fees.

Net debt and ratios derived therefrom are included in this document as supplemental disclosures because the Group believes that this measure and related ratios are useful to investors in evaluating the Group's ability to incur and service its indebtedness.

Covenant measures

The Group also presents in this document Covenant Adjusted EBITDA and Covenant net debt, each of which is defined in the Group's debt facilities (the Previous Credit Facility and the Amended Credit Facility) and differs from the equivalent measures (Adjusted EBITDA and net debt) used by the Group for financial reporting purposes. Covenant Adjusted EBITDA is used to assess the Group's compliance with the financial covenant requirements under its credit facilities, being the leverage ratio (the ratio of Covenant net debt to Covenant Adjusted EBITDA) and interest cover (the ratio of Covenant Adjusted EBITDA to net interest payable (as defined under those facilities)), failure to comply with which would give rise to the lenders having the right to withdraw the existing facilities, as a result of which the Group and Countrywide would be unable to meet their respective liabilities as they fall due.

Comparability

There are no generally accepted accounting principles governing the calculation of non-IFRS measures and the criteria upon which they are based can vary from company to company. Such measures, by themselves, do not provide sufficient basis to compare the Group's performance or liquidity with that of other companies and should not be considered in isolation, or as a substitute for IFRS measures. Investors should therefore exercise caution in comparing non-IFRS financial measures reported by the Group to similar measures of other companies.

Leverage ratios

The table below presents the components of the leverage ratio as well as the leverage ratio, as calculated for financial reporting purposes, and components of the leverage ratio, as well as the leverage ratio, for purposes of covenant compliance, in each case for the periods/at the date indicated. All leverage ratios in this document have been calculated on the basis of 12-month trailing Adjusted EBITDA or Covenant Adjusted EBITDA, as applicable.

The Group's net debt at 30 June 2018 was £211.7 million, compared with Adjusted EBITDA for H1 2018 of £10.7 million. The Group's net debt to Adjusted EBITDA ratio and Covenant net debt to Covenant Adjusted EBITDA ratio were 4.66x and 4.79x respectively, as at the same date.

	FY 2015	**FY 2016**	**FY 2017**[1]	**H1 2018** *(unaudited)*
	(£ in millions, except ratios)			
Adjusted EBITDA for financial reporting purposes	113.0	83.5	64.7	10.7[2]
Covenant Adjusted EBITDA	110.9	83.8	65.7	10.8[2]
Net debt for financial reporting purposes (at period end)	184.9	247.9	192.0	211.7
Covenant net debt (at period end)	205.9	267.4	205.8	224.3
Leverage ratio for financial reporting purposes	1.64x	2.97x	2.97x	4.66x[3]
Leverage ratio under Previous Credit Facility (at period end)	1.86x	3.21x	3.13x	4.79x[4]

(1) The Prior-Year Correction is not reflected for 2017, but the prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

(2) Reflects the Prior-Year Correction.

(3) Reflects Adjusted EBITDA for the 12 months ended 30 June 2018, which takes into account adjustments to Adjusted EBTIDA for H2 2017 following the adoption of IFRS 15 and the Prior-Year Correction.

(4) Reflects Covenant Adjusted EBITDA for the 12 months ended 30 June 2018 which does not take into account adjustments to Adjusted EBITDA for H2 2017 following the adoption of IFRS 15 but takes into account adjustments to Covenant Adjusted EBITDA for H2 2017 following the Prior Year Correction. Under the Amended Credit Facility, Countrywide will, on its future testing dates, calculate its ratios in accordance with IFRS as then in effect, except in respect of its finance leases (under IFRS 16, when in effect).

Additional Measures

The Group also presents in its external reporting and in this document the following measures which are included in its segment notes to its financial statements:

(i) "**total income**", which is the sum of revenue and other income; and

(ii) "**total income from external customers**", which, for purposes of reporting segment results, is total income as adjusted for inter-segment revenue (see section 3.3 of Part VI (*Operating and Financial Review*) for further information).

2.3 Reconciliation of non-IFRS measures

Section 2.2 of Part VI (*Operating and Financial Review*) contains a reconciliation of operating profit/(loss) (an IFRS measure) to Adjusted EBITDA (a non-IFRS measure used by the Group).

2.4 Operational data and key performance indicators

The Group presents certain operational data in this document. These data may not be comparable with similarly titled operational data presented by others in the Group's industry. While the method of calculation may differ across the industry, the Board believes that these indicators are important to understanding the Group's performance from period to period and that they facilitate comparison with the Group's peers. These operational data are not intended to be a substitute for, or superior to, any IFRS measures of performance. These operational data are based on management estimates, are not part of the Financial Statements and have not been audited or otherwise reviewed by outside auditors, consultants or experts. For further information regarding key operational data, please see section 6 of Part VI (*Operating and Financial Review*).

Countrywide also presents the following key performance indicators in this document:

(i) "**intra-Group referral rate for complementary services**", which means, over a specified period, the amount of revenue generated by the Group for the sale of complementary services and products in the conveyancing and Financial Services businesses for every £1 of revenue generated by the Sales business;

(ii) "**fee pipeline**", which means, at a particular date, the aggregate fees that the Group expects to earn from the sale of all properties that form part of the sales pipeline (as defined below) at that date;

(iii) "**register of properties available**", which means, at a particular date, the total number of properties that are listed by the Sales and Lettings Business Unit;

(iv) "**sales pipeline**", which means, at a particular date, the number of properties marketed by the Group that (i) are currently listed for sale, or are under negotiation between potential sellers and buyers, and (ii) that the Group expects will be sold within approximately four months; and

(v) "**transaction volumes**", which means, over a specified period, the number of transactions that the Group is involved in across all of its businesses (regardless of whether such transactions are ultimately completed).

2.5 Rounding adjustments

Certain numerical figures and percentages set out in this document, including financial data presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments for ease of presentation. Accordingly, a sum of numbers may not, in certain cases, conform to the total figure given (including where such numbers are presented in tabular format). In addition, certain figures set out in this document reflect calculations based upon the underlying information before rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

3. IMPORTANT NOTICES

Apart from the responsibilities and liabilities, if any, which may be imposed on Barclays and Jefferies by FSMA or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Barclays nor Jefferies, nor any of their respective affiliates, directors, officers, employees or advisers, accept any responsibility whatsoever for the contents of this document, or make any representation or warranty, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or regarding the legality of any investment in the New Ordinary Shares by any person under the laws applicable to such person or for any other statement made or purported to be made by it, or on its behalf, in connection with Countrywide, the New Ordinary Shares or the Issue, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. To the fullest extent permissible, Barclays and Jefferies accordingly disclaim all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement.

The Joint Bookrunners may, in accordance with applicable legal and regulatory provisions and subject to certain restrictions in the Underwriting Agreement, engage in transactions in relation to the New Ordinary Shares or otherwise. Moreover, subject to the terms of the Underwriting Agreement, the Joint Bookrunners or any affiliate thereof acting as an investor for its or their own account(s) may subscribe for, retain, purchase or sell New Ordinary Shares and/or related investments for its or their own account(s) and in that capacity may offer or sell such securities and/or other investments other than in connection with the Issue. Accordingly, references in this document to New Ordinary Shares being offered or placed should include any offering or placement of New Ordinary Shares to each of the Joint Bookrunners or any of their affiliates acting in such capacity. In addition, in the event that the Joint Bookrunners subscribe for New Ordinary Shares which are not taken up by Qualifying Shareholders or Placees, the Joint Bookrunners may co-ordinate disposals of such shares in accordance with applicable law and regulation. Except as required by applicable law or regulation, the Joint Bookrunners and their respective affiliates do not propose to make any public disclosure in relation to such transactions.

The Joint Bookrunners and their respective affiliates may, from time to time in the ordinary course of their respective businesses, engage in further transactions with, and perform services for, Countrywide or its affiliates, and the Joint Bookrunners and their respective affiliates have performed and expect to perform in the future various financial advisory, investment banking and commercial banking services for, and may arrange loans and other non-public market financing for, and enter into derivative transactions with, Countrywide or its affiliates for which they will receive customary fees. In addition, Barclays (among others) was a lender under the Previous Credit Facility Agreement and is a lender under the Amended Credit Facility Agreement, and it may have performed its own credit analysis on Countrywide and to the extent that the net proceeds of the Issue are used to repay the Amended Credit Facility, may receive a portion of those proceeds in connection with such repayment.

No person has been authorised to give any information or make any representations other than those contained in this document and the Application Form and, if given or made, such information or representations must not be relied upon as having been authorised by Countrywide or by either Barclays or Jefferies. Without prejudice to any legal or regulatory obligation on Countrywide to publish a supplementary prospectus pursuant to section 87G of FSMA and Rule 3.4 of the Prospectus Rules, neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Countrywide since the date of this document or that the information in this document is correct as at any time after its date.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of Countrywide and the terms of the Issue, including the merits and risks involved.

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; the New Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the

New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Issue. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Barclays and Jefferies will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the New Ordinary Shares and determining appropriate distribution channels.

4. SERVICE OF PROCESS AND ENFORCEMENT OF US JUDGMENTS

Countrywide is a public limited company incorporated under the laws of England and Wales. Most of the Directors and executive officers of Countrywide are citizens or residents of countries other than the United States. All or a substantial portion of the assets of the Directors and executive officers of Countrywide are located outside the United States. As a result, it may not be possible for holders of New Ordinary Shares in the United States: (i) to effect service of process upon Countrywide's Directors or executive officers; or (ii) to enforce in the courts of a foreign jurisdiction judgments of US courts, including judgments against any such persons predicated upon the civil liability of such persons under US federal or state securities laws. There is doubt as to the direct enforceability in England and Wales against any of these persons, in an original action or in an action for the enforcement of judgments of US courts, of civil liabilities predicated solely upon US federal or state securities laws.

5. AVAILABLE INFORMATION

If and for so long as any of the New Ordinary Shares are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) of the US Securities Act, Countrywide will, during any period in which it is not subject to sections 13 or 15(d) of the US Exchange Act nor exempt from reporting under that Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a New Ordinary Share, or to any prospective purchaser of a New Ordinary Share designated by such holder or beneficial owner, upon request of such holder, beneficial owner or prospective purchaser, the information specified in, and meeting the requirements of, Rule 144A(d)(4) of the US Securities Act. Countrywide is currently exempt from Exchange Act reporting pursuant to Rule 12g3-2(b) thereunder.

6. INCORPORATION BY REFERENCE

Certain information in relation to the Group is incorporated by reference into this document. Please refer to Part XIII (*Information Incorporated by Reference*) for further details.

7. NOTICE TO CANADIAN RESIDENTS (ONTARIO, QUEBEC, ALBERTA, MANITOBA AND BRITISH COLUMBIA ONLY)

7.1 Resale restrictions

The distribution of the New Ordinary Shares in Canada is being made only in the provinces of Ontario, Quebec, Alberta, Manitoba and British Columbia on a private placement basis exempt from the requirement that Countrywide prepares and files a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of the New Ordinary Shares in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of such securities.

7.2 Representations of Canadian purchasers

By purchasing the New Ordinary Shares in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

(i) the purchaser is entitled under applicable provincial securities laws to purchase such securities without the benefit of a prospectus qualified under those securities laws as it is an "accredited investor" as defined under National Instrument 45-106 — *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), as applicable;

(ii) the purchaser is a "permitted client" as defined in National Instrument 31-103 — *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

(iii) where required by law, the purchaser is purchasing as principal and not as agent; and

(iv) the purchaser has reviewed the text in section 7.1 above ("Resale restrictions").

7.3 Conflicts of Interest

Canadian purchasers are hereby notified that the Joint Bookrunners are relying on the exemption set out in section 3A.3 of National Instrument 33-105 — *Underwriting Conflicts* from having to provide certain conflict of interest disclosure in this document.

7.4 Statutory rights of action

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the offering memorandum (including any amendment thereto) such as this document contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser of these securities in Canada should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

7.5 Enforcement of legal rights

All of Countrywide's directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon Countrywide or those persons. All or a substantial portion of Countrywide's assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against Countrywide or those persons in Canada or to enforce a judgment obtained in Canadian courts against Countrywide or those persons outside of Canada.

7.6 Taxation and eligibility for investment

Canadian purchasers of New Ordinary Shares should consult their own legal and tax advisors with respect to the tax consequences of an investment in the New Ordinary Shares in their particular circumstances and about the eligibility of the New Ordinary Shares for investment by the purchaser under relevant Canadian legislation.

7.7 Notice to clients of Jefferies

With respect to Jefferies please note the following for the purposes of the international dealer exemption that is available to broker-dealers registered in a foreign jurisdiction pursuant to section 8.18(2) of NI 31-103:

(i) Jefferies is not registered as a securities dealer in any province or territory of Canada.

(ii) Jefferies' head office and principal place of business is located in London, United Kingdom.

(iii) All or substantially all of the assets of Jefferies may be situated outside of Canada.

(iv) There may be difficulty enforcing legal rights against Jefferies because of the above.

(v) Jefferies' agents for service of legal proceedings in the Provinces of Ontario, Québec, Alberta, Manitoba and British Columbia are:

Ontario
Cartan Limited
Suite 5300
Toronto Dominion Bank Tower
Toronto ON M5K 1E6
Attn: Andrew Parker

Québec
McCarthy Tétrault LLP
Bureau 2500
1000, rue De La Gauchetière Ouest
Montréal, QC H3B 0A2
Attn: Sonia J. Struthers

Alberta
McCarthy Tétrault LLP
Suite 4000
421 – 7th Avenue SW
Calgary, AB
T2P 4K9
Attn: John S. Osler

Manitoba
Aikins MacAulay & Thorvaldson LLP
30th Floor
Commodity Exchange Tower
360 Main Street
Winnipeg MB R3C 4G1
Attn: Richard L. Yaffe

British Columbia
McCarthy Tétrault LLP
Suite 2400
745 Thurlow Street
Vancouver BC V6E 0C5
Attn: Robin Mahood

8. NOTICE TO PLACEES IN AUSTRALIA

This document does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 (Cth) (the "**Australian Corporations Act**"). Accordingly, this document does not necessarily contain all of the information a prospective investor would reasonably expect to be contained in an offering document or which he/she may require to make an investment decision, and has not been lodged with the Australian Securities and Investments Commission.

This document does not constitute an offer, invitation, or recommendation in Australia to Australian retail investors to subscribe for or purchase any New Ordinary Shares and neither this document nor anything contained in it shall form the basis of any such contract or commitment.

Countrywide only extends the Firm Placing and Placing to investors in Australia who are eligible to receive and accept such offer in accordance with Australian securities laws. By receiving and accepting such offer, you represent you are a "wholesale client" and either a "sophisticated investor" or "professional investor" (as those terms are defined in the Australian Corporations Act) or otherwise entitled under the Australian Corporations Act to lawfully receive and accept this offer without disclosure.

An investor may not transfer or offer to transfer their New Ordinary Share(s) to any person located in Australia within 12 months of their issue unless it is lawful to transfer or offer to transfer the New Ordinary Share(s) without disclosure under Chapter 6D or Part 7.9 of the Australian Corporations Act.

Investors should consult their professional advisers if they are in any doubt as to whether or not they may receive and accept the Firm Placing and Placing.

9. NOTICE TO INVESTORS IN JAPAN

Neither the Open Offer Entitlements nor the New Ordinary Shares have been, nor will be, registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement as provided for in "ha" of Article 2, Paragraph 3, Item 2 of the FIEA.

PART III

INFORMATION ON THE GROUP

1. OVERVIEW

The Group is the largest integrated, full service residential estate agency and property services provider in the UK, as measured by market share of all new listings on the Rightmove portal (based on Rightmove data for August 2017 through 23 July 2018).

The Group operates across a broad range of UK residential and commercial property markets. The Group is focused on delivering end-to-end property services to the residential, B2B and commercial sectors and on having the right local brand in the right location to reach customers across different price points. The Group serves its residential and commercial customers through more than 1,000 locations across the UK and also has nominal operations overseas through informal affiliations with local real estate operators.

The Group has a strong focus on selling complementary services throughout the lifecycle of a property transaction. The Group's average sales process takes approximately 24 to 32 weeks, from market appraisal through to exchange. In that period, there are natural points at which the Group aims to sell complementary services. The Group focuses on targeting these natural points in the lifecycle of a transaction, providing referrals at the appropriate stage to ensure, for example, that the customer is aware of and has access to the Group's mortgage, surveying and conveyancing services. Given the Group's leading market presence in sales and lettings, it has a valuable distribution channel for the referral of complementary services provided by the B2B and Financial Services Business Units to grow its total income and profits.

The Group offers products and services through four operating Business Units (although, from H1 2018, the UK Sales and Lettings and London Sales and Lettings Business Units are being reported as a single "Sales and Lettings" Business Unit for the purposes of the Group's segmental reporting), whose total income from external customers and Adjusted EBITDA for the periods indicated were as follows:

	H1 2017		H1 2018	
	Total income from external customers	Adjusted EBITDA	Total income from external customers	Adjusted EBITDA
	(£ thousand) (unaudited)			
Sales and Lettings[(1)]	180,649	12,358	159,145	(1,797)
B2B	108,623	14,710	103,737	11,443
Financial Services	42,600	8,626	40,228	7,277

(1) Comprises UK Sales and Lettings and London Sales and Lettings. Restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the H1 2017 Restatement (as defined in section 3 of Part VI (*Operating and Financial Review*)) and for the Prior-Year Correction. Prior-year comparatives (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

(i) UK Sales and Lettings. The UK Sales and Lettings Business Unit covers both estate agency and lettings operations in the UK (excluding London and excluding the Group's operations in overseas markets through affiliations with real estate operators in those markets). As at 31 December 2017, the UK Sales and Lettings business comprised 649 physical locations across 50 brands across the UK (excluding London), serving customers' residential sales and lettings needs across a range of price bands. The sales function generates commission revenue on sales of residential and, to a lesser extent, commercial property, and the lettings function generates fees from the letting and management of residential properties.

In Sales, the UK Sales and Lettings Business Unit and the London Sales and Lettings Business Unit together sold approximately 1 in 20 homes sold in the UK in 2017 (2016: 1 in 17) based on volumes of sales of residential properties from ONS and the Group's volumes of residential property sales.

In Lettings, the Group had approximately 59,200 properties under management across the UK (excluding London) as at 30 June 2018 and, in 2017, an average of approximately 6,750 lettings applicants registering each week across the UK (excluding London).

(ii) London Sales and Lettings. The London Sales and Lettings Business Unit covers both estate agency and lettings operations in London and also includes nominal operations in overseas markets through informal affiliations with real estate operators in those markets. As at 31 December 2017, the London Sales and Lettings business comprised 231 physical locations across 16 brands, serving customers' residential sales and lettings needs across a range of price bands. The sales function generates commission revenue on sales of residential and, to a lesser extent, commercial property, and the lettings function generates fees from the letting and management of residential properties.

In Lettings, the Group had approximately 27,200 properties under management in London as at 30 June 2018 and, in 2017, an average of approximately 3,400 lettings applicants registering each week in London.

(iii) B2B. The B2B offering comprises all lines of business with corporate customers and conveyancing services to residential customers. Revenue is generated from surveying and valuation fees received from financial institutions, conveyancing fees, and fees from commercial property consultancy and advisory services, estate management and valuation services provided through Lambert Smith Hampton (the Group's commercial property consultancy that provides services to investors, developers and occupiers across the full property lifecycle) and through RDS (one of the largest land and new homes agencies in the UK according to Rightmove data).

(iv) Financial Services. The Financial Services Business Unit generates commission revenue from the sale of mortgages, insurance policies and related products under contracts with financial services providers. The Group is a leading independent mortgage broker in the UK, having arranged approximately 10 *per cent*. of the gross value of all mortgages arranged through intermediaries in 2017 (based on UK Finance data, excluding buy-to-let). As at 31 December 2017, the Group employed more than 600 mortgage and protection consultants, including specialist remortgage consultants and specialist new home mortgage consultants. Through its Mortgage Intelligence brand, the Group owns one of the foremost networks of advisers in the UK (based on the number of appointed representatives as at 30 April 2018), while The Buy To Let Business and Mortgage Bureau brands arrange specialist lending. The Group does not itself provide mortgage financing, underwrite insurance or otherwise provide financial services.

2. STRENGTHS OF THE GROUP

2.1 Market-leading positions

The Board believes that the Group's leading market positions across several property businesses provide it with the deepest reach of any UK property services provider, with the ability to service a broad range of sectors of the market and benefit from strong brand recognition and the ability to sell complementary services.

The Group is:

(i) the largest integrated, full service residential estate agency and property services provider in the UK, as measured by market share of all new listings on the Rightmove portal (based on Rightmove data for August 2017 through 23 July 2018);

(ii) the largest estate agency in the UK based on the number of branches with 880 branches as at 31 December 2017;

(iii) the largest estate agency in the UK based on transaction volumes with approximately 1 in 20 homes sold in the UK in 2017 (2016: 1 in 17) (based on volumes of sales of residential properties from ONS and the Group's volumes of residential property sales);

(iv) the largest lettings agent in the UK, as measured by market share of all new listings on the Rightmove portal (based on Rightmove data for August 2017 through 23 July 2018), with approximately 86,400 properties under management as at 30 June 2018;

(v) a leading independent mortgage broker in the UK, having arranged approximately 10 *per cent*. of the gross value of all mortgages arranged through intermediaries in 2017 (based on UK Finance data, excluding buy-to-let);

(vi) a leading supplier of surveying and valuation services in the UK, having completed approximately 37,000 surveys and 330,000 residential valuations in 2017 with a 24.4 *per cent.* market share of all residential property valuations (based on Bank of England mortgage volumes in 2017);

(vii) one of the five largest conveyancing businesses in the UK through the Group's in-house legal operations (as measured by number of completions on the buy side using Land Registry data), having completed approximately 17,000 (on the buy and sell side) transactions amounting to over £4.2 billion in value in 2017; and

(viii) a national and regional provider of commercial property consultancy and advisory services, as well as property management and valuation services, through Lambert Smith Hampton, a full service commercial property consultancy that provides services to investors, developers and occupiers across the full property lifecycle.

2.2 Balanced business with resilient revenue streams in Lettings, B2B and Financial Services

The Group's continued focus on diversification provides counter-cyclical resilience across products and services, geography and customer segments.

The Group's four distinct business segments are affected by different parts of the economic cycle. For example, the Board believes the Group's significant presence in lettings provides counter-cyclical exposure to the sales market. In addition, the Board believes that the Group's diversified geographic footprint, with revenue streams from the North and the South, provides a hedge across regional market trends within the UK.

The Group has 63 recognisable high street brands in the UK in Sales and Lettings, including Hamptons International, John D Wood & Co., and Bairstow Eves, all of which operate across a number of market segments and service different price points.

Similarly, in B2B and Financial Services, the Group provides a range of services at different price points and with different financial partners that seek to address the market with very limited customer concentration. The Group's top eight customers comprised approximately 8.4 *per cent.* of its total revenue in 2017, with its largest customer Nationwide representing approximately 2.6 *per cent.* of revenue.

The Board believes that the lettings market, the remortgage sector of the mortgage market and certain segments of the B2B and Financial Services markets are less impacted by the economic cycle and more resilient to negative market conditions (because they are less sensitive to the volume of housing transactions) than the Group's other markets and thereby provide the Group with better revenue visibility and help support the sustainability of its business model:

(i) Lettings. The lettings business has been generally resilient to economic downturns, as lettings transactions have typically increased when property sales decrease, providing a counter-cyclical benefit. In 2017, the Group's property sales in its UK Sales and Lettings and London Sales and Lettings Business Units were adversely impacted by the challenging conditions in the UK property market and the continued impact of the Group's previous strategy. However, while Sales revenues declined, Lettings performance was more robust.

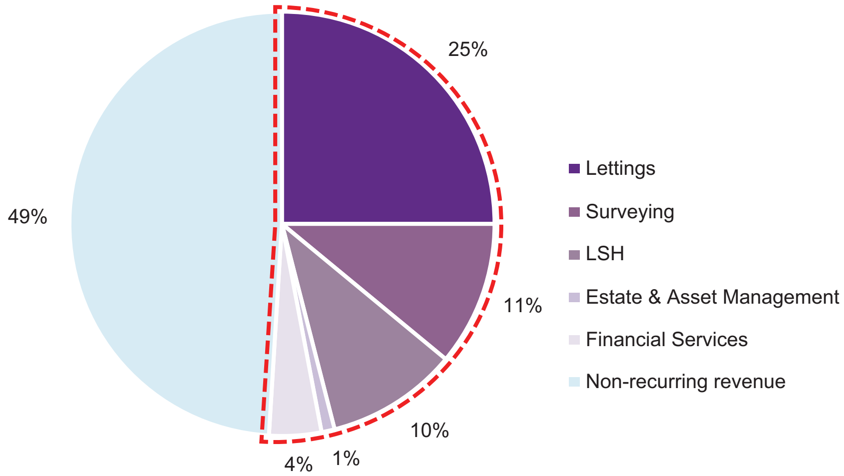
(ii) B2B. The Board expects B2B income streams to continue to demonstrate more resilience to economic downturns as the Group benefits from a significant number of valuation and surveying instructions from panel arrangements, in relation to both new purchases and remortgaging activity. The Board believes the retention of key contracts in 2017 (including Nationwide Building Society, Barclays Bank and Santander Bank) and key contract wins (including Leeds Building Society and Coventry Building Society) in 2017 have strengthened the resilience of B2B's income streams. These panel arrangements provide better revenue visibility by requiring the Group to provide an agreed level of valuation and surveying business.

(iii) Financial Services. Remortgaging income streams tend to be more resilient to downturns in the general housing market. Notwithstanding challenging market conditions in the UK property market, the Group succeeded in significantly expanding its remortgage rates year-on-year, from 13 *per cent.* in 2015 to 28 *per cent.* in 2017, which partially mitigated declining revenue and EBITDA in the UK Sales and Lettings and London Sales and Lettings Business Units. Furthermore, the Financial Services Business Unit arranged gross mortgage lending of £17.7 billion at 31 December 2017, and the Group has seen a 58 *per cent.* increase in the number of mortgages arranged in 2017 compared to 2013.

2.3 Revenue visibility

The Group has revenue visibility across its B2B and Financial Services Business Units, as well as its lettings business. In 2017, annualised revenue that the Board regarded as having a high potential to recur due to the nature of the business activity (e.g., revenue from managed properties (regardless of whether the relationship with the landlord is a new or pre-existing one), revenue from remortgaging on expiry of mortgage terms and revenue from general insurance policies that have automatic renewal features), or that were based on longer-term contracts (such as B2B), represented approximately 51 *per cent*. of the Group's total income.

Figure: Revenue breakdown for 2017



(i) Lettings. The Group's Lettings business provides a reliable source of revenue that the Board regards as having a high potential to recur. The reliability of Lettings income derives from the Group's large book of approximately 86,400 properties under management in the UK and its strong high street and brand presence. Total income derived from this business accounted for 25 *per cent.* of overall total income in 2017 (compared to 24 *per cent.* in 2016).

(ii) B2B. The Group has contracts with many of the major lenders in the UK, securing a percentage of their physical valuations. This underpins the majority of our forecast volumes over the next three years. In addition, Lambert Smith Hampton, a full service commercial property consultancy, generates income from asset and property management and advisory and consultancy work. These income sources have a long tail and tend to be less affected by the macroeconomic environment. The Group considers that annualised revenue of approximately £70 million for surveying, £70 million for Lambert Smith Hampton and £8 million for Estate and Asset Management in 2017 (2016: £69 million, £71 million and £9 million, respectively) were recurring in nature, and accounted for approximately 67 *per cent*. of the B2B operating segment's revenue and 22 *per cent*. of the Group's revenue in 2017 (2016: 66 *per cent*. and 20 *per cent*., respectively). This revenue included (i) in the case of surveying, revenue generated from long-standing contracts and relationships with the Group's lenders; (ii) in the case of Lambert Smith Hampton, revenue generated from long term consultancy services and (iii) in the case of Estate and Asset Management, revenue generated from properties managed on behalf of corporate and professional landlords, all of which the Group considers to be recurring in nature, regardless of whether the relationship with the landlord is a new or pre-existing one.

(iii) Financial Services. The majority of the Group's total income in the Financial Services Business Unit derives from arranging the sale of mortgages, including through remortgaging activity, which accounted for 55 *per* cent. of Financial Services revenue in 2017 (2016:

54 *per cent.*; 2015: 51 *per cent.*). The Group has a back-book of approximately 262,000 mortgage customers as at 30 June 2018 whose current mortgage deal will expire and with whom the Group will have an opportunity to write their remortgage. Since 2013, the Group has improved the remortgage rate of its mortgage back-book from 13 *per cent*. to 28 *per cent*. and sees continued opportunities to increase this. The Group also had a general insurance book of approximately 160,000 live policies as at 30 June 2018, with an 87 *per cent*. renewal rate in 2017 (based on the number of insurance policies that had automatic renewal features). The Group considers that annualised revenue of approximately £25 million for arranging remortgages and general insurance policies in 2017 (2016: £25.9 million) were recurring in nature, and accounted for approximately 29 *per cent.*, of the Financial Services operating segment's revenue and 4 *per cent*. of the Group's revenue in 2017 (2016: 29 per cent. and 3.5 per cent., respectively). This revenue included revenue generated from all remortgages arranged by the Group in 2017, as well as revenue generated from all insurance policies that had automatic renewal features.

2.4 Established brands and key partner relationships

The Group has achieved significant scale in the UK property market since its inception, and has developed a strong and diversified brand portfolio targeting multiple revenue sources across the property value chain. The Group's top five brands by revenue are Hamptons International, Bairstow Eves, Bridgfords, John D Wood & Co. and Taylors. The Directors believe that the Group's brands have strong and established local presences in their respective regions which the Directors believe provides a competitive advantage compared to national brands or new entrants. The table below sets forth the Group's principal brands, principal geography, and number of branches as at March 2018.

Brand	Geography	Branches
Sales and Lettings		
Hamptons International	London, Home Counties, West and South West	86
Bairstow Eves	Midlands, London, East Anglia and South East	107
Bridgfords	North West, Yorkshire and North East	79
John D Wood & Co.	London and Oxford	24
Taylors	Midlands	52
Mann Countrywide	South East	34
Entwistle Green	North West	30
Abbotts	East Anglia	34
Slater Hogg & Howison	Scotland (excluding Edinburgh)	26
Gascoigne-Pees	South	19
B2B		
Lambert Smith Hampton	National	30

Brand visibility in Sales and Lettings is complemented by longstanding relationships of between five and 20 years with many of the major UK lenders in B2B and Financial Services. For example, the Group recently renewed its partnership with Nationwide Building Society as its primary valuation and survey provider for a further three years until October 2020. In addition, with respect to the Group's insurance broking business, the Key Insurance Distribution Agreements with Aviva and AXA run until May 2022 and December 2020 respectively.

The Group also continues to invest in strategic alliances with other partners. In financial technology, for example, the Group is investing in Dynamo, a free online remortgage adviser. Dynamo was launched in April 2018, and the Board believes that it has the potential to be a significant disruptor in the mortgage marketplace. Dynamo Mortgages Limited, trading as Dynamo, is an appointed representative of Countrywide Principal Services Limited, which is authorised and regulated by the FCA.

2.5 Experienced management team

On 24 January 2018, the Group's Chief Executive left the business and Peter Long took over as Executive Chairman. He has a wealth of experience in leading both turnaround and growth in consumer-focused businesses. Paul Creffield, an industry expert with over 35 years' experience and who has been with the Group since 2006, was promoted to Group Operations Director – and we are delighted to announce today his appointment to the Board as Group Managing Director, as well as Paul Chapman's promotion to Chief Operating Officer and the promotion of Paul Wareham to the Group's Executive Committee (as Managing Director of the B2B Business Unit). Himanshu Raja, who joined the Board in June 2017 and assumed the Chief Financial Officer role from 1 August 2017, brings 25 years' experience and a proven track record of value creation through a focus on performance management, costs and cash generation.

The Group also has a team of highly experienced industry professionals at senior management level with in-depth knowledge and experience in Sales and Lettings, Financial Services, B2B and other commercial sectors. Below senior management, as part of Countrywide's strategy and turnaround plan, the Group is strengthening the team in the UK Sales and Lettings and London Sales and Lettings Business Units, promoting and recruiting key personnel in respect of the North and South regions, Hamptons International, high value real estate, and lettings.

The current Board and management team have significant depth of experience, know the business, the industry and the challenges that the Group faces, and are fully committed to executing the transformational strategic initiatives and turnaround plan announced by Countrywide in March. In particular, Paul Creffield's deep understanding of the market and operations has already allowed management to quickly identify areas for improvement as the Group looks to regain market share and growth momentum.

3. THE GROUP'S STRATEGY

3.1 Group strategy from 2015 to 2017

Countrywide's "Building our Future" strategy, which was introduced over the course of 2014-2015 by previous management, assumed that Sales and Lettings was a single retail business and a retailer was recruited to lead this area. There was a failure to appreciate that these trading businesses each have very different characteristics and customer bases requiring different operational expertise. The introduction of the retail-centric model was accompanied by a centralisation of decision-making and significant investment in large head office-based functions such as marketing, human resources, risk, compliance and IT.

The Board believes that these changes contributed to a dramatic loss of market share in Sales and Lettings and declining profitability, overshadowing the performance of the stronger areas of the Group's business, and substantially impacted the Group's overall profitability, net debt and leverage, as reported Adjusted EBITDA fell from £121.1 million in 2014 to £64.7 million in 2017 (2016: £83.5 million; 2015: £113.0 million). The Group's market share of property exchanges in the UK (excluding Northern Ireland) reduced during this period from 6.1 *per cent*. in 2014 to 4.5 *per cent*. in 2017 (according to HMRC data).

Please see section 3 of Part I (*Letter from the Executive Chairman of Countrywide*) for further information on the Group's strategy from 2015 to 2017.

3.2 Current Group strategy

On 8 March 2018, the Group outlined its turnaround plan. The strategy includes, among other things, going "Back to Basics" in Sales and Lettings, involving the redefinition of the business back into separate Sales and Lettings service lines (for operational purposes but not for external financial reporting purposes), the rebuilding of an experienced industry team which had been depleted under the previous management, and investment in front-line staff. In addition, the Group is focused on implementing various cost saving initiatives and improving its financial discipline, working capital management, cash flows and operational efficiencies.

The Board believes that the early signs from the turnaround plan are encouraging. The sales pipeline is showing signs of improvement: as at 30 June 2018, the sales pipeline was down 9 *per cent*. year-on-year, compared to down 15 *per cent*. year-on-year as at 31 December 2017, the fee pipeline was down 13 *per cent*. year-on-year as at 30 June 2018, compared to down 19 *per cent*. year-on-year as at 31 December 2017, and the register of properties available was up 3 *per cent*. year-on-year as at 30 June 2018, compared with a year-on-year decrease of 24 *per cent*. at 30 June 2017. The intra-Group referral rate for complementary services during H1 2018 was 41 pence for every £1 (H1 2017: 38 pence for every £1), representing an 8 *per cent*. increase compared to H1 2017.

Please see section 3 of Part I (*Letter from the Executive Chairman of Countrywide*) for further information on the Group's current strategy and turnaround plan.

4. HISTORY OF THE GROUP

4.1 1986 to 2007

The Group was formed in 1986 when the first two UK-listed estate agency groups, Bairstow Eves and Mann & Co., were acquired by Hambros Plc and merged to form Hambro Countrywide. Hambro Assured was established in 1988, making the Group the UK's biggest life company start-up and the first life assurance business to be wholly owned by an estate agency group.

In 1998, the Group's then-major shareholder Hambros Plc demerged, the shares passed into the ownership of a wide range of institutional investors and the name of the Group was changed to Countrywide Assured Group with the Life Assurance subsidiary renamed Countrywide Assured.

The Group remained listed from 1986 to 2007, during which time it focused on expansion in estate agency and complementary services. The Group's growth during this period was principally driven by acquisitions. The Group grew its residential surveying and valuation business when Nationwide Estate Agents and Nationwide Surveyors were acquired in October 1994. Further outlets were added to the Group's growing network of estate agency branches, including Spencers from National & Provincial Building Society in 1995, and London brand John D Wood & Co. in 1998. Estate agency operations grew further following the acquisition of Bradford & Bingley estate agents and surveyors in 2004.

In February 2000, the Group was one of the original four joint venture partners in Rightmove, an internet property portal. Rightmove was floated in 2006 on the London Stock Exchange, and the Group initially retained a 21.5 *per cent.* stake in the business.

4.2 2007 to 2013

In May 2007, the Group was taken into private ownership by Castle HoldCo 4 Limited (now Countrywide Holdings Limited), a special purpose vehicle. As part of that transaction, the Group's shares in Rightmove plc were largely distributed to its public shareholders, with the remainder being disposed of thereafter. To finance the acquisition and provide funding for the Group, Castle HoldCo 4 Limited (now Countrywide Holdings Limited) issued bonds with an aggregate principal totalling £640 million in 2007.

In February 2009, having been adversely affected by the unprecedented combination of falling home transaction volumes and the severe curtailment of mortgage lending resulting from the financial crisis, the Group determined that its level of debt was unsustainable and implemented a significant capital restructuring. As part of this capital restructuring, Oaktree Capital Management became the Group's largest shareholder with a controlling interest.

4.3 2013 to date

In 2013, the Group undertook an initial public offering and shares in Countrywide plc, the new parent company of the Group, were admitted to trading on the London Stock Exchange. Since 2013, the Group has sought to make sustainable investments in future growth, focus on higher quality revenue streams and implement cost reductions across its platform. The Group undertook a significant number of strategic acquisitions in the years leading up to 2017, including the acquisition of Lambert Smith Hampton in 2013. Lambert Smith Hampton, a full service commercial property consultancy, and its acquisition extended the Group's reach from the residential property market into the commercial sector. The Group also made strategic investments in the financial intermediary market.

Between 2015 and 2017, following the appointment of a new CEO, the Group decided to focus on transforming its business model to a retail-centric one. The Group's key strategic transformational initiatives during this period included a change in management, reorganisation of Business Units by combining Sales and Lettings, and rationalisation of branch footprint (from 1,076 branches as at 31 December 2015 to 880 branches as at 31 December 2017). During this time, the Group also continued to acquire lettings businesses. Please see section 3 of Part I (*Letter from the Executive Chairman of Countrywide*) for further information on the Group's strategy from 2015 to 2017.

In March 2018, the Group announced its intention to go "Back to Basics" in Sales and Lettings as part of its strategy and turnaround plan, in a bid to drive the business forward, stabilise profitability and regain market share in home listings and exchanges. The Group made no acquisitions in 2017 and intends to continue with a strategy of predominantly focusing on organic growth while it focuses on turnaround. Please see section 3 of Part I (*Letter from the Executive Chairman of Countrywide*) for further information on the Group's current strategy and turnaround plan.

5. PRODUCTS AND SERVICES

The Group offers products and services through four Business Units, which comprise UK Sales and Lettings, London Sales and Lettings, B2B and Financial Services. The Group aims to capitalise on referrals and opportunities to sell complementary services across its Business Units and brands. From H1 2018, the UK Sales and Lettings and London Sales and Lettings Business Units are being reported as a single "Sales and Lettings" Business Unit for the purposes of the Group's segmental reporting.

5.1 UK Sales and Lettings

The UK Sales and Lettings Business Unit covers both estate agency and lettings operations in the UK (excluding London and excluding the Group's operations in overseas markets through affiliations with real estate operators in those markets). As at 31 December 2017, the Group's offering in the UK (excluding London) comprised 649 physical locations across 50 brands, supported by a brand-by-brand online presence and the Group's participation in third party digital portals (such as Zoopla and Rightmove).

(i) Sales. The Group generates commissions on sales of residential and commercial property throughout the UK (excluding London). The estate agency operations also play a key role in creating opportunities to sell complementary services, introducing buyers and sellers of properties to the complementary services provided by the B2B and Financial Services Business Units, such as conveyancing and financial services.

(ii) Lettings. The Group earns fees from the letting and management of residential properties. Changes being proposed by government as part of the Tenant Fees Bill, including the proposed ban on the charging of letting agent fees to tenants, may have an impact on the number of lettings transactions and on the fees that the Group earns from the letting and management of residential properties.

5.2 London Sales and Lettings

The London Sales and Lettings Business Unit covers both estate agency and lettings operations in London and also includes nominal operations in overseas markets through informal affiliations with real estate operators in those markets. As at 31 December 2017, the Group's offering in London comprised 231 physical locations across 16 brands, supported by a brand-by-brand online presence and the Group's participation in third party digital portals (such as Zoopla and Rightmove).

(i) Sales. The Group generates commissions on sales of residential and commercial property in London and globally through affiliations with 26 international partners. As with UK Sales and Lettings, the estate agency operations in London play a key role in creating opportunities to sell complementary services.

(ii) Lettings. The Group earns fees from the letting and management of residential properties. Changes being proposed by government as part of the Tenant Fees Bill, including the proposed ban on the charging of letting agent fees to tenants, may have an impact on the number of lettings transactions and on the fees that the Group earns from the letting and management of residential properties.

5.3 B2B Services

The B2B offering comprises all lines of business with corporate customers and conveyancing services to residential customers. Revenue is generated from surveying and valuation fees received from financial institutions, conveyancing fees, and fees from commercial property consultancy and advisory services, estate management and valuation services provided through Lambert Smith Hampton (the Group's commercial property consultancy that provides services to investors, developers and occupiers across the full property lifecycle) and through RDS (one of the largest land and new homes agencies in the UK according to Rightmove data).

Surveying

The B2B Business Unit generates income from the provision of surveying services to lenders in two ways: (i) the carrying out of mortgage valuations or similar instructions for an agreed fee; and (ii) the provision of valuation panel management services where the Group is required to carry out an agreed proportion of the lender's valuations. The panel management contracts that the Group enters into are typically fixed-term contracts, with certain early termination rights for the lender (including if the Group fails to carry out the agreed proportion of valuations), and are subject to competitive tender.

The Group is a leading supplier of surveying and valuation services in the UK, having completed approximately 37,000 surveys and 330,000 residential valuations in 2017 with a 24.4 *per cent*. market share of all residential property valuations (based on Bank of England mortgage volumes in 2017). The Group's surveying business benefits from a blue chip lender customer base and this continues to be a strong platform to deliver services to lenders, home movers and remortgage applicants across the UK. This position was further strengthened in 2017 with key contract retentions including Nationwide Building Society, Barclays Bank and Santander Bank, alongside key contract wins including Leeds Building Society and Coventry Building Society.

The Group also continues to introduce new techniques and technologies to better assess property risk for lender customers. At the beginning of 2017, the Group embarked on a significant technology investment programme. The business has introduced the latest tablet-based mobile valuation software with integrated, highly accurate lender form mapping. A booking and allocation module launched in early 2018 optimises surveyor workload to deliver daily operational efficiencies. Further technological developments in the programme included a new customer and product portal, plus the Valuation Risk Hub, which transforms the way property risk is assessed for all mortgage applications. Linked to assessing property risk, the Group's own exposure to misvaluation claims has been a significant focus for the business over the past eight years and the Group continues to make progress in this area. Investing in a sustainable professional surveying resource is a priority for the business to underpin the growth in capacity required to ensure service delivery. The Group has introduced over 50 new surveying professionals into the industry since 1 January 2017 and plans are set for this to continue.

Conveyancing

The Group's conveyancing business charges fees to its customers in relation to the preparation and execution of legal transfers of real estate.

The conveyancing business has continued its efforts to improve customer service, and in 2017 saw a record year as measured by the customer through the Group's net promoter scores of 38+ and FEEFO rating of 4.2/5. The Group's success in this regard was recognised by a number of awards including the ESTAS 2017 National Conveyancing Provider and the Mortgage Finance Gazette Awards 2018 – Best Conveyancing Firm.

Development of the customer portal technology in the Group's conveyancing business was completed in 2017, with implementation across the agency network expected to be completed in H2 2018. The portal provides an improved digital instruction platform for customers and employees, while allowing for electronic and secure communication between customers and the Group's property lawyers during the conveyancing process.

Residential Development Solutions (RDS)

The Group also operates one of the largest land and new homes agencies in the UK. RDS generates its revenue by charging home builders a commission for finding buyers. The Group's marketing team also adds value by finding buyers through its branch network.

The Group invested in the RDS team to benefit from the opportunity presented by the allocation of over £6 billion by the government to the New Homes Bonus scheme (which encourages local authorities to grant planning permissions for the building of new houses in return for additional revenue) since 2010/2011. The Group invested, in the periods under review, in growing its RDS team to benefit from opportunities presented by the "help-to-buy" scheme and completed sales of 5,087, 4,898, 3,705, 2,056 and 1,396 new homes in 2015, 2016, 2017, H1 2017 and H1 2018, respectively.

Despite the decrease in transaction volumes across the periods, RDS won key schemes throughout 2017. Key to the success was the combined approach between Sales and the Group's consultancy business, ikon, and the performance of Lanes New Homes (a specialist land and new homes selling agent).

Lambert Smith Hampton

Lambert Smith Hampton is a full service commercial property consultancy that provides services to investors, developers and occupiers across the full property lifecycle, such as:

(i) supplying property services to the transport industry, with customers including rail and freight operators, infrastructure landowners, coach and bus operators, ports and harbours, and aviation customers with operational and non-operational portfolios;

(ii) acting for the vast majority of London's borough councils, including advising the Greater London Authority and undertaking due diligence on the £600 million housing zone fund, which will deliver up to 75,000 homes across 30 housing zones, and working with Harrow Council on its regeneration programme and delivering eight new sites, including a civic centre, leisure centre and approximately 2,000 units; and

(iii) acting for a wide range of private customers, including helping the English National Ballet move to a new joint home with the English National Ballet School, and securing space for Fotografiska, a renowned cultural and photographic exhibition specialist, at The White Chapel Building in Whitechapel.

Lambert Smith Hampton was acquired by the Group in 2013 and has grown, materially ahead of the original business plan, into a national player of scale and supported by well-developed infrastructure, with approximately:

(i) 1,400 experts employed across 32 locations as at 31 December 2017;

(ii) 7,700 properties and 1,000 railway stations under management in the UK as at 31 December 2017;

(iii) £10 billion worth of property advised in 2017 and

(iv) customers comprising 60 *per cent.* of the FTSE 100, as well as 350 public sector customers as at 31 December 2017.

Despite the challenging and uncertain economic and political environment during 2017, Lambert Smith Hampton delivered a strong performance. In particular, Lambert Smith Hampton retained every major customer for which contractual renewal was due in 2017.

5.4 Financial Services

Through its Financial Services Business Unit, the Group arranges the sale of mortgage products, life insurance, general insurance and other financial services products provided by third parties. The Financial Services Business Unit generates commissions from financial services providers and end-customers for arranging the sale of financial products. These arrangements include: (i) arrangements with a panel of 14 lenders that account for 98 *per cent.* of mortgages arranged by the Group; and (ii) insurance distribution agreements with Aviva and AXA.

In addition to the various insurance intermediary, broker and agency agreements with third party mortgage providers and insurers, two of the Group's key subsidiaries, Capital Private Finance Limited and Mortgage Intelligence, distribute life insurance products and general insurance products through a broad panel of insurance providers. In 2017, Capital Private Finance Limited and Mortgage Intelligence together accounted for 10 *per cent.* of income generated by the Financial Services Business Unit.

The Group is a leading independent mortgage broker in the UK, having arranged approximately 10 per cent. of the gross value of all mortgages arranged through intermediaries in 2017 (based on UK Finance data, excluding buy-to-let). As at 31 December 2017, the Group employed more than 600 mortgage and protection consultants, including specialist remortgage consultants and specialist new home mortgage consultants.

Over the past few years, the Group has transformed its business model to expand its financial services distribution footprint and develop a multi-channel offering. The Group undertook a series of strategic acquisitions to strengthen its specialist capability in specific markets, such as the acquisitions of The Buy To Let Business and Mortgage Bureau, and also through organic changes to the Group's core proposition (including the deployment of new point of sales technology, which enable it to provide high quality advice in a flexible, efficient and user-friendly way, while giving access to the full suite of premium protection and general insurance products from partners).

Mortgage Intelligence

Established in 1996, Mortgage Intelligence operates a network for third party appointed representatives and directly appointed mortgage brokers. Mortgage Intelligence provides regulatory oversight for sales made by its network, and assists the network through arranging mortgage and insurance deals with the Group's panels of lenders and insurance providers. The network firms employ over 400 regulated individuals, all of whom are contracted to sell only the financial products arranged by Mortgage Intelligence. The directly appointed firms are not exclusively contracted by Mortgage Intelligence and therefore are free to decide how they conduct business. In 2017, the gross value of all mortgages arranged through Mortgage Intelligence was £10.2 billion (2016: £8.8 billion).

The Buy To Let Business

The Buy To Let Business provides financial services to customers in the buy-to-let sector. The business relocated to larger premises during 2017 and has focused on growing its adviser numbers to meet increased demand. The business has experienced growth from both its strong existing customer relationships and reputation in the buy-to-let market, as well as from new telephony referrals from the Sales and Lettings branch network. As a result of the expansion and new streams of revenue, the business increased the gross value of all mortgages arranged to £1.5 billion in 2017 (2016: £1.1 billion), an increase of 30 *per cent.* year-on-year.

Mortgage Bureau

Mortgage Bureau is the Group's specialist new build mortgage brokerage. In 2017, Mortgage Bureau focused on building its relationship with other Group new build businesses, as well as on independent growth from its direct relationships with new build developers. As a result, Mortgage Bureau increased the gross value of all mortgages arranged to £0.8 billion in 2017 (2016: £0.7 billion), an increase of 21 *per cent.* year-on-year.

Dynamo

Dynamo is a direct-to-consumer digital mortgage offering that we have recently developed with our joint venture partner Blenheim Chalcott. We are very positive about the future of digital disruption within the mortgage sector. This new venture has only recently launched with the first few mortgages having been recently written. We will continue to review and develop this online offering that allows the customer greater control over their mortgage offering process.

6. MARKETING

6.1 Sales and Lettings

For Sales and Lettings, particular focus is being placed on supporting the "Back to Basics" strategy, with emphasis on local branch marketing activities and branch efficiencies, including handling customer leads. The Group's aim is to build a sustainable portfolio of local brands, supported by knowledgeable local sales teams. The Group has adopted a multi-brand strategy utilising leading and established regional trading names and styles. These include locally recognisable high street names such as Bairstow Eves, Hamptons International and John D Wood & Co. Each brand has a website supported internally with traffic driven by paid and organic search activities. In addition, Propertywide.co.uk is an overarching site that contains the listings of Group brands. The Group's brands are spread across the UK, positioned in alignment to local market conditions and to optimise market share. In addition, through the Hamptons International brand, the Group has strategic overseas operations through affiliations with 26 major real estate operators, including Coldwell Banker in the United States and Seeff in South Africa. Across Europe, the Group works with several different affiliates to gain the best local market exposure.

The Group utilises a comprehensive and integrated communications strategy and its products and services are distributed through a variety of distribution channels, including websites, social media, promotional and campaign emails, pop-up, in-mall and other exhibition activities, direct mail and broadcast media (including radio campaigns), branch events, offers, billboards, press advertising, local canvassing, promotional merchandise and charitable activities. For all activities, marketing investment is focused where possible on where the Group has a proven return on investment. Campaigns and marketing activities are built with the input of managing directors and regional management teams.

All offline and online channels contain unique virtual geographic numbers that, together with call listening, allow the measurement of campaign and channel results. Examples of recent successful campaigns include:

(i) the Complete Property Service Prize Draw, which the Group ran from November 2017 to January 2018. This was operated across all Group brands, attracting over 10,500 entries. Of those entries, 1,039 entrants requested contact from a mortgage adviser and 426 entrants asked the Group to contact them about valuing their property, with 46 mortgage appraisals and 77 market appraisals booked as at 31 December 2017;

(ii) the Open House Event, for which the Group invited customers looking to buy or sell a property to register in the third quarter of 2017. The promotion was run across all Group brands, resulting in more than 25,000 viewings of open house properties. Analysis indicates that people who signed up to the Open House Event were more likely to sell their property over the course of the campaign than those who did not; and

(iii) a campaign in the fourth quarter of 2017, whereby tenants who entered into a tenancy agreement for one of the Group's properties before 31 December 2017 were offered 50 *per cent.* off their first month's rent (to be paid to landlords by the Group). The promotion was run in 195 branches across 40 of the Group's brands, with 244 properties let before 31 December 2017, generating £213,952 of income.

6.2 B2B

The primary marketing and sales objective within B2B is to develop, maintain and grow relationships with corporate customers by:

(i) developing an in-depth understanding of the aims and ambitions of the customer's business;

(ii) helping the customer fulfil its aims and ambitions by delivering relevant, well-structured services;

(iii) ensuring that senior leadership within each of the individual B2B divisions owns the relationship with the customer; and

(iv) seeking out new opportunities and new customers through a dedicated B2B corporate business team.

Other than in respect of Lambert Smith Hampton, there are no significant campaigns and marketing activities for B2B. B2B services are advertised on the Group's websites and initial enquiries are followed up but, in practice, customers and business often come via recommendations or through the industry experts that work for the Group.

6.3 Financial Services

As with B2B, there are no significant campaigns and marketing activities for Financial Services. Distribution is based on a strategy of selling complementary services and ensuring that the Group has sufficient mortgage and protection consultants to match the referrals of customers provided by Sales and Lettings. These consultants are trained and equipped with the technological tools to enable them to serve as many customers as possible as efficiently as possible, and to promote the full scope of the Group's financial services offering – from mortgages to general insurance.

7. CUSTOMER CARE

The Group is aware that, for most customers, buying a property is the most expensive transaction that they will undertake in their lifetime. As a result, the Group focuses on ensuring that customer service and advice provided is of the highest quality. The Group provides customer services through a variety of channels, such as call centres, interactive voice response, email, websites and walk in sales and distribution channels.

As the customer profile differs significantly between Sales and Lettings, B2B and Financial Services, each of the Business Units takes ownership of and assumes responsibility for customer care in relation to its own business. With the exception of UK Sales and Lettings and London Sales and Lettings, which have a substantially similar approach to and policies on customer servicing, care and retention, each of the Business Units develops its own customer service policies.

Each Business Unit produces, on a monthly basis, a management report detailing, among other things: (i) customer satisfaction levels; (ii) customer retention and attrition rates; (iii) the number, frequency and nature of customer complaints, together with a description of how these complaints were addressed; (iv) any systemic or Group-wide issues identified; (v) any compliance issues identified; and (vi) recommendations for improvement and other changes. This management report is then reviewed by the Board.

The Financial Services Business Unit's Risk Audit & Governance Committee has specific oversight over the customer care practices carried out by the Group's FCA-regulated entities. On 3 May 2018, the Financial Services Business Unit's Risk Audit & Governance Committee agreed a new set of customer conduct monitoring metrics, including in respect of product suitability, sales pressure and complaint management.

8. COMPETITION

The Group operates across a range of highly competitive markets, a number of which are experiencing changes due to technological advancements. Competition in the types of products and services that the Group provides is based on many factors, including the overall geographic scope of business, reputation, strategic partnerships and customer relationships, the skills and qualifications of employees, the ability to attract and retain employees, the products and services offered, level of commissions charged, contract terms and operational efficiencies.

The Group faces competition on a local and national basis, particularly in the estate agency, lettings, surveying, and conveyancing businesses. Apart from competition from other full service estate agencies and lettings services providers (such as Connells, Savills, Foxtons and LSL), the Group has also in recent years faced competition from competitors with do-it-yourself and hybrid offerings (for which an agent receives a fee for listing a property, whether or not the property is sold) such as Purplebricks and Yopa. Competitors with do-it-yourself offerings or different charging schemes, which have to date in aggregate only been able to take limited market share compared to those following the full service estate agency model, typically have lower operating costs because they automate certain tasks like viewing timetabling and sending offers to sellers. While increased competition from do-it-yourself agents may decrease both the number of transactions the Group facilitates and the commission and fees that the Group is able to charge, the Board is confident that the market for no-frills do-it-yourself agencies is limited, and believes that the full service estate agency model (including businesses like Countrywide that provide modern digital services alongside local branch-based operations) will retain the largest part of market share as customers continue to seek the support and professional insight of local estate agents when undertaking the biggest financial transactions of their lives.

The Group seeks to compete on the basis of its geographic footprint, expertise, reputation and brands, and seeks equally to position itself as an efficient customer-centric organisation, the provider of choice with market-leading products and propositions serving customers across the property value chain, and a track record of partnership with its customers and strategic partners. The Group's competitive success increasingly depends on its ability to capitalise on the digital route to market (including via digital portals such as Rightmove and Zoopla).

9. INFORMATION TECHNOLOGY AND INTELLECTUAL PROPERTY

The Group has outsourced its IT infrastructure, and transferred a majority of its IT personnel, to CGI through a long-term contractual arrangement. Through a seven-year IT partnership agreement entered into in 2012, CGI provides IT services to many of the Group's employees across the UK.

Historically, the Group has had a progressive view of its investments in IT, including: (i) the pioneering use of tablet technology for “door step” sign-off of valuation reports and for use by staff during market appraisals; (ii) the launch of webchat to improve customer interaction and experience; (iii) the deployment of new point of sales technology, enabling the Group to provide high quality advice in a flexible, efficient and user-friendly way, while providing customers with access to the full suite of general insurance products from the Group’s partners; and (iv) the launch of the Fixflo reporting systems into the lettings business, which has been well received by landlords and tenants. However, the fragmented nature of the Group’s estate, coupled with the focus on integrating acquisitions between 2014 and 2017, has resulted in a dated core IT infrastructure and applications estate. Part of the Group’s turnaround strategy includes the investment in and transformation of the Group’s IT estate.

The Group has a portfolio of approximately 120 registered trade marks in respect of the trading names used by its estate agencies, including Hamptons International, and other businesses within the Group. The Group routinely monitors the marketplace and has a policy of vigorously enforcing claims against infringers. As at the Reference Date, the Group had not identified any material infringement of its registered trade marks. The Group has entered into licensing agreements to license the use of the Hamptons International trade mark in certain overseas territories.

10. INSURANCE

The Board believes that the Group maintains insurance appropriate for its business activities and industry. The Group’s insurance coverage includes cover for directors’ and officers’ liability, professional indemnity, and commercial risks in respect of buildings, contents, computers, business interruption, employers’ liability and public liability.

11. ENVIRONMENTAL ISSUES

The Board does not believe that the Group has any material environmental compliance costs or environmental liabilities.

12. PROPERTY, PLANT AND EQUIPMENT

12.1 Property

The vast majority of the Group’s estate agency branches occupy leasehold premises, many of which are on flexible, short term lease structures. In 2017, the total annual rental charge for all leasehold premises was £26.8 million.

12.2 Vehicle, plant and equipment leasing

As at 31 December 2017, the Group leased approximately 4,000 vehicles (primarily cars) for estate agents, lettings negotiators, financial consultants, surveyors and head office staff at an annual cost, in 2017, of £14.8 million. Leases are generally no longer than four years and the total leasing contractual obligations and commitments for vehicles, plant and equipment as at 31 December 2017 was £22.7 million.

13. EMPLOYEES

Countrywide’s business relies on the Group attracting, developing, motivating and retaining senior management, employees and other personnel of the highest quality. There is significant competition for qualified employees in the Group’s industry, which is characterised by high levels of employee turnover.

As part of the Group’s previous strategy from 2015 to 2017 (for further details of which see section 3 of Part I (*Letter from the Executive Chairman of Countrywide*), the Group embarked on a project in 2016 to significantly reduce headcount. As at 31 December 2017, this process had resulted in a 10.3 *per cent.* reduction in total headcount from 31 December 2015. The Group now recognises that its long-term success must be built around recruiting, incentivising and retaining talented managers drawn both from within the Group and from leading businesses in related sectors. A proactive focus on development, succession planning and broadening the experience base of key members of the team has improved cover and flexibility, reducing the exposure to the loss of individuals, and has aided retention. In 2017, the Group’s voluntary turnover reduced to 27 *per cent.* (2016: 29 *per cent.*).

The following table provides a breakdown of the Group's employees as at the dates indicated.

	As at 31 December		
	2015	2016	2017
B2B	1,134	835	883
Finance	62	75	83
Financial Services	990	659	792
Group Directors	9	6	9
Group Executive	18	13	15
Hamptons International	614	751	860
Human Resources	131	148	159
IT	74	58	69
Marketing	42	38	44
Operations	354	358	806
Premier and City	154	44	0
Lambert Smith Hampton	1,399	1,371	1,283
UK Sales and Lettings	7,248	6,482	5,724
Total	**12,229**	**10,838**	**10,727**

The Group's employees are not subject to any collective bargaining agreements.

The Group is committed to the principle of equal opportunity in employment. It is the Group's policy that no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion, disability, race or sexual orientation.

The Group has a number of remuneration structures in place for employees that are benchmarked against the market from time to time for each business role. Following the Group pay policy, the Group pays base salaries that are in line with market practice, and operates a range of variable pay schemes to drive performance. A summary of these schemes for the main types of role across the Group is as follows:

(i) members of the Executive Committee and Senior Management receive an annual bonus based on financial measures and personal objectives, with a link to Group performance as part of a long-term incentive plan;

(ii) area and regional management receive a combination of monthly, quarterly and annual bonuses based on a variety of measures including levels of profit, sales, and customer service;

(iii) employees in Sales and Lettings receive monthly sales commissions linked to individual and team performance, with managers participating in an annual profit share;

(iv) mortgage and protection consultants, property lawyers, and surveyors receive bonuses linked to individual performance; and

(v) general benefits offered to certain employees include a share incentive plan, pension, company cars and discounts on Group products and services.

PART IV

INDUSTRY OVERVIEW AND REGULATORY FRAMEWORK

This section contains information, including expectations as to future developments, derived from industry sources and from the Group's internal surveys. Certain statements in this section are forward-looking statements that involve risks and uncertainties and should be read together with the Note Regarding Forward-Looking Statements. You should also review the Risk Factors for a discussion of certain risk factors that may affect the Group's business, prospects, financial condition, or results of operations.

1. INDUSTRY OVERVIEW AND COMPETITIVE ENVIRONMENT

1.1 Macroeconomic and social factors

Although the trading environment for residential sales has been challenging, with the market remaining broadly flat year-on-year recently, there are a number of macroeconomic and social factors driving a continued demand in the UK market for residential property transactions. These include: (i) a growing population; (ii) high employment rates; (iii) interest rates; and (iv) the availability and cost of mortgage financing. The Board believes that these fundamental trends will continue to underpin the housing, lettings and lending market.

(i) *Growing population*. The UK population is forecast to increase by 3.6 million people between 2016 and 2026, driven by net positive migration into the UK and changing age demographics. Between 2016 and 2041, the number of people of pensionable age is forecast to increase by approximately 31 *per cent.* from 12.4 million to 16.3 million, including as a result of continued increases in life expectancy.

(ii) *Employment rates*. Employment levels are one of the most important economic drivers of housing demand. In the UK, the employment rate remained at a healthy 75.2 *per cent.* in the fourth quarter of 2017. In the same period, the UK unemployment rate fell to 4.4 *per cent*.

(iii) *Interest rates.* Interest rates are one of the key economic drivers of housing demand. While a modest increase in the UK's base interest rate may not significantly affect the housing market as current rates are near historical lows, increases in the base rate have previously had a negative impact on the UK housing market because interest rates charged on mortgages have increased correspondingly, thereby making it more expensive for prospective buyers to purchase residential property. Prospective buyers who can obtain a mortgage at current interest rate levels may be deterred by the possibility of increased rates and instead elect to remain in their current property or to continue renting. Higher interest rates (and, in turn, higher monthly interest payments) may make mortgages unobtainable for some prospective buyers. In addition, a significant rise in mortgage interest rates could lead to an increase in repossessions and potential losses for lenders. Any of these factors could depress the UK's residential property market, which may reduce the volume and value of property sales and mortgage arrangements.

(iv) *Mortgage financing*. The availability and cost of mortgage financing and the number of mortgage approvals are impacted by various factors, including: macroeconomic factors; constrained wholesale funding markets; deleveraging of banks' balance sheets; mortgage underwriting standards on the part of mortgage providers (including a more or less conservative attitude to risk and changes in lenders' approval policies and processes); regulations on credit (including any new regulations, especially those increasing the capital requirements of banks); deposit requirements; affordability of residential properties; and downpayment requirements. Since the financial crisis that began in 2008, credit availability has steadily improved. While credit constraints, enhanced checks and increased downpayments are now a feature of the market following the global financial crisis that began in 2008, the Board expects that current low interest rates should continue to have a positive impact on demand for residential property transactions, although mortgage activity is expected to grow slowly over the next two years, dampened in part as a result of continued economic and political uncertainty and tightened household finances.

There remains a shortage of new and second-hand housing stock in the UK, and this is now a significant political issue, with the government committed to promoting new build housing stock as well as facilitating second-hand transaction volumes. At the same time, the UK residential property market is subject to strong cyclical forces and dependent on customer wealth and confidence, which in turn are influenced by overall rates of economic growth, levels of unemployment and other macroeconomic conditions as well as customer perceptions of such conditions. The cyclical nature of the UK property market has led, and may lead, to volatility in the Group's earnings, and the UK property market can be highly sensitive to market perception of the economy generally and the housing industry specifically. Real estate markets are also thought to lag behind the broader economy, meaning that even when underlying economic fundamentals improve (or decline) in a given market, it may take additional time for these improvements (or declines) to take effect in the UK residential property market.

1.2 Sales

The Group operates as part of the UK residential estate agency industry and derives a significant proportion of its revenue from serving the needs of buyers and sellers of existing homes. Residential estate agency companies typically generate revenues in the form of commissions that are based on a percentage of the price of each home sold or a flat fee. As a result, the estate agency industry generally benefits from increased volumes of home sales and rising home prices and, conversely, is adversely affected by decreased volume of home sales and falling prices.

Transaction volumes

Transaction volumes in the UK housing market fell materially with the onset of the financial crisis in 2008, recovering slowly and, since 2014, have remained broadly flat at approximately 1.2 million homes exchanged a year, based on HMRC data. According to statistics published by HMRC for the UK in May 2018, the number of residential properties exchanged with a value of £40,000 or above fell from 1.67 million in 2006 to 931,000 in 2012 (a decline of 44 *per cent.*) before recovering to 1.22 million in 2014 and remaining flat at 1.23 million in 2016 and 1.22 million in 2017. The Board expects that the market for second hand home transactions in the UK will remain around the 2017 level for the next three years, with no recovery in the London market.

Supply and demand

On the supply side, RICS reported in December 2017 that its net balance for new instructions remained negative for the 24th consecutive month. According to RICS and the Land Registry's UK House Price Index, stock levels reported by estate agents remained broadly stable, but are still close to historical lows. On the demand side, new buyer enquiries fell marginally, having been broadly stable in the previous months. In its December survey, RICS expected the three-month outlook for national sales expectations to remain flat, with greater optimism for the 12 month outlook.

Residential property prices

Average home prices have been increasing steadily from a low point in March 2009 through to April 2018. The Land Registry's UK House Price Index summary for December 2017 suggested that UK residential property prices grew by 5.2 *per cent.* in the year to December 2017, up from 5.0 *per cent.* in the year to November 2017.

A significant part of this growth was generated by regions in the North and the Midlands, whereas prices in London rose 2.5 *per cent.*, more slowly than in the other regions. According to the Land Registry's UK House Price Index, the North–South house price divide also influenced the number of homes sold. During 2017, 1.2 *per cent.* fewer homes were sold overall, but an increase across the North partially offset a larger fall in London and parts of Southern England.

RICS's UK Residential Market Survey for December 2017 reported near term price expectations remained negative at -6 *per cent.*, given the continued lack of momentum in the market.

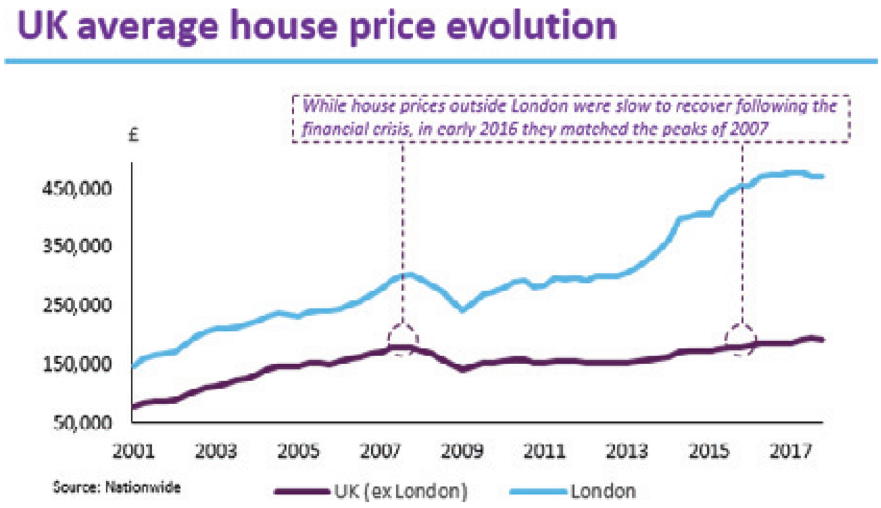
Figure: Residential property transactions in England, Wales and Scotland 2014-2017

	2014	2015	2016	2017
Transactions in England, Wales and Scotland (thousand)	1,195	1,206	1,210	1,197
Change on previous year (%)	13	1	0	(1)
Average house price (£ thousand)	187	198	215	218
Change on previous year (%)	8	6	5	1.5

Source: HMRC; Land Registry

Sales volumes outside of London remain healthy. Residential property prices outside of London were slow to recover following the financial crisis that began in 2008. However, prices outside London reached 2007 levels in 2016 and, in 2017, outstripped the growth rate in London.

Figure: Comparison of house price change 2001-2017, UK (excluding London) vs London



In addition, there is now a clear divergence in the affordability of housing between London and the rest of the UK. Mortgage payments as a percentage of mean take-home pay averaged approximately 29 *per cent.* over 2017 for the UK (Halifax data). This represents a decrease from the 47 *per cent.* recorded in 2007 and is below the 35-year UK average of approximately 35 *per cent*.

The sustained increase in home prices over the last decade, and in particular high demand for high value real estate in London, has created opportunities for property companies seeking to invest, and capitalise on growth, in the high value market. Such buyers have different needs to those using traditional estate agency services, and property firms have had to tailor their services to meet these increased expectations. The high value market has also tended to be more profitable for property firms. In addition, economic development in other parts of the world combined with the global financial crisis has generated demand from foreign investors who perceive high value real estate in the UK as a comparatively safe form of investment.

While this trend has the potential to generate sustained fee revenues, even against a wider background of subdued market activity outside London and the South East of the UK, the ongoing economic and political uncertainty, including the lack of clarity on the Brexit process, means the market is likely to remain flat in the short term.

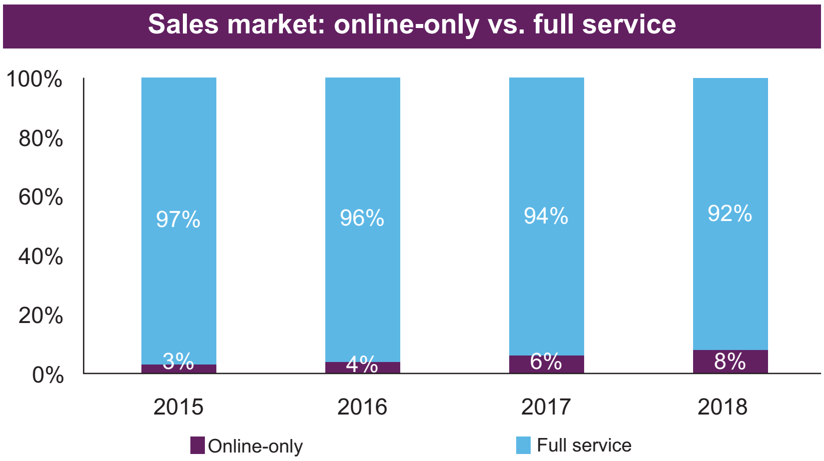
The UK government has stated that producing more new build homes is one of its priorities. While a number of government initiatives have been introduced with the aim of increasing supply, the government's target to build 300,000 new homes per year will be difficult to achieve in the short term with rising construction costs and skill shortages. The Board expects that residential property prices will grow in most areas of the country, with the structural undersupply of homes supporting prices.

Digital services

Based on 20ci data, between February and December 2017, online-only agents increased their listings market share by 0.9 *per cent*. The rate of growth of listings market share by online-only agents generally slowed in the second half of 2017. The aggregate listings market share of online-only agents is predominantly driven by Purplebricks (which accounted for 60 *per cent.* of listings market share growth between February and December 2017).

While increased competition from do-it-yourself online-only agents may decrease both the number of transactions that full service estate agencies facilitate and the commission and price levels they are able to charge, the Board is confident that the market for no-frills do-it-yourself agencies is limited, and believes that the full service estate agency model (including businesses like Countrywide that provide modern digital services alongside local branch-based operations) will retain the largest part of market share as customers continue to seek the support and professional insight of local estate agents when undertaking the biggest financial transactions of their lives.

Figure: Proportion of sales market represented by online-only vs. full service providers, 2015-2017 (estimated) and 2018 (forecast)



Source: Countrywide market estimates based on HMRC and Land Registry data.

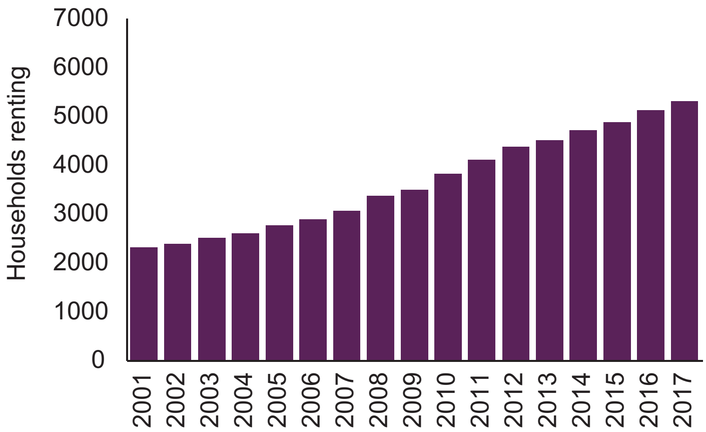
1.3 Lettings

Partly as a result of the declining sales market, in recent years, the UK's residential lettings market has grown significantly.

Between 2016 and 2017, the growth rate in the amount of UK rent paid rose from 1.8 *per cent.* to 2.4 *per cent*. Much of this increase has been driven by a return to growth in London, where rents resumed their upward trend after falling in 2016.

The Board believes that tax exemptions for corporate landlords would likely incentivise growth in this sector and lead to smaller landlords incorporating and expanding portfolios. The Board expects that institutional investment is likely to increase as demand for housing grows and affordability hurdles to ownership remain, while small, private landlords may leave the sector due to increasing regulation and a less favourable tax environment.

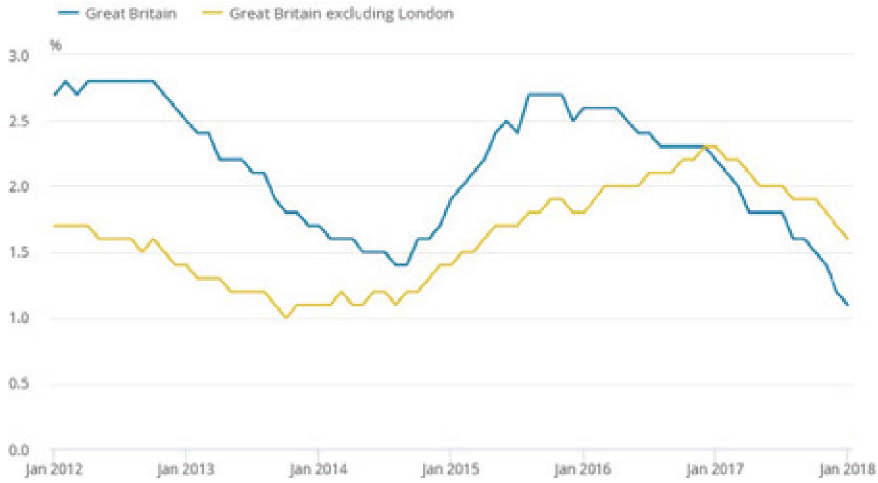
Figure: UK private rental sector growth 2001-2017



Sources: Pre-2008: English Housing Survey; 2008-2017: ONS and English Housing Survey.

According to the ONS, private rental prices paid by tenants continue to grow, having increased by 1.1 *per cent.* in the 12 months to January 2018, down from a 1.2 *per cent.* growth rate of private rental prices in the 12 months to December 2017. However, there have been signs of a slowdown since the end of 2015, driven mainly by a slowdown in London over the same period.

Figure: Annual rental price growth 2012-2018, Great Britain (excluding London) vs London



Sources: ONS, Index of Private Housing Rental Prices, Great Britain: January 2018

According to ONS statistics, rental prices for Great Britain (excluding London) increased by 1.6 *per cent.* in the 12 months to 31 January 2018, down from a 1.7 *per cent.* growth rate of private rental prices in the 12 months to December 2017. The growth rate for London (0.2 *per cent.*) in the 12 months to January 2018 was 0.9 percentage points below that of Great Britain in the same period. This is the lowest annual growth in London since the 12 months to October 2010, when it was also 0.2 *per cent*. (*Source: ONS, Index of Private Housing Rental Prices, Great Britain: January 2018*.)

Digital services

According to 20ci, online-only agents had a share of 4.6 *per cent.* of all new lettings listings from 1 January to 31 December 2017, and 5.2 *per cent*. of all new lettings listings from 1 January 2017 to 30 June 2018. Despite the perceived rapid growth of do-it-yourself online-only agents, full service estate agencies (including those, like the Group, that provide modern digital services alongside local branch-based operations) remain the dominant force in the lettings market.

1.4 Mortgages

The Group operates in the mortgage intermediary market. Mortgage intermediaries arrange and distribute mortgage products but are not the actual mortgage lenders. The Group's results in this area depend on the overall mortgage and, in particular, remortgage markets, which are in turn dependent on a range of factors, including general economic performance, consumer sentiment, government policies and schemes, changes to interest rates, and the sales and lettings markets.

According to statistics released by the Bank of England, total mortgage approvals in April 2018 were up 2.7 *per cent.* against April 2017. This growth has in part been driven by a 7.0 *per cent.* increase in the number of homeowners remortgaging in 2017 compared to 2016, in the face of the first interest rate rise by the Bank of England in 10 years. According to UK Finance, the number of mortgages taken out to fund a residential property purchase fell 1.5 *per cent.* in 2017 compared to 2016; a large part of this was driven by a 28 *per cent.* fall in the number of buy-to-let mortgages in the same period.

Mortgage activity is expected by the Board to grow slowly over the next two years, in part as a result of economic uncertainty (due, in part, to Brexit).

Figure: Residential property transactions in the UK, 2012-2017 (actual) and 2018-2019 (forecast)

	Residential property transactions (thousand)	Gross advances (£ billion)	Net advances (£ billion)	Arrears of ≥2.5% of balance at end of year	Possessions in year
2012A	932	145	10	157,900	33,900
2013A	1,074	178	14	144,600	28,900
2014A	1,219	203	24	114,500	20,900
2015A	1,230	222	35	101,600	10,200
2016A	1,235	245	39	93,700	7,700
2017A	1,216	255	43	89,000	7,500
2018F	1,224	260	43	94,000	9,000
2019F	1,225	271	45	98,000	11,000

Source: UK Finance

1.5 Surveying

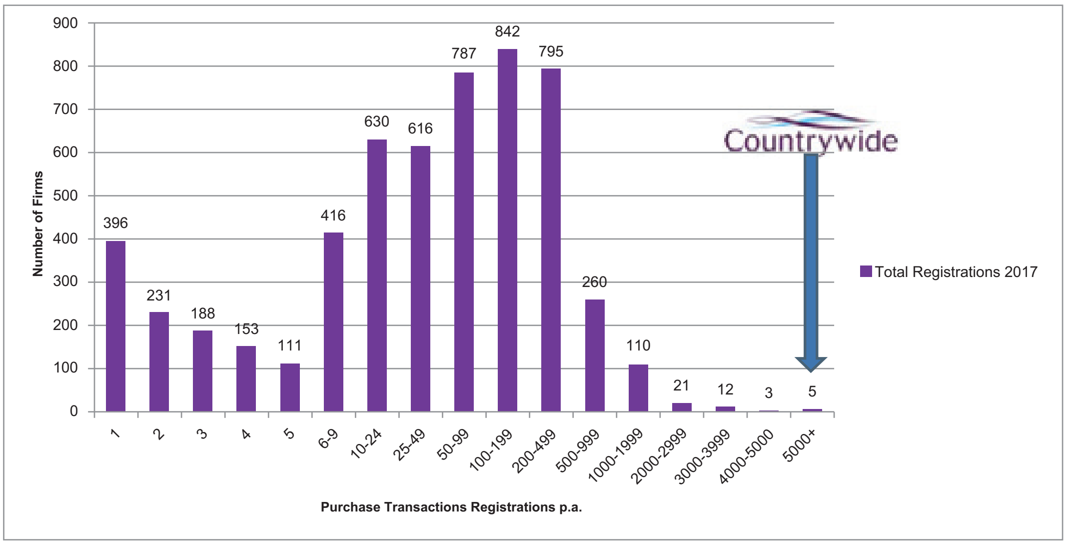
The surveying market in the UK is highly consolidated and the Group expects that this will continue given the high barriers to entry. Activity is linked to transactions in both the housing and the remortgage markets. Surveying fees are generated by surveys for potential property purchasers as well as valuations conducted for potential mortgage lenders, either separately or as part of a single survey.

Going forward, an area of potential change is likely around the role of automated valuation models and the increased use of technology in assessing risk and property value. Lenders are likely to move cautiously to undertake more lending decisions on residential property purchase mortgage approvals through non-physical valuations.

1.6 Conveyancing

The conveyancing market in the UK is highly fragmented. It is made up of a large number of small conveyancing firms with only a few large participants. The Group is one of the five largest conveyancing businesses in the UK through the Group's in-house legal operations (as measured by number of completions on the buy side using Land Registry data), having completed approximately 17,000 transactions (on the buy and sell side) amounting to over £4.2 billion in value in 2017. The graph below shows the vast majority of conveyancing firms carry out a relatively small number of transactions in a year (93 *per cent.* of conveyancers register fewer than 500 purchase transactions *per annum*) and that there are only a few market participants who operate on a similar scale to the Group.

Figure: Volume of conveyancing transactions in 2017 — registrations by firm



Source: Land Registry.

2. REGULATORY FRAMEWORK

The Group's businesses are subject to regulation in the UK. This section considers the main features of the applicable UK regulatory regimes as they apply to the Group's estate agency, conveyancing, surveying and financial services activities.

2.1 Regulation of estate agency businesses in the UK

Principal legislation

There are two principal pieces of legislation with which the Group's Sales operations are required to comply:

(i) *The Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTRs**") (implementing the Unfair Commercial Practices Directive (2005/29/EC))*: The CPUTRs have been in force since 26 May 2008 and apply to all businesses that deal with consumers, prohibiting the unfair treatment of consumers through misleading actions, misleading omissions or aggressive sales and/or marketing practices. The CPUTRs require agents to consider a set of broad principles (for example, to provide "material information" to consumers in good time) and therefore what facts might be relevant for specific customers. The CPUTRs also require persons carrying out "estate agency work", among other things, to provide accurate particulars to buyers. In the context of websites for selling properties, the CPUTRs are likely to apply where the website is an "active" website offering a service or advice. Where a website is "passive" and does not offer a service the CPUTRs will not apply.

(ii) *The Estate Agents Act 1979 ("**EAA**")*: The EEA requires businesses that are within its scope to be transparent in the handling of information about offers on properties and to disclose any self-interest or the third party interest of any person who may benefit from a sale. For the purposes of the EAA, intermediaries (such as internet website portals for private property sales) are exempt from the definition of an estate agent. This exemption applies only where the business does nothing else covered by the general definition of "estate agency work". The National Trading Standards Estate Agency Team of Powys County Council is responsible for the operation and enforcement of the EAA. HMRC also fulfils a supervisory role in relation to firms within the scope of the EAA with regards to compliance with anti-money laundering legislation.

Other legislation

The Group's Sales operations are also required to comply with:

(i) the Business Protection from Misleading Marketing Regulations 2008 (implementing the Misleading and Comparative Advertising Directive (2006/114/EC)), which relate mainly to business-to-business advertising and have a wide application both to and beyond the property sector. They apply to estate agents in relation to the buying or selling or property in the UK;

(ii) the Consumer Rights Act 2015, which applies (among other things) to unfair terms in estate agency contracts concluded on or after 1 October 2015 between an estate agent acting in the course of its business and a customer who is a natural person not acting in the course of its business; and

(iii) the Consumers, Estate Agents and Redress Act 2007, which places a requirement on estate agents to belong to an approved redress scheme and implements other measures to improve the regulation of estate agents.

2.2 Regulation of surveying businesses in the UK

Regulation of surveying firms

If a firm provides surveying services to the public in the UK (and 50 *per cent*. or more of its principals are RICS members), it must be registered for regulation with RICS; firms which have less than 50 *per cent*. (but at least one) of their principals as RICS members can opt to be regulated by RICS. Firms regulated by RICS must comply with the RICS Royal Charter and Bye-laws, along with additional rules set out in the RICS Rules of Conduct for Firms (version 6) (the "**RICS Rules**").

The RICS Rules are principles-based and govern the conduct of business and the administration of business of firms regulated by RICS. RICS may take disciplinary action against, and impose fines on, firms which bring the surveying profession into disrepute, display serious professional incompetence or breach the RICS Rules. Rule 8 of the RICS Rules requires a firm to preserve the security of customers' money held during the course of its practice or business. RICS publishes supplementary guidance on the systems and controls a firm should have in place in order to comply with this rule.

As a designated professional body under FSMA, RICS may grant designated professional body licences (a "**DPB Licence**") to firms that it regulates. A DPB Licence allows the licence holder to carry on general insurance mediation activities where that is incidental to the licence holder's surveying business. This means that RICS members who hold a DPB Licence can, in certain circumstances, carry on general insurance mediation activities without being authorised and regulated by a Relevant Financial Services Regulator. The RICS Designated Professional Body Rules 2013 permit RICS to carry out enforcement and monitoring activities and to refuse, withdraw or attach conditions to the licences granted to its members. These Rules also place ongoing obligations on registered firms.

Firms holding DPB Licences must comply with the FCA's Professional Firms sourcebook and also be included on the FCA Register. Although such firms are primarily supervised by RICS, the FCA retains certain powers of oversight including the ability to make directions to RICS.

Regulation of surveyors

The Valuer Registration Scheme is mandatory for RICS members undertaking valuations in accordance with the RICS Valuation — Professional Standards in the UK. In addition, the personal and professional standards with which surveyors must comply are set out in the RICS Rules of Conduct for Members.

2.3 Regulation of conveyancing businesses in the UK

The Legal Services Board is responsible for overseeing legal regulators in England and Wales. It oversees 10 separate bodies, the "approved regulators", who themselves regulate over 120,000 lawyers in England and Wales. The Legal Services Board was created by the Legal Services Act 2007 and became fully operational on 1 January 2010.

There are four approved regulators for conveyancing, the two principal ones being the SRA (being the independent regulatory body of the Law Society) and the CLC. The work of both the CLC and the SRA is overseen by the Legal Services Board.

Countrywide Property Lawyers (CLP) has been regulated by the CLC since 1997 (when Countrywide Property Lawyers was known as Hambro Countrywide Conveyancing Services). The CLC Handbook includes a "Code of Conduct" and a separate "Accounts Code". The Code of Conduct comprises principles and specific requirements intended to deliver positive outcomes to customers. For example, individuals and bodies regulated by the CLC must ensure that client money is kept separately and safely. The detailed rules for dealing with and accounting for client money are set out in the Accounts Code. The CLC has the power to take disciplinary action against, and impose fines on, individuals and bodies which it regulates for breaches of its rules.

The CLC is also a designated professional body under FSMA. This means that CLC bodies can, provided they are included on the FCA Register, undertake certain incidental general insurance mediation activities without being separately authorised and regulated by a Relevant Financial Services Regulator. CPL is shown on the FCA's Register as an exempt professional firm. The CLC is responsible for supplying details of conveyancing bodies carrying on insurance intermediation activities to the FCA and to set out the standards of behaviour it expects from such bodies in the "Acting as Insurance Intermediaries Code". If an entity breaches this Code, the CLC may impose a condition on its licence, take disciplinary proceedings or withdraw its permission. The FCA does, however, retain certain powers of oversight including the ability to make directions to the CLC.

2.4 Regulation of financial services businesses in the UK

Principal legislation

Countrywide Principal Services Limited, Mortgage Next Network Limited, Mortgage Intelligence Limited, Life and Easy Limited and The Buy To Let Business Limited are each FCA-authorised firms.

These firms are currently supervised, for both conduct and prudential purposes, by the FCA. The main framework for the regulation of these firms is found in FSMA and various instruments made thereunder.

Mortgage Intelligence Ltd is the principal to a network of appointed representatives, including Capital Private Finance Limited. Countrywide Estate Agents and Lambert Smith Hampton Group Ltd are registered as appointed representatives of Countrywide Principal Services Limited, while Countrywide Residential Lettings is registered as an appointed representative-introducer of Lockton Companies LLP.

In addition to FSMA, the Group and its Financial Services Business Unit is subject to a number of legal and regulatory requirements set down in, or made under, UK and EU legislation. For example, relevant firms in the Group are subject to retained terms of the Consumer Credit Act 1974 (as amended) which, among other things, imposes obligations on lenders, and any person who exercises the rights and duties of lenders, to provide pre- and post-contract information. In addition, firms in the Group must comply with applicable consumer protection legislation, such as the Consumer Rights Act 2015 or the Unfair Terms in Consumer Contracts Regulations 1999, and, as set out in section 2.1 of this Part, the CPUTRs, as well as legislation concerning data protection and the prevention of money laundering and the financing of terrorism.

Background

The structure of the UK financial regulatory framework was fundamentally revised by the Financial Services Act 2012 which abolished the Financial Services Authority and replaced it with two new regulatory authorities: the PRA and the FCA. Authorised firms are currently either solely regulated by the FCA or dually regulated by both the PRA and the FCA. The PRA is responsible for the micro-prudential regulation of financial institutions including banks, insurers and some large investment firms. The FCA has responsibility for conduct of business and market regulation in relation to all authorised firms and the prudential regulation of firms not regulated by the PRA. Responsibility for consumer credit regulation transferred from the OFT to the FCA on 1 April 2014. Individual entities within the Group's Financial Services Business Unit are solely regulated by the FCA.

On 12 January 2016, the FCA and the CMA entered into a memorandum of understanding in relation to consumer protection which stated that the CMA may consider fairness, but will not usually expect to do so, where the firm concerned is an authorised firm or an authorised representative under FSMA.

Authorisation to carry on regulated activities in the UK

Subject to certain exemptions, no person may carry on a regulated activity in the UK unless appropriately authorised to do so in accordance with FSMA. The mortgage and insurance mediation activities carried on by firms in the Group are regulated for these purposes. These regulated activities cover, for example, arranging, advising on and administering regulated mortgage contracts as well as dealing as agent in, arranging, advising on and assisting in the administration and performance of contracts of insurance. In this Part, carrying on these regulated activities is referred to as carrying on the business of a "mortgage intermediary" or an "insurance intermediary", as appropriate.

Appointed representatives are exempt from the requirement for authorisation under FSMA on the basis that an authorised principal takes responsibility for the appointed representative's activities.

Authorised firms must at all times meet certain "threshold conditions" specified in FSMA. These are minimum requirements that relate, among other things, to the adequacy of the firm's financial and other resources and its suitability, in other words, whether it is a fit and proper person having regard to all the circumstances.

Regulation of buy-to-let mortgages

There is a parallel bespoke regime outside of FSMA for the regulation of consumer buy-to-let mortgages under the Mortgage Credit Directive Order 2015 (2015/910). This regime gives the FCA powers to register, supervise and take enforcement action against firms carrying on buy-to-let activities and reflects UK implementation of the Mortgage Credit Directive (2014/17/EU) (the "**MCD**"), which was transposed on 21 March 2016.

The legislation sets out the conduct standards that apply to the sale, underwriting and administration of buy-to-let mortgages. These include requirements for pre-contractual illustrations, assessing creditworthiness, and arrears management. The conduct standards are based on the provisions of the MCD, with some tailoring to reflect the nature of buy-to-let activity.

Requirements for authorised firms in the UK

(i) The FCA Handbook

The FCA's approach to regulation and the standards it requires firms to maintain are set out in the FCA Handbook.

The most relevant parts of the FCA Handbook for the regulated firms in the Group are the high level standards in the Senior Management Arrangements, Systems and Controls Sourcebook ("**SYSC**"); the day to day business standards in the Insurance (Conduct of Business) Sourcebook ("**ICOBS**") and the Mortgages and Home Finance (Conduct of Business) Sourcebook ("**MCOB**"); and the capital requirements in the Prudential Sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries ("**MIPRU**"). The FCA rules and guidance for firms providing consumer credit are contained in the specialist sector-specific sourcebook in the FCA Handbook which is known as CONC. Firms are also required to comply with the FCA's Principles for Businesses.

(ii) Conduct of business rules

The rules in ICOBS and MCOB contain the day to day conduct of business standards to be observed by authorised firms that sell and administer non-investment insurance contracts and carry on home finance activities, including regulated mortgage activities, respectively.

The range of obligations imposed on an authorised firm under the ICOBS and MCOB rules vary according to the scope of the firm's business and the nature of its customers. They cover matters such as the provision of adequate information to customers, the management of conflicts, and assessments of suitability.

The MCD brought in a package of minimum harmonisation measures for the mortgage market in the EU, including initial disclosure requirements for mortgage intermediaries, provisions on suitability and standards of knowledge and competence for staff. As the MCD is closely aligned with pre-existing UK mortgage regulation, its transposition in the UK, including by way of changes to MCOB, did not result in significant changes. ICOBS also implements various requirements in different EU Directives, including the Insurance Mediation Directive.

(iii) Prudential standards

It is an ongoing requirement for authorised firms carrying on regulated activities to comply with applicable prudential standards.

Rules relating to the calculation of capital resources by a mortgage intermediary and/or an insurance intermediary are contained in MIPRU. A firm subject to MIPRU is required, among other things, to ensure that it can meet its liabilities as they fall due and also to maintain capital resources equal to or in excess of its relevant capital resources requirements. MIPRU applies a combination of requirements to hold professional indemnity insurance and capital requirements, which are proportioned to reflect the volume of the firm's business.

In addition to provisions in MIPRU, firms carrying on the activity of mortgage mediation and/or insurance mediation are required to have in place appropriate compliance, record keeping and audit systems. MIPRU also imposes general requirements relating to knowledge, ability and good repute to the relevant firm's management and staff involved in insurance. These requirements extend to insurance intermediaries' appointed representatives.

(iv) Treating Customers Fairly ("**TCF**")

Principle 6 of the FCA's Principles for Businesses requires a firm to "pay due regard to the interests of its customers and treat them fairly", while Principle 7 requires a firm to "pay due regard to the information needs of its customers and communicate information to them in a way which is clear, fair and not misleading".

The FCA is particularly focused on TCF in product design and has emphasised the need for firms, including intermediaries, to address TCF at each stage of the product lifecycle. One of the powers granted to the FCA under the Financial Services Act 2012 allows it temporarily to ban products that pose an unacceptable risk to consumers by intervening early in the product lifecycle.

(v) The Approved Persons regime

Under the FCA's approved persons regime, a person performing a "controlled function" at an FCA-authorised firm must be approved by the FCA before performing that function. Such a person will only be approved if he or she is fit and proper to perform the relevant function and such person must comply with the FCA's Statements of Principle and Code of Practice for Approved Persons. If the FCA finds that an approved person is no longer fit and proper to perform his or her responsibilities, it may withdraw that person's approved status.

FCA approval must, for example, be sought for individuals taking up executive or non-executive director positions and other key roles where they are responsible for risk management, internal audit or compliance. Depending on the nature of the role, the regulator's assessment of the applicant may involve an interview.

Following a review undertaken by the Parliamentary Committee on Banking Standards into responsibility within financial services, especially banks, the Senior Managers and Certification Regime (comprising the Senior Managers Regime and the Certification Regime) came into force on 7 March 2016, and applies to senior individuals of banks. It will be extended to all firms authorised under FSMA, replacing the Approved Persons regime, during the course of 2019. The Certification Regime applies to staff, other than senior managers, whose decisions could cause significant harm to the firm or its customers.

(vi) Change of control regime for authorised firms

Under the FSMA change of control regime a person who has decided to acquire or increase its "control" over a UK firm authorised and regulated under FSMA is required to seek consent from the appropriate regulator before doing so. An authorised firm must also notify the appropriate regulator when the transaction which results in that increase takes place.

A proposed "controller" for the purposes of the controller regime includes any natural or legal person or such persons "acting in concert" who has or have taken a decision to acquire or increase, directly or indirectly, control over a UK-authorised firm.

"Control" over certain mortgage and insurance intermediaries (i.e. "non-directive" firms) is acquired if the acquirer (whether on an individual basis or together with others with whom he is "acting in concert"):

(a) holds 20 *per cent*. or more of the shares or voting rights in that company or its parent undertaking; or

(b) is able to exercise significant influence over the management of the firm by virtue of the acquirer's shares or voting power in the company or its parent undertaking.

Increases in control over a "non-directive" firm beyond the 20 *per cent*. threshold do not require consent. An existing controller of a "non-directive" firm who proposes to reduce his control over a firm or its parent undertaking below the 20 *per cent*. threshold must notify the regulator.

A similar (but, in certain respects, more onerous) regime applies to firms covered by EU sectoral directives (e.g. banks, insurers and investment firms), their controllers and potential acquirers.

Breach of the notification and approval regime imposed by FSMA on controllers is a criminal offence.

(vii) Money laundering and other financial crime

All authorised firms are required to observe certain administrative procedures and checks that are designed to prevent money laundering and financial crime. SYSC contains rules requiring firms to take reasonable care to establish and maintain effective systems and controls for countering the risk that the firm might be used to further financial crime. For these purposes, financial crime includes any offence involving fraud or dishonesty, misconduct in, or misuse of information relating to, a financial market or handling the proceeds of crime, as well as bribery and corruption offences.

One of the FCA's statutory duties in discharging its functions is to have regard to the importance of taking action intended to minimise the extent to which it is possible for the UK financial system to be used for purposes connected with financial crime.

(viii) Supervision and enforcement

The FCA has wide powers to supervise and intervene in the affairs of an authorised firm. The nature and extent of the FCA's supervisory relationship with a firm depends on how much of a risk the regulator considers that firm could pose to its statutory objectives.

The FCA may make use of a number of supervisory tools in its oversight of the Group and its Financial Services Business Unit. It can, for instance, require firms to provide particular information to it, require the production of a report by a "skilled person" appointed by the firm or the regulator, or formally investigate a firm.

The FCA describes its approach to the exercise of its disciplinary powers as being one of "credible deterrence". It has the power to take a range of enforcement actions, including the ability to impose sanctions against firms and individuals carrying out functions within them. Most notably, enforcement actions may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation of permission to carry on regulated activities or of an individual's approval to perform particular roles within a firm. The FCA can also vary the permissions of an authorised firm that has not engaged in regulated activities for 12 months, or fails to meet the threshold conditions.

In addition to the above, the FCA can pursue civil proceedings and criminal prosecutions in certain circumstances including for breaches of the market abuse and money laundering regimes.

(ix) Consumer complaints

Mortgage and insurance intermediaries, along with all other regulated firms and certain other unregulated businesses, are under the compulsory jurisdiction of the Financial Ombudsman Service ("**FOS**") which has been set up under FSMA. Authorised firms must have appropriate complaints handling procedures but, where these are exhausted, the FOS provides for dispute resolution in respect of certain categories of customer complaints brought against applicable firms by individuals and small business customers.

The FOS provides an alternative to customers bringing complaints in the courts and is empowered, upon determining a dispute in favour of a customer, to order a firm to pay fair compensation for any loss or damage it caused to the customer, or to direct a firm to take such steps in relation to the customer as the FOS considers just and appropriate, and irrespective of whether a similar award could be made by a court. The FOS is funded by levies and case fees payable by firms covered by the FOS.

The Financial Services Compensation Scheme ("**FSCS**") was established under FSMA and provides compensation to certain categories of customers who suffer losses as a consequence of the inability of a regulated firm to meet its liabilities arising from claims made in connection with regulated activities. The FSCS is funded by means of levies on all its participating financial services firms.

Future developments

(i) Mortgage Market Review

The FCA continues to carry out work in the mortgage market following the implementation of its Mortgage Market Review in April 2014. Key areas of interest for the FCA include the fair treatment of existing interest-only mortgage customers which it discussed in a Thematic

Review published on 30 January 2018 (TR18/1). It is also looking closely at the treatment of mortgage customers in arrears and the impact of automatic capitalisation (discussed in FG17/4 dated April 2017, which sets out a remediation framework for customers who have suffered harm because of the automatic capitalisation of payment shortfall).

On 4 May 2018, the FCA published an interim report (MS16/22) on its mortgages market study. It identified a number of ways in which the market could work better for consumers. These include making it easier for consumers, at an early stage, to identify for which mortgage products they qualify, to assess and compare those products and, ultimately, to take out a mortgage. The FCA also intends to explore what more can be done to enable intermediaries to offer execution-only sales and to work with the mortgage broker sector to develop metrics to help consumers compare brokers. How the study will ultimately affect the Group's activities is as yet unknown

(ii) Insurance Distribution Directive

The Insurance Distribution Directive ((EU) 2016/97) ("**IDD**") came into force on 22 February 2016. Member States had until 1 July 2018 to transpose the IDD and must apply it to relevant firms by 1 October 2018. The IDD covers most firms carrying on most types of insurance distribution.

The Insurance Distribution Directive Instrument 2018 (FCA 2018/25), which amends the FCA Handbook to transpose the IDD, was published on 25 May 2018. The introduction of the IDD is not expected to overhaul radically the current requirements for insurance distribution in the UK though enhanced information and conduct of business requirements will apply. These include new requirements for intermediaries selling non-life and pure protection products to disclose information about remuneration received in relation to insurance contracts.

(iii) Brexit

As a significant proportion of the current and anticipated regulatory regime applicable to the Group's Financial Services Business Unit is derived from EU directives and regulations, the UK exiting the EU could change the legal and regulatory framework applicable to the Group's operations.

(iv) Tenant Fees Bill

On 2 May 2018, the government introduced the Tenant Fees Bill to Parliament. Among other measures, the changes proposed include the introduction of a ban on letting agent fees charged to tenants. If introduced without amendment, the draft bill would prevent the Group from raising fees directly from tenants and would likely increase competition between letting agencies for landlords' business. Greater pricing transparency for tenants in the lettings market may also have an impact on the number of lettings transactions.

The Board currently anticipates that, if implemented in its current form, the Tenant Fees Bill would have a negative annualised impact on Group revenue of approximately £21 million, which the Board hopes to reduce to a £16 million annualised impact on Group revenue net of mitigating actions that the Group intends to take. Management has acknowledged the risk of losing tenant fee revenue and has pro-actively responded to it more than a year before its expected implementation. There are a number of different ways that the Group can mitigate the loss of income, including through: (i) the development of products and additional services providing valuable benefits to both landlords and tenants; and (ii) 'no deposit' schemes, which the Board believes will open the door to more tenants who desire to enter the lettings market but who find it difficult to make a deposit. There are a number of project workstreams to bring these products and services to market by April 2019, and the Board believes that management's mitigating actions can deliver approximately £5 million of annualised Group revenue once fully implemented.

PART V

SELECTED FINANCIAL INFORMATION

Prospective investors should read the following in conjunction with the other information in this document, including the Financial Statements, which have been incorporated by reference into this document as described in Part XIII (Information Incorporated by Reference). The Group's consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, are presented in pounds sterling, and have been audited by the Group's independent auditor, PricewaterhouseCoopers LLP. The Group's unaudited interim consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and are presented in pounds sterling.

For purposes of the comparisons in this section: the figures used for the comparisons between 2016 and 2017 are based on the 2017 Annual Financial Statements; the figures used for the comparisons between 2015 and 2016 are based on the 2016 Annual Financial Statements; and the comparisons between H1 2017 and H1 2018 are based on the 2018 Unaudited Interim Financial Statements.

1. CONSOLIDATED INCOME STATEMENTS FOR 2015, 2016 AND 2017

The table below sets out certain consolidated income statement information relating to the Group for 2015, 2016 and 2017:

	FY 2015	FY 2016	FY 2017[1]
	(£ in thousands, unless indicated otherwise)		
Revenue	718,699	723,970	661,049
Other Income	15,037	12,985	10,829
Total revenue	**733,736**	**736,955**	**671,878**
Employee benefit costs	(418,583)	(425,156)	(389,694)
Other operating costs	(215,517)	(237,562)	(223,049)
Depreciation and amortisation	(31,358)	(32,872)	(33,490)
Share of (loss)/profit from joint venture	(914)	(13)	690
Group operating profit before exceptional items	**67,364**	**41,352**	**26,335**
Profit on disposal of available-for-sale assets	—	32,804	—
Employee benefit costs	(3,767)	(8,109)	(4,405)
Other operating costs	(3,706)	(16,262)	(6,978)
Impairment of non-current assets	(6,126)	(20,922)	(214,486)
Exceptional items (net)[2]	(13,599)	(12,489)	(225,869)
Operating profit/(loss)	**53,765**	**28,863**	**(199,534)**
Finance costs	(6,376)	(9,672)	(12,607)
Finance Income	321	304	82
Net finance costs	**(6,055)**	**(9,368)**	**(12,525)**
Profit/(loss) before taxation	**47,710**	**19,495**	**(212,059)**
Taxation (charge)/credit	(5,942)	(1,955)	3,987
Profit/(loss) for the year	**41,768**	**17,540**	**(208,072)**
Attributable to:			
Owners of the parent	41,351	17,404	(208,072)
Non-controlling interests	417	136	—
Profit/(loss) for the year	**41,768**	**17,540**	**(208,072)**
Earnings/(loss) per share attributable to owners of the parent			
Basic earnings/(loss) per share	18.93p	8.03p	(89.56)p
Diluted earnings/(loss) per share	18.82p	8.03p	(89.56)p

1 The Prior-Year Correction is not reflected for 2017, but the prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018. See sections 4.11 and 16.4 of Part VI (*Operating and Financial Review*) for a discussion of the Prior-Year Correction.

2 The presentation of exceptional items including profit on disposal of available-for-sale assets, employee benefit costs, other operating costs and impairment of non-current assets has been conformed to the way in which such items have been presented in the 2017 Annual Financial Statements.

The following table reconciles operating profit/(loss) to Adjusted EBITDA. The Board believes that excluding each of the adjusted items, considered to be exceptional or non-operational in nature, in arriving at Adjusted EBITDA is necessary to provide a more consistent indication of the trading performance of the Group than operating profit/(loss) or EBITDA. The Board believes that this alternative performance measure provides additional useful information to Shareholders on the underlying trends and comparable performance of the Group over time.

	FY 2015	FY 2016	FY 2017[1]
	(£ in thousands, unless indicated otherwise)		
Operating profit/(loss)	**53,765**	**28,863**	**(199,534)**
Depreciation and amortisation	31,358	32,872	33,490
Share of (loss)/profit from joint venture	914	13	(690)
Exceptional income[2]	(2,534)	(35,714)	—
Exceptional costs[3]	16,133	48,203	225,869
Contingent consideration	8,947	6,834	3,929
Share-based payments[4]	4,394	2,477	1,623
Adjusted EBITDA[5]	**112,977**	**83,548**	**64,687**

1 The Prior-Year Correction is not reflected for 2017, but the prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018. See sections 4.11 and 16.4 of Part VI (*Operating and Financial Review*) for a discussion of the Prior-Year Correction.

2 Exceptional income comprises specific items which are material by their nature, size or incidence and are highlighted, with further descriptions, in note 10 to each of the Annual Financial Statements, note 9 to the 2018 Unaudited Interim Financial Statements and in Part VI (*Operating and Financial Review*).

3 Exceptional costs comprise specific items which are material by their nature, size or incidence and are highlighted, with further descriptions, in note 10 to each of the Annual Financial Statements, note 9 to the 2018 Unaudited Interim Financial Statements and in Part VI (*Operating and Financial Review*).

4 Includes related National Insurance contributions.

5 Adjusted EBITDA is a non-IFRS measure of earnings before interest, tax, depreciation, amortisation, exceptional items (net) (comprising exceptional income less exceptional costs), contingent consideration, share-based payments and related National Insurance contributions and share of profits/(losses) from joint venture.

2. CONSOLIDATED INCOME STATEMENTS FOR H1 2017 AND H1 2018 (UNAUDITED)

The table below sets out certain unaudited consolidated income statement information relating to the Group for H1 2017 and H1 2018:

	H1 2017[1] *(unaudited)*	H1 2018 *(unaudited)*
	(£ in thousands, unless indicated otherwise)	
Revenue	326,740	298,570
Other Income	5,937	5,050
Employee benefit costs	(194,026)	(191,825)
Other operating costs	(113,174)	(107,502)
Depreciation and amortisation	(16,535)	(15,218)
Share of (loss)/profit from joint venture	—	—
Group operating profit before exceptional items	**8,942**	**(10,925)**
Employee benefit costs	(2,706)	(3,737)
Other operating costs	—	(8,582)
Impairment of non-current assets	—	(210,710)
Exceptional items (net)[2]	(2,706)	(223,029)
Operating profit/(loss)	**6,236**	**(233,954)**
Finance costs[3]	(6,107)	(8,937)
Finance Income	63	140
Net finance costs	**(6,044)**	**(8,797)**
Profit/(loss) before taxation	**192**	**(242,751)**
Taxation (charge)/credit	(683)	36,935
(Loss) for the period	**(491)**	**(205,816)**
Attributable to:		
Owners of the parent	(491)	(205,816)
Non-controlling interests	—	—
(Loss) attributable for the period	**(491)**	**(205,816)**
(Loss) per share attributable to owners of the parent		
Basic (loss) per share	(0.21)p	(87.41)p
Diluted (loss) per share	(0.21)p	(87.41)p

1 Included within net cash generated from operating activities is £6.1 million of cash expended on exceptional strategic and restructuring costs (excluding property closure costs that have been provided for but not yet incurred) in relation to 2017.

2 Excludes exceptional financing costs not reported in operating profit.

3 Includes exceptional financing costs.

3. CONSOLIDATED BALANCE SHEETS

The table below sets out certain consolidated balance sheet information relating to the Group as at 31 December 2015, 2016 and 2017 and as at 30 June 2018:

	As at 31 December,			As at 30 June, 2018
	2015	2016	2017[1]	*(unaudited)*
	(£ in thousands, unless indicated otherwise)			
Assets				
Non-current assets				
Goodwill	471,626	471,749	279,496	234,681
Other intangible assets	239,457	250,310	220,658	77,576
Property, plant and equipment	49,974	49,445	41,798	9,757
Investments accounted for using the equity method:				
Investments in joint venture	2,305	2,292	2,982	2,982
Available-for-sale financial assets	57,760	16,058	17,085	—
Financial assets at fair value through profit and loss	—	—	—	2,532
Deferred tax assets	10,645	9,250	9,676	19,740
Total non-current assets	**831,767**	**799,104**	**571,695**	**347,268**
Current assets				
Trade and other receivables	123,432	120,355	103,111	100,474
Cash and cash equivalents	24,336	45,326	22,533	37,856
Total current assets	**147,768**	**165,681**	**125,644**	**138,330**
Total assets	**979,535**	**964,785**	**697,339**	**485,598**
Equity and liabilities				
Equity attributable to the owners of the parent				
Share capital	2,196	2,197	2,413	2,413
Share premium	211,839	211,838	211,838	211,838
Other reserves	25,482	(17,941)	(16,121)	(18,280)
Retained earnings	304,959	283,454	111,007	(112,056)
Non-controlling interest	103	—	—	—
Total equity	**544,579**	**479,548**	**309,137**	**83,915**
Liabilities				
Non-current liabilities				
Borrowings	204,586	292,505	213,489	243,552
Derivative financial instruments	—	2,367	337	—
Net defined benefit scheme liabilities	415	3,663	5,626	3,256
Provisions	16,899	12,503	11,985	15,574
Deferred income	4,967	2,563	663	10,728
Trade and other payables	4,709	13,659	8,295	9,761
Deferred tax liability	40,669	38,694	33,522	6,863
Total non-current liabilities	**272,245**	**365,954**	**273,917**	**289,734**
Current liabilities				
Borrowings	4,662	721	1,011	1,325
Trade and other payables	128,503	95,072	94,779	84,244
Deferred income	4,111	3,890	1,379	9,804
Provisions	22,336	19,600	17,116	16,576
Current tax liabilities	3,099	—	—	—
Total current liabilities	**162,711**	**119,283**	**114,285**	**111,949**
Total liabilities	**434,956**	**485,237**	**388,202**	**401,683**
Total equity and liabilities	**979,535**	**964,785**	**697,339**	**485,598**

1 Does not reflect the Prior-Year Correction. The prior-year comparative for 2017 was restated in the 2018 Unaudited Interim Financial Statements (see balance sheet information as at 31 December 2017 compared to balance sheet information as at 30 June 2018) and restated balance sheet information will be reflected in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

4. CONSOLIDATED CASH FLOW STATEMENTS FOR 2015, 2016 AND 2017

The table below sets out certain consolidated cash flow information relating to the Group for 2015, 2016 and 2017:

	FY 2015	FY 2016[1]	FY 2017[2]
	(£ in thousands, unless indicated otherwise)		
Cash flows from operating activities			
Profit/(loss) before taxation	**47,710**	**19,495**	**(212,059)**
Adjustments for:			
Depreciation	14,244	13,893	17,180
Amortisation of intangible assets	17,114	18,979	16,310
Share-based payments	3,226	2,261	1,944
Impairment of intangible assets	6,126	20,928	213,071
Impairment of tangible assets	—	120	850
Impairment of available-for-sale financial assets	—	—	565
Profit on disposal of available-for-sale assets	(237)	(32,804)	—
(Profit)/loss on disposal of fixed assets	(1,176)	2,750	(22)
Unrealised gains on revaluation of available-for-sale financial assets	(1,202)	—	—
Amortisation of deferred income	(2,534)	—	—
Loss/(profit) from joint venture	914	13	(690)
Finance costs	6,376	9,672	12,607
Finance income	(321)	(304)	(82)
	90,240	**55,003**	**49,674**
Changes in working capital (excluding effects of acquisitions and disposals of Group undertakings):			
(Increase)/decrease in trade and other receivables	(14,297)	7,595	19,500
Decrease in trade and other payables	(519)	(27,300)	(8,050)
Decrease in provisions	(8,349)	(7,406)	(3,002)
Net cash generated from operating activities[3]	**67,075**	**27,892**	**58,122**
Pension paid	(1,900)	(1,900)	(2,000)
Interest paid	(5,213)	(8,475)	(9,834)
Income tax paid	(13,687)	(8,737)	(2,980)
Net cash inflow from operating activities[3]	46,275	8,780	43,308
Cash flows from investing activities			
Acquisitions net of cash acquired	(62,875)	(29,402)	—
Deferred consideration paid in relation to current and prior year acquisitions	—	(4,212)	(3,354)
Purchase of property, plant and equipment	(16,561)	(17,939)	(6,940)
Purchase of intangible assets	(5,431)	(11,071)	(7,577)
Proceeds from sale of property, plant and equipment	3,898	171	657
Proceeds from disposal of available-for-sale financial assets	383	48,165	—
Capital expenditure/purchase of investment property	(171)	—	—
Purchase of available-for-sale financial assets	(2,438)	(1,504)	—
Interest received	321	304	82
Net cash outflow from investing activities	(82,874)	(15,488)	(17,132)
Cash flows from financing activities			
Term and revolving facility loan drawn/(repaid)	80,000	90,000	(80,000)
Financing fees paid	(1,127)	(2,587)	(724)
Capital repayment of finance lease liabilities	(5,363)	(5,925)	(3,698)
Purchase of non-controlling interest	—	(2,700)	—
Purchase of own shares	(7,760)	(18,100)	(1,397)
Share placing	—	—	36,850
Dividends paid to owners of the parent	(32,944)	(32,780)	—
Dividends paid to non-controlling interests	(454)	(210)	—
Net cash inflow/(outflow) from financing activities	32,352	27,698	(48,969)
Net (decrease)/increase in cash and cash equivalents	(4,247)	20,990	(22,793)
Cash and cash equivalents at 1 January	28,583	24,336	45,326
Cash and cash equivalents at 31 December	24,336	45,326	22,533

1 Consolidated cash flow information for 2016 has been restated for the reclassification of: purchase of non-controlling interest from investing to financing activities; and contingent consideration paid from investing to operating activities as this relates to contingent consideration arrangements that are deemed remuneration.

2 Does not reflect the Prior-Year Correction. The prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.
3 Included within net cash generated from operating activities is £6.1 million of cash expended on exceptional strategic and restructuring costs (excluding property closure costs that have been provided for but not yet incurred) in relation to 2017.

5. CONSOLIDATED CASH FLOW STATEMENTS FOR H1 2017 AND H1 2018 (UNAUDITED)

The table below sets out certain unaudited consolidated cash flow information relating to the Group for H1 2017 and H1 2018:

	H1 2017[1] *(unaudited)*	H1 2018 *(unaudited)*
	(£ in thousands, unless indicated otherwise)	
Cash flows from operating activities		
Profit/(loss) before taxation	**192**	**(242,751)**
Adjustments for:		
Depreciation	8,483	8,902
Amortisation of intangible assets	8,052	6,316
Share-based payments	956	1,855
Impairment of intangible assets	—	185,473
Impairment of tangible assets	—	25,237
(Profit) on disposal of fixed assets	(297)	(35)
Finance costs	6,107	5,159
Finance income	(63)	(140)
	23,430	**(9,984)**
Changes in working capital (excluding effects of acquisitions and disposals of Group undertakings):		
Decrease in trade and other receivables	2,080	3,391
Decrease in trade and other payables	(9,575)	(14,468)
(Increase)/decrease in provisions	(4,265)	3,843
Net cash generated from/(used in) operating activities[2]	**11,670**	**(17,218)**
Pension paid	(2,000)	(2,000)
Interest paid	(5,406)	(4,024)
Income tax paid	365	2,037
Net cash inflow from operating activities[2]	4,629	(21,205)
Cash flows from investing activities		
Deferred consideration paid in relation to current and prior year acquisitions	(2,154)	(247)
Purchase of property, plant and equipment	(3,917)	(1,852)
Purchase of intangible assets	(2,859)	(3,302)
Proceeds from sale of property, plant and equipment	487	24
Purchase of investments	—	(1,300)
Proceeds from disposal of financial assets at fair value through profit or loss	—	15,980
Interest received	63	140
Net cash (outflow)/inflow from investing activities	(8,380)	9,443
Cash flows from financing activities		
Term and revolving facility loan drawn/(repaid)	(40,000)	30,000
Financing fees paid	(2)	(888)
Capital repayment of finance lease liabilities	(1,700)	(1,528)
Purchase of non-controlling interest	—	—
Purchase of own shares	(725)	(499)
Share placing	36,850	—
Dividends paid to owners of the parent	—	—
Dividends paid to non-controlling interests	—	—
Net cash (outflow)/inflow from financing activities	(5,577)	27,085
Net (decrease)/increase in cash and cash equivalents	(9,328)	15,323
Cash and cash equivalents at 1 January	45,326	22,533
Cash and cash equivalents at 30 June	35,998	37,856

1 Restated for H1 2017 in the 2018 Unaudited Interim Financial Statements to reflect the adoption of IFRS 15 and the Prior-Year Correction, as well as the reclassification of contingent consideration paid from investing activities to operating activities as this relates to contingent consideration arrangements that are deemed remuneration.

2 Included within net cash generated from operating activities is £5.5 million of net cash expended on exceptional strategic and restructuring costs (excluding property closure costs which have been provided for but not yet incurred) in relation to H1 2018 (see note 9 to the 2018 Unaudited Interim Financial Statements).

PART VI

OPERATING AND FINANCIAL REVIEW

The following is a discussion of the Group's results of operations and financial condition as at and for the years ended 31 December 2015, 2016 and 2017 and as at and for the six months ended 30 June 2017 and the six months ended 30 June 2018 (collectively, the "periods under review"). This discussion and analysis should be read in conjunction with the Financial Statements incorporated by reference in this document.

For purposes of the comparisons in this section: the figures used for the comparisons between 2016 and 2017 are based on the 2017 Annual Financial Statements; the figures used for the comparisons between 2015 and 2016 are based on the 2016 Annual Financial Statements; and the figures used for the comparisons between H1 2017 and H1 2018 are based on the 2018 Unaudited Interim Financial Statements. Due to various changes in segment presentations over the periods under review, segment results are not fully comparable across these periods.

Some of the information contained in the following discussion, including information with respect to the Group's plans and strategies for its business, its estimates and beliefs, and expected sources of financing, contains forward-looking statements that involve risk, uncertainties and assumptions. The Group's actual results may differ materially from those discussed in such forward-looking statements as a result of a number of factors including, but not limited to, those discussed in this document, particularly in the Risk Factors and in the Note Regarding Forward-Looking Statements. Prospective investors should read these sections for a discussion of the risks and uncertainties related to the following forward-looking statements, a discussion of certain factors that may affect the Group's business, results of operations and/or financial condition and for further information about the Group's presentation of forward-looking information.

1. OVERVIEW

The Group is the largest integrated, full service residential estate agency and property services provider in the UK, as measured by market share of all new listings on the Rightmove portal (based on Rightmove data for August 2017 through 23 July 2018). It offers estate agency and lettings services, together with a range of complementary services (including mortgage broking, surveying and conveyancing services) that position it to capture revenue streams across the various stages of a typical residential property sale or rental. The Group derives its total income principally from the UK and has nominal operations overseas through informal affiliations with local real estate operators. The Group's total income and proportion of total income represented by UK sources for the periods under review are as highlighted in the following table:

	FY 2015	FY 2016	FY 2017	H1 2017 *(unaudited)*	H1 2018 *(unaudited)*
Total income (£ in thousands)	733,736	736,955	671,878	332,677[1]	303,620
Percentage of total income represented by UK sources	99.6	99.7	99.7	99.7	99.6

1 Restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the H1 2017 Restatement (as defined below) and the Prior-Year Correction. See section 3 of this Part for further details. The prior-year comparative (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

As at 31 December 2017, the Group operated 880 estate agency branches, through a variety of established brands, including Hamptons International, John D Wood & Co., Mann Countrywide, Gascoigne-Pees, Bairstow Eves, Dixons, Bridgfords, Taylors, and Slater Hogg & Howison.

2. RECENT PERFORMANCE; STRATEGY AND TURNAROUND PLAN; CAPITAL REFINANCING PLAN

2.1 2015 to 2017

Between 2015 and 2017, following the appointment of a new Chief Executive, the Group decided to focus on transforming its business model to a retail-centric one. The Group's key strategic transformational initiatives during this period included a change in management structures and leadership, reorganisation of its Business Units by combining the Sales and Lettings businesses, centralisation of its operating model, rationalisation of branch footprint and acquisition of lettings businesses to grow the Group's lettings business. The Group's performance deteriorated significantly between 2015 and 2017 as highlighted in the following table:

	FY 2015	FY 2016	FY 2017[1]	H1 2017[2] *(unaudited)*	H1 2018 *(unaudited)*
			(£ in thousands)		
Total income[3]	733,736	736,955	671,878	332,677	303,620
Profit/(loss) for the period	41,768	17,540	(208,072)	(491)	(205,816)
EBITDA[4 5]	85,123	61,735	(166,044)	22,771	(218,736)
Adjusted EBITDA[5 6]	112,977	83,548	64,687	27,809	10,656

1 Does not reflect the Prior-Year Correction. The prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

2 Restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the H1 2017 Restatement and the Prior-Year Correction. See section 3 of this Part for further details. The prior-year comparative (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

3 Comprises revenue and other income, which consists of rents receivable, dividend income on available-for-sale financial assets and other operating income (which comprises a number of individually immaterial items aggregated across the Group).

4 The Group defines EBITDA as consolidated profit/ (loss) for the period before finance costs, finance income, taxation credit/(charge) and depreciation and amortisation. See section 2 of Part II (*Important Information)* for further details regarding the presentation of EBITDA.

5 See section 2.2 of this Part for a reconciliation of EBITDA and Adjusted EBITDA to profit/(loss) for the period.

6 The Group defines Adjusted EBITDA as EBITDA before (i) exceptional items (net) (comprising exceptional income less exceptional costs), (ii) contingent consideration, (iii) share-based payments and (iv) share of (loss)/profits from joint ventures. See section 2 of Part II (*Important Information*) for further details regarding the presentation of Adjusted EBITDA.

In the fourth quarter of 2017, the Board undertook a Group-wide analysis in an effort to understand why the strategy that had been pursued since 2015 (the "**Prior Strategy**") was not delivering growth and had resulted in its Sales and Lettings businesses losing substantial market share and profitability. The Board's analysis identified the following as contributing to adverse performance:

(i) the integration of the Sales and Lettings businesses as a single retail business with a retailer recruited to lead this business and people with retail backgrounds recruited into the most senior positions (while many of the Group's then-existing senior team, which possessed extensive experience in the property services industry, left the Group), which failed to take account of the fact that these are trading businesses which each have very different characteristics and customer bases, require different operational expertise and operate on very different cycles. For example, customers in the Group's Sales business will generally buy and/or sell a home every 10-15 years and are either selling or purchasing what is their most valuable asset, while customers in the Group's Lettings businesses are primarily landlords with whom the Group has an enduring relationship, letting and often undertaking rent collection and management of their key assets. A direct consequence of the integration of the Sales and Lettings businesses was the loss of experienced Sales and Lettings professionals at every level, and significant dilution of operational expertise, which adversely impacted the Group's ability to win instructions in the periods under review and, as a result, sell complementary services;

(ii) the pursuit of a centralised decision-making model and a "one size fits all" approach to what was, and should be, an entrepreneurial culture and business, and the significant investment in large head office-based functions (such as marketing, HR, risk, compliance and IT). Within the branch network, managers lost the autonomy to recruit, develop and promote colleagues within the Group's branch network, which undermined their ability to market locally and to price to win instructions. Decision-making was also centralised without properly understanding which touch points should remain local and which were appropriate to the back office. The Board believes that the consequence was a loss of customer touch points, poorer service levels and substantial indirect costs (being largely overhead costs) in centralised functions in the periods under review;

(iii) the rationalisation, particularly in 2016 and 2017, of the branch footprint (which reduced from 1,076 branches as at 31 December 2015 to 880 branches as at 31 December 2017) based on an estimate of footfall rather than profitability, resulted in the closure of certain profitable branches, a deterioration in the Group's sales pipeline and the loss of a significant number of experienced sales and lettings professionals at senior, regional and branch levels, as well as the loss of mortgage and protection consultants (and therefore, the loss of significant industry expertise) that are key to the Group's business. The average number of full-time employees in Sales and Lettings declined from 6,765 in 2015 to 5,558 in 2017 (6,878 in 2016) and the average number of mortgage and protection consultants within the Group's branch network declined from 657 in 2015 to 633 in 2017 (676 in 2016). While the average number of full-time employees in Sales and Lettings and the average number of mortgage and protection consultants within the Group's branch network increased slightly between 2015 and 2016, this was principally due to the fact that the Group acquired a number of businesses in 2015 and 2016, which more than offset the impact of the decline in the average number of full-time employees and average number of mortgage and protection consultants on a like-for-like basis due to the rationalisation of branch footprint;

(iv) the loss of focus on offering a fully integrated service to customers, with a corresponding loss of income from complementary services offered by the B2B and Financial Services Business Units and profitability in the periods under review. In 2012, the intra-Group referral rate for complementary services was 50 pence for every £1. In 2017, partly as a result of the Group's prior strategy, this had reduced to 38 pence for every £1;

(v) the offering of a hybrid fixed-fee proposition under the Group's existing brands, in an effort to compete with disruptive online-only-do-it-yourself providers in the Group's market, led to confusion for the Group's customers (who expected to receive a full service at a reduced fee, from what is traditionally a branch-based operation) and for the Group's employees (which the Board believes further contributed to the loss of experienced sales professionals in the Group's branch network); and

(vi) the loss of focus on financial discipline and working capital management, which was exacerbated by significant expenditure on acquisitions, which the Board believes were not, on the whole, properly integrated, due to poor IT infrastructure and applications, and the use of cash that could have been used to pay down debt for acquisitions, dividends and share buy-backs. The combination of declining profitability and increased net debt resulted in Countrywide having to repeatedly renegotiate the covenants and covenant thresholds under the Previous Credit Facility.

See section 3 of Part I (*Letter from the Executive Chairman of Countrywide*) for further details about the Board's findings with respect to the Group's strategy between 2015 and 2017.

2.2 2018 to date

The Group reset its strategy and outlined its three-year turnaround plan on 8 March 2018. There are five key components of the Group's turnaround plan:

(i) going "Back to Basics" in Sales and Lettings to regain market share;

(ii) recovering the branch network's core strengths of selling complementary services;

(iii) cost efficiency;

(iv) financial discipline; and

(v) continuing to build on the strengths in the B2B and Financial Services Business Units.

See section 3 of Part I (*Letter from the Executive Chairman of Countrywide*) for further details about the Group's current strategy and turnaround plan.

In H1 2018, the Group generated total income of £303.6 million, and reported a loss for the period of £205.8 million and Adjusted EBITDA of £10.7 million, compared to total income of £332.7 million, a loss for the period of £0.5 million and Adjusted EBITDA of £27.8 million in H1 2017.

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to profit/(loss) for the periods under review:

	FY 2015	FY 2016	FY 2017[1]	H1 2017[2] (unaudited)	H1 2018 (unaudited)
			(£ in thousands)		
Profit/(loss) for the period	**41,768**	**17,540**	**(208,072)**	**(491)**	**(205,816)**
Finance costs[3]	6,376	9,672	12,607	6,107	8,937
Finance income	(321)	(304)	(82)	(63)	(140)
Taxation charge/(credit)	5,942	1,955	(3,987)	683	(36,935)
Depreciation and amortisation	31,358	32,872	33,490	16,535	15,218
EBITDA	**85,123**	**61,735**	**(166,044)**	**22,771**	**(218,736)**
Exceptional items (net)[4]	13,599	12,489	225,869	2,706	223,029
Contingent consideration	8,947	6,834	3,929	1,125	4,640
Share-based payments	4,394	2,477	1,623	1,207	1,723
Share of profit/(loss) from joint venture	914	13	(690)	—	—
Adjusted EBITDA	**112,977**	**83,548**	**64,687**	**27,809**	**10,656**

1 Does not reflect the Prior-Year Correction. The prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

2 Restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the H1 2017 Restatement and the Prior-Year Correction. See section 3 of this Part for further details. The prior-year comparative (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

3 Includes exceptional finance costs.

4 Presented as exceptional items (net), which comprises exceptional income less exceptional costs, consistent with the presentation of this line item in the 2017 Annual Financial Statements, as opposed to separate line items for each of exceptional costs and exceptional income as presented in the 2016 Annual Financial Statements. A detailed breakdown of exceptional items (including exceptional income and exceptional costs) is included under section 5.7 of this Part. For H1 2017 and 2018 excludes exceptional financing costs not reported in operating profit.

3. SEGMENTS

3.1 Segmental presentation for 2015, 2016 and 2017

For purposes of the discussion of the Group's results of operations for 2015, 2016 and 2017 below, the Group's business has been split into four principal businesses generating revenue, which comprise four principal operating segments that are aligned with the operations conducted by the corresponding Business Unit: UK Sales and Lettings, London Sales and Lettings, Financial Services and Business to Business (B2B). The fifth segment, namely the "all other segments" segment, comprises central head office functions. The assets and liabilities for each operating segment represent those assets and liabilities arising directly from the operating activities of the corresponding Business Unit.

The Group presented, in its 2016 Annual Financial Statements, four principal businesses generating revenue, which comprised the four principal operating segments Retail, London, Financial Services and B2B, along with a fifth "all other segments" segment. Segment results for 2016 (as the comparative period) were restated in the 2017 Annual Financial Statements following an internal restructuring of operations in 2017 between what, for the purposes of the 2017 Annual Financial Statements, constituted the UK Sales and Lettings, London Sales and Lettings and B2B operating segments. This included the following (collectively, the "**2016 Segments Restatement**"):

- renaming the Retail and London operating segments as UK Sales and Lettings and London Sales and Lettings, respectively;
- transferring 29 branches and their operations from the Retail operating segment (since renamed the UK Sales and Lettings operating segment) to the London operating segment (since renamed the London Sales and Lettings operating segment);
- transferring two branches from the London operating segment (since renamed the London Sales and Lettings operating segment) to the Retail operating segment (since renamed the UK Sales and Lettings segment);
- transferring valuation operations undertaken by two brands from the London operating segment (since renamed the London Sales and Lettings operating segment) to the B2B operating segment (to centralise these operations under B2B's surveying business); and
- transferring three RDS operations from the London operating segment (since renamed the London Sales and Lettings operating segment) to the B2B operating segment to align these operations with the B2B operating segment's existing operations. Segment results for 2015 were not required to be, and were not, restated.

For purposes of facilitating comparability across the periods under review, the Group refers in this document to the "UK Sales and Lettings" and "London Sales and Lettings" operating segments in respect of comparisons between the Group's results in 2015 and 2016 only, to mean the "Retail" and "London" operating segments, respectively, as presented in the 2016 Annual Financial Statements (i.e. before the 2016 Segments Restatement).

The segments for purposes of the discussion of the Group's results of operations for 2015, 2016 and 2017 are as follows. When the Group publishes its annual results for 2018, both 2018 and comparative results for 2017 will be presented on the basis of the segments described in section 3.2 below:

(i) **UK Sales and Lettings**: The UK Sales and Lettings operating segment covers both estate agency and lettings operations in the UK (excluding London and excluding nominal operations in overseas markets through informal affiliations with real estate operators in those markets). As at 31 December 2017, the UK Sales and Lettings business comprised 649 physical locations across 50 brands, serving customers' residential sales and lettings needs across a range of price bands. The sales function generates commission revenue on sales of residential and, to a lesser extent, commercial property, and the lettings function generates fees from the letting and management of residential properties.

In Sales, the UK Sales and Lettings Business Unit and the London Sales and Lettings Business Unit together sold approximately 1 in 20 homes sold in the UK in 2017 (2016: 1 in 17), based on volumes of sales of residential properties from ONS and the Group's volumes of residential property sales.

In Lettings, the Group had approximately 59,200 properties under management across the UK (excluding London) as at 30 June 2018 and, in 2017, an average of approximately 6,750 lettings applicants registering each week acoss the UK (excluding London).

(ii) **London Sales and Lettings**: The London Sales and Lettings operating segment covers both estate agency and lettings operations in London, and also includes nominal operations in overseas markets through affiliations with real estate operators in those markets. As at 31 December 2017, the London Sales and Lettings business comprised 231 physical locations across 16 brands, serving customers' residential sales and lettings needs across a range of price bands. The sales function generates commission revenue on sales of residential and, to a lesser extent, commercial property, and the lettings function generates fees from the letting and management of residential properties.

In Lettings, the Group had approximately 27,200 properties under management in London as at 30 June 2018 and, in 2017, an average of approximately 3,400 lettings applicants registering each week in London.

(iii) **B2B**: The B2B operating segment comprises all lines of business with corporate customers, as well as residential customers for which it provides conveyancing services. Revenue is generated from surveying and valuation fees received from financial institutions, conveyancing fees, and fees from commercial property consultancy and advisory services, property management and valuation services through Lambert Smith Hampton (a commercial property consultancy that provides services to investors, developers and occupiers across the full property lifecycle) and through RDS.

(a) *Surveying Services* generate surveying and valuation fees which are received primarily under contracts with financial institutions with some survey fees being earned from home buyers.

(b) *Conveyancing Services* generate conveyancing fees from conveyancing work undertaken for customers buying or selling residential properties through the Group's network.

(c) *Lambert Smith Hampton's* revenue is earned from fees for commercial property consultancy and advisory services, property management and valuation services.

(d) *RDS* generates revenue by charging home builders a commission for finding buyers. The Group's marketing team also finds buyers through the division's branch network.

(iv) **Financial Services**: The Financial Services operating segment generates commission revenue from arranging the sale of mortgages, including through remortgaging activity (which together accounted for 59 *per cent*. of total income from this operating segment in H1 2018

(2017: 55 *per cent*.; 2016: 54 *per cent*.; 2015: 51 *per cent*.), insurance policies and related financial services products under contracts with financial services providers. The Group is a leading independent mortgage broker in the UK, having arranged approximately 10 *per cent*. of the gross value of all mortgages arranged through intermediaries in 2017 (based on UK Finance data, excluding buy-to-let). As at 31 December 2017, the Group employed more than 600 mortgage and protection consultants, including specialist remortgage consultants and specialist new home mortgage consultants. Through its Mortgage Intelligence brand, the Group owns one of the foremost networks of advisers in the UK (based on the number of appointed representatives as at 30 April 2018), while The Buy To Let Business and Mortgage Bureau brands arrange specialist lending. The Group does not itself provide mortgage financing, underwrite insurance or otherwise provide financial services.

(v) **All other segments**: The "all other segments" operating segment covers central head office functions. Finance income and costs are allocated to this segment and not to the other operating segments, as this type of activity is driven by the central treasury function as part of managing the cash position of the Group. Pension assets and liabilities, and liabilities arising from the Previous Credit Facility and related derivative financial instrument (a swap which was terminated in H1 2018) are allocated in full to the "all other segments" operating segment within the Group's segmental analysis as they are measured by central Group functions. The available-for-sale financial assets (which were non-derivative financial assets relating to the Group's interest in unlisted residential property fund units and which were divested in H1 2018) are disclosed within "all other segments." The equity investment in joint venture and available-for-sale financial assets are also disclosed within the "all other segments" operating segment.

3.2 Segmental presentation for H1 2017 and H1 2018

For financial reporting purposes, the Group has revised its segment presentation for its H1 2018 results and, therefore, for purposes of the discussion of the Group's results of operations for H1 2017 and H1 2018 below, the Group's business has been split into three principal businesses generating revenue, which comprise three operating segments: Sales and Lettings, Financial Services and B2B. The fourth segment, namely the "all other segments" segment, comprises central head office functions. The Sales and Lettings operating segment is aligned with the operations conducted by the UK Sales and Lettings and London Sales and Lettings Business Units combined, and the B2B and Financial Services operating segments are aligned with the operations conducted by the corresponding Business Units.

The change to the Group's segmental presentation in H1 2018 is aligned with management's current internal financial reporting framework (including monthly management information reports reviewed by the Directors, and the Board as the chief operating decision maker), the basis on which decisions for allocation of resources are made, as well as management's assessment of performance of segments within the Group. Segment results for 2015, 2016 and 2017 were not required to be, and have not been, restated to reflect the change in the Group's operating segments as reflected in the 2018 Unaudited Interim Financial Statements.

The Group's consolidated results for H1 2017 (as the comparative period) and the Group's segment results for the Sales and Lettings Business for H1 2017 (as the comparative period) were restated in the 2018 Unaudited Interim Financial Statements following the adoption of IFRS 15 (see section 6.3 of this Part for further information regarding IFRS 15), which had an impact on revenue recognition from contracts with customers (the "**H1 2017 Restatement**"). The Group's consolidated results and segment results for 2017 will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018 to reflect IFRS 15.

The following table sets out key line items for each of the Group's principal operating segments on the basis of the segmental presentation for 2015, 2016 and 2017 discussed above.

Based on 2016 Annual Financial Statements and 2017 Annual Financial Statements Presentation	FY 2015	FY 2016[1]	FY 2016	FY 2017[2]
	(£ in thousands)			
UK Sales and Lettings[2 3]				
Total income from external customers	254,451	262,275	247,820	205,186
Adjusted EBITDA	43,343	31,004	27,846	14,888
London Sales and Lettings[2 3]				
Total income from external customers	177,982	160,408	172,553	155,304
Adjusted EBITDA	34,162	18,024	20,551	11,547
Financial Services				
Total income from external customers	80,994	88,174	88,174	87,324
Adjusted EBITDA	20,709	22,682	22,682	19,660
B2B[1]				
Total income from external customers	219,051	222,475	224,785	220,745
Adjusted EBITDA	32,302	30,791	31,498	35,576

1 Derived from the 2016 Annual Financial Statements and does not reflect the 2016 Segments Restatement. See section 3 of this Part.

2 Does not reflect the Prior-Year Correction. The prior-year comparative period (2017) will be restated for the Sales and Lettings operating segment in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

3 Restated for 2016 in the 2017 Annual Financial Statements following the 2016 Segments Restatement. See section 3 of this Part for further details. Segment results for 2015 were not required to be, and were not, restated in the 2016 Annual Financial Statements

Solely for purposes of providing a consistent comparison across periods under review, the following table sets out key line items for each of the Group's principal operating segments on the basis of the segmental presentation for H1 2017 and H1 2018 as set out in the 2018 Unaudited Interim Financial Statements. The Group was not required to restate, and has not restated, financial statements for prior periods, and accordingly the figures for 2015, 2016 and 2017 presented in accordance with the H1 2018 segmental presentation are provided for informational purposes only.

Based on 2018 Unaudited Interim Financial Statements Presentation	FY 2015	FY 2016[1]	FY 2016[2]	FY 2017	H1 2017[3] *(unaudited)*	H1 2018 *(unaudited)*
	(£ in thousands)					
Sales and Lettings[2 3]						
Total income from external customers	432,433	422,683	420,373	360,490	180,649	159,145
Adjusted EBITDA	77,505	49,028	48,397	26,435	12,358	(1,797)
Financial Services						
Total income from external customers	80,994	88,174	88,174	87,324	42,600	40,228
Adjusted EBITDA	20,709	22,682	22,682	19,660	8,626	7,277
B2B[2]						
Total income from external customers	219,051	222,475	224,785	220,745	108,623	103,737
Adjusted EBITDA	32,302	30,791	31,498	35,576	14,710	11,443

1 Derived from the 2016 Annual Financial Statements and does not reflect the 2016 Segments Restatement. See section 3 of this Part for further details.

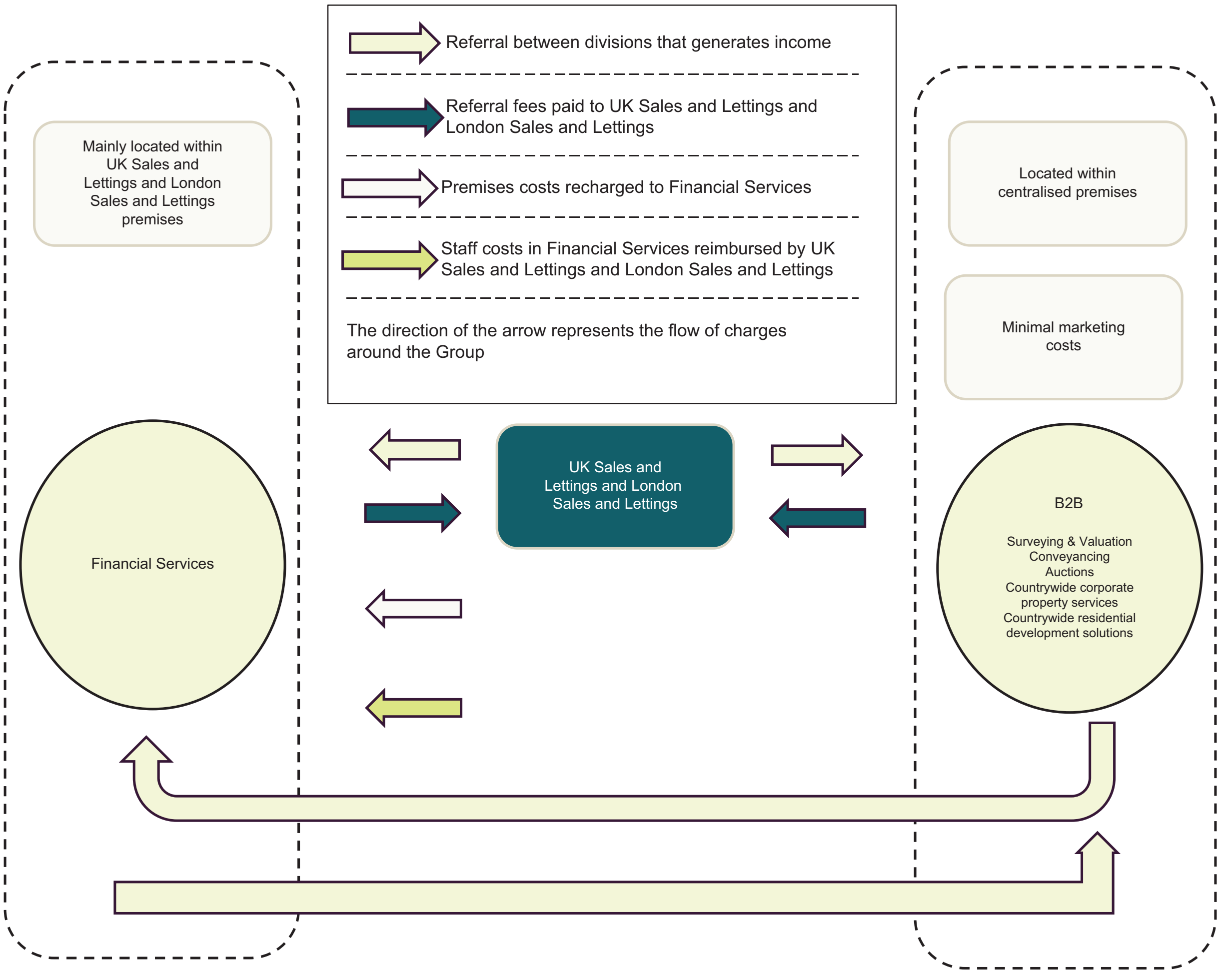
2 Restated for 2016 in the 2017 Annual Financial Statements following the 2016 Segments Restatement. See section 3 of this Part for further details. Segment results for 2015 were not required to be, and were not, restated in the 2016 Annual Financial Statements.

3 Restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the H1 2017 Restatement and the Prior-Year Correction. See section 3 of this Part for further details. Results for 2017 will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

For purposes of facilitating comparability across the periods under review, the Group refers in certain cases herein to the "UK Sales and Lettings" and "London Sales and Lettings" operating segments in respect of comparisons between the Group's results in H1 2017 and H1 2018 only, to mean the "Sales and Lettings" operating segment as presented in the 2018 Unaudited Interim Financial Statements.

3.3 Inter-segmental leads and referrals

The Group generates revenue through inter-segment leads and referrals and the following schematic illustrates how the Group generates revenue through such leads and referrals, and the sale of complementary services within the Group.



4. PRINCIPAL FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The Group's results of operations were affected in the periods under review, and are expected to continue to be affected, by the following principal factors relating to its business and industry, as well as the macroeconomic, geopolitical and regulatory environment in the UK.

4.1 Prior strategy

The Board believes that the Group's results of operations were materially adversely impacted by the Group's Prior Strategy between 2015 and 2017 (see section 2.1 of this Part for further information). During this period, the Board believes that the Group failed to capitalise on its position of strength as the UK's largest integrated property services group at the time (with one of the largest estate agency and lettings networks in 2016 and 2017 as measured by listings market share, based on 20ci data) and undertook initiatives that hindered its results of operations.

The Board believes that poor performance in the core UK Sales and Lettings and London Sales and Lettings Business Units between 2015 and 2017 overshadowed the performance of the more resilient areas of the Group's business and substantially impacted the Group's overall profitability, market share and leverage. Adjusted EBITDA declined from £121.1 million in 2014 to £64.7 million in 2017 (2016: £83.5 million; 2015: £113.0 million) and the Group's market share of property exchanges in the UK (excluding Northern Ireland) declined from 6.1 *per cent.* in 2014 to 4.5 *per cent.* in 2017 (according to HMRC data) despite the number of property exchanges remaining broadly flat. To fund the Prior Strategy, the Group's drawdowns under its Previous Credit Facility increased from £120.0 million as at 31 December 2014 to £210.0 million as at 31 December 2017 (£200.0 million and £290.0 million as at

31 December 2015 and 2016 respectively), with finance costs more than doubling from £5.6 million in 2014 to £12.6 million in 2017 (£6.4 million and £9.7 million in 2015 and 2016, respectively).

The Board believes that the loss of experienced and trusted industry professionals in the Group's branch network made it increasingly challenging to sell houses and win instructions within its Sales and Lettings business and, as a result, to provide complementary services. This loss of expertise is believed to have contributed not only to a decline in the number of exchanges (particularly in the UK, and, to a lesser extent, in London, which was more impacted by macroeconomic, geopolitical and market conditions — as described in section 4.2 of this Part and which was largely unaffected by the Prior Strategy in higher value brands), but also the average fee per exchange earned by the Group (which declined by 5.2 *per cent.* in UK Sales and Lettings in 2017 compared to 2016, notwithstanding a 2.5 *per cent*. increase in average house prices in the UK (excluding London)), as well as a decline in properties under management and a significantly weaker sales pipeline. The B2B and Financial Services operating segments' results of operations were impacted by the adverse performance of the UK Sales and Lettings and London Sales and Lettings operating segments, with a decline in referrals from the Sales and Lettings businesses and opportunities to generate complementary income (particularly impacting the conveyancing business), which more than offset the strong performance in the surveying and mortgage broking businesses in 2016 and 2017.

On 8 March 2018, the Group outlined its turnaround plan. See section 2 of this Part for further information about the Group's turnaround plan which includes, among other things, going "Back to Basics" in Sales and Lettings, involving the redefinition of the business back into separate Sales and Lettings service lines (for operational purposes but not for external financial reporting purposes), the rebuilding of an experienced industry team which had been depleted under the previous management (and which the Board believes is crucial for the Group's success), investment in front-line staff (which the Board believes is necessary to generate more leads and market appraisals, leading to more estate agency sales and listings and sales of complementary services) and the rebuilding of the Group's sales pipeline. This plan also eliminated the Group's former hybrid offering in March 2018 and deploys resources where necessary (such as increasing marketing to help rebuild the sales pipeline). In addition, the Group is focused on implementing various cost efficiency initiatives and improving its financial discipline, working capital management, cash flows and cost efficiencies (see sections 4.7 and 4.8 of this Part for further information).

The Board believes that the early signs from the turnaround plan are encouraging. The sales pipeline is showing signs of improvement: as at 30 June 2018, the sales pipeline was down 9 *per cent*. year-on-year, compared to down 15 *per cent*. year-on-year as at 31 December 2017, the fee pipeline was down 13 *per cent*. year-on-year as at 30 June 2018, compared to down 19 *per cent*. year-on-year as at 31 December 2017, and the register of properties available was up 3 *per cent*. year-on-year as at 30 June 2018, compared with a year-on-year decrease of 24 *per cent*. at 30 June 2017.

As part of the Group's turnaround plan, the Group has, in H1 2018, increasingly highlighted the importance of the sale of complementary services from its Financial Services and conveyancing businesses, and the Board is encouraged to see that the intra-Group referral rate for complementary services during H1 2018 was 41 pence for every £1 (H1 2017: 38 pence for every £1), representing an 8 *per cent*. increase compared to H1 2017. Notwithstanding these improvements, the Board believes that a combination of factors resulted in an overall decline in the Group's revenue in H1 2018 compared to H1 2017 (see section 7.1 for further information).

The Board expects the Group's results will benefit from an improved sales pipeline in H2 2018, a traditionally stronger performance in the second half of the year due to seasonality (see section 4.8 of this Part) and cost efficiencies that it aims to achieve in the Financial Services and B2B businesses. The Board also expects the Group's revenue from complementary services will increase by the end of 2018 and the Group intends to continue to drive this activity as a key part of its sales strategy, with an aim of increasing revenue from complementary services to historical levels in the medium term.

4.2 Macroeconomic, geopolitical and market conditions in the UK and the cyclical nature of the UK property industry

The Group's results of operations have traditionally depended on the health of the UK residential property market, which has been, and which the Board expects will continue to be, cyclical in nature, impacted by changes in general macroeconomic, geopolitical and market conditions in the UK. These include:

(i) changes in interest rates, unemployment rates and the level of wages;

(ii) economic growth;

(iii) demographics (population size, growth and composition of a residential property);

(iv) consumer confidence in the economy or the UK residential property market;

(v) local or regional economic conditions in the markets served by the Group;

(vi) local and regional property inventory levels, the cost of land and land use restrictions;

(vii) credit market strength and the cost and availability of mortgage financing (discussed under "Availability and cost of mortgage financing to residential home buyers");

(viii) mortgage underwriting standards or downpayment requirements (discussed under "Availability and cost of mortgage financing to residential property purchasers");

(ix) the exchange rate for pounds sterling compared to foreign currencies (causing UK real estate to be more or less expensive for foreign purchasers);

(x) levels of foreclosure activity in the UK market, home ownership rates and consumer preferences (including a pervasive cultural tendency in the UK towards property ownership);

(xi) political uncertainty relating to Brexit or other geopolitical developments or natural disasters; and

(xii) man-made disasters that disrupt local or regional markets that the Group serves.

These factors impact the forces of supply and demand in the UK residential property market. The UK residential property market can also be highly sensitive to market perception of the economy generally and the Group's industry specifically.

When demand for residential property is impacted by such market conditions and the cyclical nature of the UK residential property market, this tends to have a corresponding impact on residential property prices (and therefore the level of commissions earned by the Group) and the volume of transactions, which has, in the periods under review, materially affected, and may in the future materially affect the Group's results of operations, particularly in its UK Sales and Lettings and London Sales and Lettings operating segments and, to a lesser extent, its B2B and Financial Services operating segments.

While changes in residential property prices and commissions affect the Group's total income and profitability, these factors are not as significant as changes in market volumes, since they reduce the level of income from a residential property sale, while lost volumes give rise to both lost sales and lost income from the sales of complementary services by the B2B and Financial Services businesses as a result of lower opportunities to generate complementary income. However, the Board believes that the diversified nature and scale of the Group's business has allowed it to expand into markets, particularly within B2B and Financial Services, that have been, and will continue to be, less impacted by economic cycles and more resilient to negative market conditions, including because they are less sensitive to the volume of housing transactions and provide better revenue visibility. The Group's business model seeks to balance both cyclical business areas (such as sales of residential property) with business areas that are either counter-cyclical (such as residential lettings) or less impacted by the economic cycle (such as the surveying, insurance and remortgaging businesses within B2B and Financial Services), to mitigate the impact of changing market conditions. In addition, the Board believes that the Group's diversified geographic footprint (with revenue streams from both the North and the South of the UK) provides a hedge across regional market trends within the UK.

2015 to 2017

In 2015, while the UK housing market, as measured by the number of second-hand homes exchanged, remained broadly flat year-on-year (at approximately 1.2 million homes exchanged based on HMRC data), the Group's results of operations, particularly in the UK Sales and Lettings operating segment, were impacted to some extent by a lack of supply of residential properties in the UK market (which the Board believes was partly due to the legacy of the drop in new builds following the onset of the global financial crisis that began in 2008), with both the sales and lettings markets having shown demand outstripping supply (with 22 *per cent*. fewer homes on the UK market in 2015 compared to 2014) and a 9 *per cent.* decline in the number of exchanges in UK Sales and Lettings in 2015 compared to 2014 driving vendor pricing expectations upwards and putting upward pressure on rents.

In addition, the negative trend in mortgage approvals at the end of 2014 (see "Availability and cost of mortgage financing to residential property purchasers" below), together with the uncertainty over the outcome of the 2015 general election in the UK, impacted transaction levels in the first half of 2015, as both buyers and sellers delayed decisions to move homes. However, activity in the lending markets improved in the summer of 2015, matching levels of activity not seen since 2008, which the Board believes contributed to growth in productivity per mortgage and protection consultant contributing to 7.7 *per cent.* growth in the Group's total number of mortgages arranged and 17.8 *per cent*. growth in the Group's total gross mortgage value in 2015 compared to 2014.

In 2016 and 2017, while the UK housing market, as measured by the number of second-hand homes exchanged, continued to remain broadly flat year-on-year (at approximately 1.2 million homes exchanged based on HMRC data), the UK residential property market continued to follow cyclical trends, particularly impacted by the same challenges of affordability and a lack of housing supply (both existing and new builds), changes to the stamp duty regime for high value homes and second home owners in 2016, the tapering of interest tax relief for landlords in 2017, uncertainty around the implications of Brexit and the UK's economic prospects (which contributed to weaker consumer sentiment), tighter household finances and the increase in the Bank of England's base rate to 0.5 *per cent*. in 2017. The referendum on Brexit in June 2016 increased the overall level of macroeconomic uncertainty, with a knock-on effect on property prices (particularly in London, where concerns over the prospects for the City of London led to more negotiation on price), mortgage approvals and volume of transactions (particularly in London in 2016 and 2017 and outside of London in 2017), with the London Sales and Lettings market being slower to recover than the rest of the UK. Demand for residential properties was a key factor in the London market, with the number of potential buyers coming to the market down 18 *per cent.* in 2016 compared to 2015. In addition, despite growth in the remortgage market in 2016, many customers chose to wait rather than remortgage due to the record low interest rates and without the anticipation of imminent interest rate rises, which had an adverse impact on the Group's results of operations.

In 2016, the number of exchanges in the UK Sales and Lettings operating segment increased by 1 *per cent.* compared to 2015, while the number of exchanges in the London Sales and Lettings operating segment decreased by 13.8 *per cent.* in the same period. In 2017, the number of exchanges in the UK Sales and Lettings operating segment declined by 17.2 *per cent.* compared to 2016, while the number of exchanges in the London Sales and Lettings operating segment decreased by 19.8 *per cent.* in the same period. The Group also experienced a 4.5 *per cent.* and 5.2 *per cent.* decline in the Group's average fee per exchange in the UK Sales and Lettings operating segment in 2016 and 2017, respectively, and a 3.7 *per cent.* decline in the Group's average fee per exchange in London in 2016 compared to 2015 (notwithstanding a 6.8 *per cent.* increase in the average house price in the London Sales and Lettings operating segment in the same period), owing in part to the challenging conditions in the UK property market, albeit the Board believes this was principally due to the loss of industry expertise in the UK Sales and Lettings operating segment. While the Board believes the Sales and Lettings businesses were impacted to a greater extent by the Prior Strategy, the macroeconomic, geopolitical and market conditions described above also impacted the Group's results, albeit more so in London than in the rest of the UK.

Market conditions and the cyclical nature of the UK property market had less of an impact on the B2B and Financial Services operating segments' results of operations, which are generally less impacted by the economic cycle in the face of challenging market conditions. The B2B and Financial Services operating segments' results of operations were, however, impacted by the adverse performance of the UK Sales and Lettings and London Sales and Lettings operating segments, with a decline in referrals from the Sales and Lettings businesses and opportunities to generate complementary income.

H1 2017 to H1 2018 and outlook

In H1 2018, the number of second-hand homes exchanged in the UK fell by 3.5 *per cent.* as at the end of May 2018 (according to HMRC transaction figures). Political and economic uncertainty in the UK, particularly in relation to Brexit, continued to impact consumer sentiment in H1 2018, which the Board believes was weak across multiple sectors, and particularly impacted the high-value segment of the London housing market. The Board believes that this uncertainty, combined with the continued effects of increased stamp duty on higher value homes and on second homes, contributed to a more subdued housing market in H1 2018.

In H1 2018, in the Sales and Lettings operating segment, the number of exchanges in the UK (excluding London) decreased by 18.3 *per cent.* compared to H1 2017, while the number of exchanges in London decreased by 11.5 *per cent.* in the same period. The Group also experienced a 6.2 *per cent.* decrease in the Group's average fee per exchange in Sales and Lettings in the UK (excluding London) in H1 2018 compared to H1 2017, while the average house price remained broadly stable in the same period, as well as a 3.6 *per cent.* decline in the Group's average fee per exchange in Sales and Lettings in London in H1 2018 compared to H1 2017 and a 3.3 *per cent.* decrease in the average house price in Sales and Lettings in London in the same period. The Board believes the weaker performance and metrics in Sales and Lettings in H1 2018 compared to H1 2017 were principally driven by the significantly smaller opening sales pipeline in Sales and Lettings in January 2018 compared to January 2017, impacted by the significant sales pipeline deficit as a result of the Prior Strategy, the decline year-on-year in the number of second-hand homes exchanged in the UK, and a longer time lag between market appraisals and instructions in H1 2018 (with the level and speed of instructions adversely impacted in part by the subdued UK housing market). While the Group's market appraisals were up between the periods, the number of exchanges across both London and the rest of the UK had suffered, which had a material adverse effect on the Group's results. In addition, the Prior-Year Correction (see sections 4.11 and 16.4 of this Part) adversely impacted the Group's results in H1 2017.

Market conditions in H1 2018 had less of an impact on the B2B and Financial Services operating segments' results of operations, although it did impact the Countrywide Residential Development Solutions and Lambert Smith Hampton businesses, thus impacting revenue from the B2B operating segment as it more than offset stronger performance in the surveying and estate and asset management businesses. The Financial Services business on the other hand was impacted by the smaller opening sales pipeline in January 2018 compared to January 2017, a 9 *per cent.* reduction in the average number of mortgage and protection consultants in H1 2018 compared to H1 2017, and lower levels of referred business from Sales, (which adversely impacted the core number of mortgages arranged and core gross mortgage value (8.4 *per cent.* decline and 7.7 *per cent.* decline, respectively, in H1 2018 compared to H1 2017)). This more than offset the strong growth in non-core numbers of mortgages arranged and non-core gross mortgage value, as well as strong demand for remortgaging in the UK market as rates remained competitive in H1 2018.

While the Board expects the UK housing market, as measured by the number of second-hand homes exchanged, to remain broadly flat year-on-year for the next three years (at approximately 1.2 million homes exchanged based on HMRC data), with no recovery in the London market, the Board expects average house prices to continue to grow, albeit at a slower rate than in the periods under review, by approximately 2 *per cent.* in 2018, compared to 2017, and 3 *per cent.* in 2019, compared to 2018 (based on data from the UK Land Registry). The UK population is also forecast to continue growing steadily (with the UK population forecast to increase by 3.6 million people between 2021 and 2026), which is expected to create significantly more households, driven by net positive migration into the UK and changing age demographics.

The Board also expects that high employment rates will continue to support the UK housing market in the near-term, with the unemployment rate having fallen to 4.2 *per cent.* in the second quarter of 2018. However, the Board expects that political and economic uncertainty in the UK will continue to impact the UK housing market in H2 2018. Subdued consumer spending and business investment arising from a weak currency, inflation and uncertainty surrounding Brexit is expected to contribute to a subdued housing market, which the Board expects will continue to have a more marked impact on the London market as compared to the rest of the UK.

The volume of exchanges (which tends to be more volatile than prices) is expected to continue to be impacted by recent reforms to stamp duty. While the Lettings business is not expected to be impacted until April 2019 by the proposed Tenant Fees Bill which contains a ban on letting agent fees charged to tenants, the Group is targeting various mitigating actions in an attempt to lessen the impact on its results. The Board currently anticipates that, if implemented in its current form, the Tenant Fees Bill would have a negative annualised impact on Group revenue of approximately £21 million, which the Board hopes to reduce to a £16 million annualised impact on Group revenue net of mitigating actions that the Group intends to take. The Board expects the rental market to grow in size, notwithstanding reducing stock levels, and expects that tax exemptions for corporate landlords will incentivise growth in this sector, leading to smaller landlords incorporating and expanding portfolios in the future. Institutional investment in rental markets is picking up as the demand for housing grows and the UK housing market continues to face challenges in respect of affordability.

The Board expects the Group's results will benefit from an improved sales pipeline in H2 2018, a traditionally stronger performance in the second half of the year due to seasonality, as well as cost efficiencies that it aims to achieve in the Financial Services and B2B businesses. The Board also expects the Group's revenue from complementary services will increase by the end of 2018, and the Group intends to continue to drive this activity as a key part of its sales strategy, with an aim of increasing revenue from complementary services to historical levels in the medium term.

The Board also expects demand for remortgaging to remain robust and rates to remain competitive in H2 2018, while purchases in the buy-to-let market are expected to continue to be constrained by recent regulatory and tax changes in the UK, the full impact of which has yet to be fully felt.

See Part IV (*Industry Overview and Regulatory Framework*) for further information, including expectations as to future developments, about the property market and the wider economy.

4.3 Availability and cost of mortgage financing to residential property purchasers

The Group's business, including its ability to sell complementary products and services to customers across its Business Units is dependent on the availability and cost of mortgage financing, particularly outside of the high value real estate sector.

The availability and cost of mortgage financing and the number of mortgage approvals are impacted by various factors, including:

(i) macroeconomic factors (such as interest rates);

(ii) availability of funding in wholesale markets;

(iii) deleveraging of banks' balance sheets;

(iv) mortgage underwriting standards on the part of mortgage providers (including a more or less conservative attitude to risk and changes in lenders' approval policies and processes such as loan value ratios);

(v) regulations on credit (including any new regulations, especially those increasing the capital requirements of banks);

(vi) deposit requirements;

(vii) affordability of residential properties; and

(viii) downpayment requirements.

Lower availability and/or higher cost of mortgage financing has impacted, and may in the future impact, the volume of exchanges, the level of commissions generated by the Financial Services business, as well as the Group's ability to sell complementary services to customers across its Business Units. For example, lower levels of mortgage approvals adversely affect the amount of commission that the Group is able to generate from the Financial Services Business Unit, which, for H1 2018, derived 59 *per cent*. of its total income from commissions earned on arranging the sale of mortgages, including through remortgaging activity (2017: 55 *per cent*.; 2016: 54 *per cent*.; 2015: 51 *per cent*.).

Mortgage approvals and cost of mortgage financing across the UK have remained broadly stable in the periods under review, with interest rates near historical lows and credit constraints, enhanced checks and increased downpayments now a feature of the market following the global financial crisis that began in 2008. The negative trend in mortgage approvals at the end of 2014 (in large part due to the introduction of new application procedures as part of the Mortgage Market Review, which resulted in a more protracted application process and introduced stronger lending criteria, and placed short term pressure on lender capacity and transaction volumes), together with the potential uncertainty over the outcome of the UK general election in May 2015 (as buyers and sellers delayed decisions to move home), adversely impacted the level of mortgages arranged in the UK market and by the Group in the first half of 2015.

The total number of mortgages arranged by the Group increased by 18.9 *per cent.* in 2016 compared to 2015, largely due to an increasing non-core number of mortgages arranged, and total gross mortgage value over the same period also increased by 28.7 *per cent.*, which in turn had a positive impact on total income from external customers in the Financial Services operating segment. These increases were in part due to stronger mortgage market conditions in the first half of 2016 compared to the same period in 2015, with higher levels of gross lending driven principally by buying demand ahead of the 3 *per cent.* stamp duty surcharge on second homes and buy-to-let properties introduced in April 2016.

The total number of mortgages arranged by the Group increased by 6.4 *per cent*. in 2017 compared to 2016, largely due to an increasing non-core number of mortgages arranged, and total gross mortgage value over the same period also increased by 12.7 *per cent*., which in turn had a positive impact on total income from external customers in the Financial Services operating segment. These increases were due in part to an increase in the number of homeowners remortgaging in the face of the interest rate rise by the Bank of England in 2017, being the first rise for 10 years, as well as first-time buyer activity helped by government schemes, reasonable credit availability and competitive mortgage rates. This more than offset the 1.5 *per cent*. decline in the number of mortgages taken out to fund a house purchase, driven in large part by a 28 *per cent*. decline in the number of buy-to-let mortgages taken out (according to Bank of England statistics). Regulatory and tax changes are among several factors that reduced confidence in the buy-to-let market leading to subdued house purchase activity by landlords since mid-2016.

The total number of mortgages arranged by the Group increased by 17.7 *per cent.* in H1 2018 compared to H1 2017, largely due to an increasing non-core number of mortgages arranged, and total gross mortgage value over the same period also increased by 20.2 *per cent.*, which in turn had a positive impact on total income from external customers in the Financial Services operating segment. These increases were in part due to strong demand for remortgaging in the UK market as rates remained competitive in H1 2018 This more than offset the decline in the core number of mortgages arranged and core gross mortgage value as a result of the smaller opening sales pipeline in January 2018 compared to January 2017, a 9 *per cent.* reduction in the average number of mortgage and protection consultants in H1 2018 compared to H1 2017 (due in part to a competitive market (with mortgage and protection consultants finding it easier to become self-employed), and lower levels of referred business from Sales (impacted by weaker performance in the Sales and Lettings business)).

The Board expects mortgage activity to remain relatively flat over the next two years, in part as a result of economic and political uncertainty. The Board expects demand for remortgaging to remain robust and for rates to remain competitive. While a modest increase in the Bank of England's base interest rate may not significantly affect the housing market as current rates are near historical lows, a significant rise in the base rate may have a negative impact on the UK housing market because interest rates charged on mortgages would increase correspondingly, thereby making it more expensive for prospective buyers to purchase residential property. Prospective buyers who can obtain a mortgage at current interest rate levels may be deterred by the possibility of increased rates and instead elect to remain in their current property or to continue renting. Higher interest rates (and, in turn, higher monthly interest payments) may make mortgages unobtainable for some prospective buyers. In addition, a significant rise in mortgage interest rates could lead to an increase in repossessions and potential losses for lenders. Any of these factors could depress the UK's residential property market, which may reduce the volume and value of property transactions facilitated by the Group and the total income generated from property sales and mortgage arrangements. On the other hand, the Board believes that an increase in the Bank of England's base rate would likely trigger an increase in remortgage activity.

4.4 Legislative and regulatory environment

The Group's businesses are subject to regulatory supervision. Regulators (and, in particular, financial services regulators) can, and often do conduct thematic reviews and industry-wide investigations into certain products, selling practices or other aspects of the Group's business. Failure to comply with applicable laws, regulations or rules, whether as a result of an investigation or otherwise, has impacted, in the periods under review, and could in the future impact the Group's results of operations. For example, in 2015, the 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 before the Group's ownership. An exceptional cost of £0.8 million was incurred by the Group in 2015, reflecting the penalty payable to the CMA and associated legal costs. In addition, in 2016, the Group incurred £0.4 million in costs in relation to a settlement with HMRC in respect of various deficiencies in its anti-money laundering and customer due diligence procedures. Moreover, following a recent management review of client accounting, and having received legal advice on the use of orphan funds, the Group now understands that some historical and untraceable orphan funds arising from the lettings business for the period from 2008 to 2017 should be held in trust under a separate client account. This has resulted in the Prior-Year Correction in the 2018 Unaudited Interim Financial Statements in respect of certain untraceable orphan funds for the period from 2008 to 2017. The Prior-Year Correction is not reflected for 2017, but the prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

Changes in government policy, laws or regulations in the UK that impact the residential property market, including tax policies, have adversely impacted, in the periods under review, and may in the future adversely impact, the number of residential property transactions and the cost of providing products and services related to such transactions, and therefore, the Group's results of operations. For example, the Board believes that the introduction in 2016 of a 3 *per cent.* stamp duty surcharge on second-home owners and the tapering of interest tax relief for landlords from 2017 had an adverse impact on the number of residential property transactions, which in turn affected its results of operations in 2016 and 2017. In addition, the tapering of mortgage interest tax relief on landlords in 2017 had an adverse impact on the Group's results of operations, which, together with the impact of the extra 3 *per cent.* stamp duty surcharge, disincentivised would-be landlords from purchasing residential properties. Further changes to government policies, laws or regulations, including the proposed Tenant Fees Bill which contains a ban on letting agent fees charged to tenants, the onset of increased licencing (including landlord licencing) or changes that otherwise limit or proscribe the Group's ability to sell complementary services or subject it to more onerous conduct of business requirements, may have the effect of reducing the Group's income and/or increasing the cost of providing services related to such transactions, thereby affecting future profitability. For example, the proposed ban on letting agent fees charged to tenants, if enacted in its current form, is expected to change the approach to revenue generation and have a material effect on the Group's results in 2019 (without accounting for any mitigating actions that the Group plans to take). In addition, foreign regulatory changes or capital controls that would make it more difficult for foreign purchasers to withdraw capital from their home countries or purchase and hold UK real estate could have a material adverse effect on the Group's results of operations.

4.5 Referrals and opportunities to sell complementary services

The Group seeks to capture revenue streams at each stage of a typical residential property sale or rental, from listing to completion or letting. In particular, the Sales businesses in the UK Sales and Lettings and London Sales and Lettings Business Units are used as distribution channels to sell complementary services from the B2B and Financial Services Business Units. A substantial proportion of the Group's revenues in the periods under review were derived from the provision of services that are complementary to the sale of residential property, including conveyancing and financial services, which mitigated in part the adverse performance in the Sales and Lettings businesses in the periods under review.

As a result of this relationship between the Group's different business functions, a decrease in the number of customers or volume of transactions in the UK Sales and Lettings and London Sales and Lettings Business Units, or a failure to sell complementary services effectively (or in line with expectations) or offer a fully integrated service, had, in 2016, 2017 and H1 2018, and could in the future have, a material adverse effect on the income that the Group derives from services provided in the B2B and Financial Services Business Units (particularly in businesses such as conveyancing and arranging the sale of mortgages and insurance policies, which are heavily reliant on referrals). For example, in 2012 the intra-Group referral rate for complementary services was 50 pence for every £1. In 2017, partly as a result of the Group's prior strategy, this had reduced to 38 pence for every £1, which has adversely impacted the Group's results of operations between 2015 and 2017.

In addition, the Group's results have been, and may in the future be, materially adversely impacted by various factors that may be within or outside of the Group's control, and which impact the volume of leads generated into the Financial Services and B2B Business Units, such as: an aged or uncompetitive product offering (such as with respect to insurance protection products, which the Board believes adversely impacted the Group's sale of insurance policies in 2016 compared to 2015); inadequate service levels; inability to adequately compete on price; inability to recruit and retain suitable mortgage and protection consultants or other employees; and IT systems and infrastructure. Moreover, customers may ultimately choose to procure complementary services from sources outside the Group, which would have an adverse impact on the revenue generated by the B2B and Financial Services Business Units.

The Group's ability to continue to grow its B2B and Financial Services businesses going forward largely depends on its ability to increase income from the sale of complementary services by leveraging its diversified footprint and portfolio of brands. In line with the Group's current strategy and turnaround plan, the Group reset its focus around selling complementary services and continuing to build on the strengths in its B2B and Financial Services businesses (see section 3.3 of Part I (*Letter from the Executive Chairman of Countrywide*) for further information).

4.6 Acquisitions and changes to the Group's branch network

The Group has historically grown through acquisitions, including in the periods under review, to expand its coverage in areas where it believed that it was under-represented but which presented significant opportunities for the right brands. Acquisitions present a range of uncertainties and risks and have had, in the periods under review, and may have, an impact on the Group's results of operations. See sections 2.9 and 2.10 of the Risk Factors for further details regarding the risks associated with acquisitions and the potential impact on the Group's results of operations.

In 2015 and 2016, the Group acquired 36 and 10 businesses for £76.3 million and £39.8 million, respectively, including:

(i) in 2015, 27 businesses were acquired to increase the Group's footprint in certain under-represented geographical areas, including Sutton Kersh in Liverpool and John Francis in Wales; five businesses were acquired within the London Sales and Lettings Business Unit, including Greene & Co; and four businesses were acquired within the B2B Business Unit to increase the Group's commercial footprint and non-cyclical revenue streams, including the Edward Symmons Group; and

(ii) in 2016, four businesses were acquired within the UK Sales and Lettings Business Unit, including the acquisition of Finders Keepers in Oxford; two businesses were acquired within the Group's London Sales and Lettings Business Unit; two businesses were acquired within the Financial Services Business Unit, being The Buy To Let Business and Mortgage Bureau, as part of the Group's targeted acquisition strategy to expand its financial services offering, particularly in niche areas such as buy-to-let mortgaging and remortgaging; and two businesses were acquired within the B2B Business Unit as part of its targeted acquisition strategy to expand the Group's commercial offering.

As part of the acquisitions undertaken historically, the Group has paid a portion of consideration through deferred consideration and earn-outs.

In respect of all legacy acquisitions, the Group was required, as at 30 June 2018, to pay deferred consideration of £3.4 million in the period up to 29 February 2021, as fixed payments, at specified times, in line with the original purchase agreements.

In addition, performance-related contingent consideration arrangements in respect of all legacy acquisitions could require the Group to pay a potential undiscounted maximum aggregate cash amount of £19.2 million in the period up to 29 February 2021, of which £10.8 million has been accrued as at 30 June 2018 to align with phased accrual over the performance period and in line with current estimates of expected financial performance (a significant proportion of which relates to the acquisition of The Buy To Let Business). See note 33 to the Annual Financial Statements and note 7 to the 2018 Unaudited Interim Financial Statements for further information regarding these contingent consideration arrangements.

Deferred consideration is determined at the point of acquisition and is deferred in time. Deferred consideration with respect to any particular acquisition declines year-on-year as the Group makes agreed payments. Contingent consideration accrues over agreed performance periods and charges can vary significantly depending on the level and size of acquisitions undertaken and the associated performance criteria linked to the ongoing service requirement. The Group reassesses the fair value of the resulting liabilities across these arrangements at each reporting period end, reflecting the Group's best estimates of future performance. However, these estimates are inherently subject to management judgment. Remeasurement could cause material volatility in the Group's reported results over the performance periods which would not be reflective of the business' performance in the period.

Acquisitions in 2015 and 2016 impacted the comparability of the Group's results of operations in the periods under review, and may also impact them in the future, principally due to exceptional costs resulting from material impairment of goodwill and assets associated with businesses and brands acquired in the periods under review, because the Group has not been, or may not be, able to realise the full benefits (including synergies) that it expects to realise from such historical acquisitions (in part due to costs incurred as a result of inefficiencies in the Group's end-to-end processes as it sought to integrate previous acquisitions, some of which are yet to be fully integrated). See section 5.7 of this Part for further information regarding such exceptional costs in the periods under review. The Group also incurred acquisition expenses of £1.1 million and £0.9 million, respectively, in 2015 and 2016 (nil in 2017).

As part of the Group's strategy to improve its financial discipline and cash flow, the Group made no acquisitions in 2017 or H1 2018, and the Board intends to continue with its strategy of predominantly focusing on organic growth while it focuses on implementing its new strategy and turnaround plan. However, the acquisition of suitable businesses has historically been, and may in the future be, important to the Group, and affect its results of operations.

4.7 Cost efficiency

The Group's competitiveness and long-term profitability depend on its ability to control costs.

The Group's principal costs include staff costs, marketing costs, rental costs for premises and fleet leasing costs. The Group views the salaries and wages component of staff costs (excluding variable commissions, profit shares and bonus arrangements), a portion of marketing costs (for example, certain internet portal fees) and most of the Group's IT costs, as well as other general costs, as the Group's fixed cost base as they do not fluctuate with business volumes. Other costs, considered as variable, include staff costs relating to commissions, bonuses, profit shares and contractor costs, costs relating to rates and utilities, certain marketing costs (newspaper and other advertising, postage, mailing and signboards), certain IT costs (document handling costs) and other general costs (including bad debt costs, certain offshoring costs and commissions paid to third parties). These costs represent the Group's variable cost base as they tend to fluctuate with business volumes. The Group also reviews its fixed and variable costs on the basis of a further split between indirect costs (comprising costs related to support functions, overhead, central marketing costs and IT costs) and direct costs (comprising all other costs linked to fee earning activity).

The Group's cost base is, for the most part, fixed relative to variable, and direct relative to indirect in nature.

The Group's fixed costs, direct costs and indirect costs increased, both in absolute terms and as a proportion of total income between 2015 and 2016, with fixed costs, indirect costs and direct costs increasing by 11.2 *per cent.*, 20.9 *per cent.* and 2.9 *per cent.*, respectively, in 2016 compared to 2015. The Group's variable costs decreased, both in absolute terms (by 10.8 *per cent.*) and as a proportion of total income between 2015 and 2016. The Board believes the Group's fixed costs, direct costs and indirect costs increased principally due to initiatives implemented under the Prior Strategy to pursue a more centralised operating model (including centralising decision-making and significantly expanding head office functions), higher IT costs, higher staff costs and costs incurred as a result of inefficiencies in the Group's end-to-end processes. In the case of fixed costs, this included an increase in IT costs as well as staff costs; in the case of indirect costs, this included an increase in overheads, central marketing costs and IT infrastructure costs and, in the case of direct costs, significant increases in head office, IT and procurement costs. The Group's variable costs decreased principally due a decline in bonuses and profit shares in 2016 compared to 2015.

The Group's fixed costs, variable costs, direct costs and indirect costs decreased both in absolute terms and as a proportion of total income between 2016 and 2017, with fixed costs, variable costs, direct costs and indirect costs decreasing by 7.10 *per cent.,* 8.3 *per cent.,* 8.5 *per cent.* and 0.4 *per cent.*, respectively. The Board believes the decline in the level of fixed costs in 2017 was in part due to initiatives implemented under the Prior Strategy, including the closure of branches and rationalisation of branch headcount (as described above), which contributed to lower staff costs and associated costs. This more than offset the increase in IT costs (relating in large part to legacy IT infrastructure and line of business applications), costs related to the failed hybrid proposition, and costs incurred as a result of inefficiencies in the Group's end-to-end processes as it sought to integrate previous acquisitions. The Board also believes that the decrease in the Group's fixed cost base in 2017 was in part due to the steps initiated in the second half of 2017 to address cost management and achieve cost efficiencies, as described below. The decline in variable costs was principally due to a decline in commissions, as well as bonuses, profit shares and contractor costs, costs relating to rates and utilities and certain marketing costs. The Board believes that the more significant decline in direct costs relative to indirect costs was principally due to the Group's weaker performance and the aforementioned initiatives, as well as the steps described below that began to be implemented in the second half of 2017.

The Group's fixed costs decreased by 4.3 *per cent.*, while increasing as a proportion of total income, in H1 2018 compared to H1 2017. The Group's variable costs remained broadly stable between the periods, increasing by 0.5 *per cent.* in H1 2018 compared to H1 2017, while increasing as a proportion of total income. The Group's direct costs decreased by 3.2 *per cent.* in H1 2018 compared to H1 2017, while increasing as a proportion of total income. The Group's indirect costs decreased by 20.1 *per cent.* and also decreased as a proportion of total income in H1 2018 compared to H1 2017. The Board believes the general decline in the level of costs in H1 2018 compared to H1 2017 was principally due to steps initiated by the Group in the second half of 2017 and in H1 2018 to address cost management and achieve cost efficiencies against the backdrop of a reduction in the number of exchanges in the Sale and Lettings businesses and the loss of market share due to the Group's Prior Strategy, as well as continued economic and political uncertainty in the UK. These steps included:

- right-sizing and driving cost efficiencies in certain business functions (in particular, significant rationalisation of the Group's central functions, particularly within its head office, reducing headcount by 122 permanent roles and 13 contractors), as well as closure of unprofitable branches that cannot be turned around due to market conditions;
- investing to address its legacy IT infrastructure and line of business applications (with the aim of significantly reducing IT costs in the future);
- achieving better terms through rationalisation of the Group's supply chain; and
- optimising its contact centre to improve customer experience by increasing call and customer contact capabilities in the branches, as well as through automation and digitisation. By redeploying customer support staff from regional contact centres to local branches, the Group will enable local issues to be dealt with locally, which the Board believes will improve the quality of customer service and increase managerial responsibility, while achieving cost efficiencies. The Board believes that restoring local capability in its branch network will lead to a decrease in fixed, centralised personnel costs and a corresponding increase in incentive-based personnel costs, which will in turn improve the matching of revenues and costs.

In addition, the Group has taken steps to improve the visibility of its cost base so as to give managers greater control and responsibility over managing their cost base. This included taking steps to:

- restore the management information and key performance indicators that allow the Group's regional, area and branch managers to manage performance on instructions, listings, and market share, on sales pipeline and on exchange income; and
- give branch managers greater control over the entire sales process, from lead generation to customer retention.

As a result of the implementation of these steps, the Group has incurred various exceptional strategic and restructuring costs in 2017 and HY 2018, the principal elements of which include:

- 2017: £4.4 million relating to redundancy costs and changes to the leadership structure to progress the achievement of the appropriate organisational structure, £1.7 million in respect of third party consultancy costs (for a number of different projects undertaken to tackle cost optimisation targets and related strategic initiatives) and £1.9 million of property closure costs (including property provisions costs in respect of dilapidations and onerous contract costs) in respect of additional premises identified and closed during the year, along with associated property closure costs; and

- H1 2018: £3.7 million relating to redundancy costs, principally arising from the restructuring of head office functions undertaken following the announcement on 8 March 2018, and changes to the leadership structure that occurred in H1 2018 to progress the achievement of the appropriate organisational structure; £3.4 million in respect of restructuring costs, including the write-down of assets related to curtailed projects, and third-party consultancy costs (arising from a number of different projects undertaken to tackle cost optimisation targets and related strategic initiatives which are being project managed centrally); and £0.8 million of property closure costs, comprising £0.6 million of closed property provisions and a £0.2 million property dilapidations provision in respect of a London office that has been identified for closure and communicated to impacted individuals prior to 30 June 2018. The closed property provisions cover the onerous commitment for the period from the intended vacation date until the end of the lease term.

The Group expects to incur further exceptional costs in implementing its strategy and turnaround plan, which is expected to take place over a period of three years, and which costs are expected to be similar in nature to those incurred in H1 2018.

The Group intends to continue to focus on decentralising costs and achieving cost efficiencies by taking further steps to implement the initiatives described above. The Board believes that once its initiatives to transform the IT estate have been implemented in full, these could reduce the Group's IT costs, contact centre costs and other Group-wide overhead costs (see section 3 of Part I (*Letter from the Executive Chairman of Countrywide*) for further information).

In addition, because variable costs tend to fluctuate with business volumes, the Group will need to react quickly in the future by decreasing such costs when it forecasts a potential downturn in business volumes or increase such costs as the market improves. For example, due to the high turnover of the Group's estate agents in particular, when the Group forecasts a downturn in the UK residential property market, it is generally able to reduce the number of employees (by not replacing departing estate agents) to mitigate the effect of reduced revenue that results from a market downturn.

The flexibility of the Group's cost base is, however, limited by the Group's scale and ability to react to normal fluctuations in the housing market; in the case of a severe downturn, the Group's fixed cost base cannot be reduced as quickly as its variable costs, without adversely affecting the Group's ability to recover during an upturn in the residential market. In addition, any further decline in volumes of housing transactions would likely have an adverse impact on the Group's ratio of fixed costs to total income.

4.8 Financial discipline, working capital management and cash conversion

The Group's cash management and cash conversion in the periods under review, particularly in 2015, 2016 and 2017 (including H1 2017), was poor, including with respect to its budgeting and forecasting processes, working capital management and capital allocation. Between 2015 and the first half of 2017, performance was largely focused on Adjusted EBITDA as a measure of performance, with very little focus on cash conversion and working capital management (including timeliness of billing and cash collection). In addition, the Board believes that the Group's capital allocation and investment processes were ineffective, in part due to a lack of focus on return on capital expenditures and procurement terms and a highly leveraged balance sheet.

Since the second half of 2017, the Group has adopted a more rigorous focus on working capital management, and capital allocation, particularly the improvement of its financial discipline, cashflow and cash conversion. To this end, the Group has introduced, for each Business Unit, more transparent and efficient cash flow reporting processes and measures, as well as procedures for resetting of management incentive plans at the executive level to link management remuneration to cash flow. Each Business Unit is also required to monitor collections performance on a weekly basis to improve operating cash flow.

The Group has also increased the number and capability of collection staff in its B2B Business Unit to improve timeliness of billing and cash collection. The Group is looking to improve procurement terms, including by negotiating more effective working capital terms with its suppliers. In addition, the Group has also implemented various measures to improve capital allocation and financial discipline, including aggregating all pools of capital into one single pool, with capital allocation being prioritised based on returns and subject to review by the Group Investment Committee (which has been created for this purpose).

Capital expenditures were significantly reduced between 2016 and 2017, with a £14.5 million decline in capital expenditures in 2017 compared to 2016 and the Group intends to focus on assessing business and anticipated return on capital expenditures in respect of future capital allocation. The Group has also revised its policies in respect of acquisitions and dividends, which have been suspended (other than with respect to smaller acquisitions) until the Group's profitability and leverage ratio improve. The Group did not undertake any acquisitions in 2017 and H1 2018 and has not declared a dividend since July 2016. The Board does not expect to pay dividends in the medium term, during which period the Group will invest in the business and implement the Capital Refinancing Plan in conjunction with its strategy and turnaround plan.

As a result of these initiatives, the Group's net cash generated from operating activities more than doubled to £58.1 million in 2017 compared to £27.9 million in 2016 (£65.2 million in 2015). While the Group's net cash (used in)/generated from operating activities decreased to a cash outflow of £17.2 million in H1 2018, compared to a cash inflow of £11.7 million in H1 2017, the Board believes this is due to the weaker trading result in H1 2018 feeding into the cash flows, as well as the increased outflows to trade creditors from the unwind of historical seasonal cash management practices (amounting to £17.9 million).

While the Group took steps to decrease drawdowns under the Previous Credit Facility from £290.0 million as at 31 December 2016 to £240.0 million as at 30 June 2018 (largely due to the application of net proceeds raised from a share placing), the Board believes that the Group is still currently over-leveraged and that its current capital position is unsustainable. The Group's net debt at 30 June 2018 was £211.7 million, compared with Adjusted EBITDA for H1 2018 of £10.7 million. The Group's net debt to Adjusted EBITDA ratio and Covenant net debt to Covenant Adjusted EBITDA ratio were 4.66x and 4.79x respectively, as at the same date. The Group has in the past sought and obtained consents and amendments to its covenants and covenant thresholds to avoid a default under the financial covenants under its Previous Credit Facility. The covenant ratios in the Previous Credit Facility were amended in February 2018 after deterioration of the Group's business performance in 2017 placed greater pressure on Countrywide's ability to comply with those covenants, in particular the leverage ratio. In June 2018, the Group agreed with its lenders under the Previous Credit Facility to defer the June testing date in respect of certain financial covenants (although this deferral has since been superseded by the entry into the Amended Credit Facility Agreement).

The Capital Refinancing Plan is intended to deliver the Group's objectives of: (i) accelerating the deleveraging of the Group's balance sheet, with the aim of reducing Covenant net debt to Covenant Adjusted EBITDA to 2.0-2.5x following the Capital Refinancing Plan and striving to reduce this ratio further to below 1.0x in the medium term; (ii) providing the Group with greater long-term certainty, flexibility and balance sheet strength, together with improved liquidity and covenant headroom; and (iii) reducing the Group's interest payments as a result of the reduction of indebtedness (Countrywide currently spends approximately £10 million per year on bank interest payments and, following the Capital Refinancing Plan, this is expected to reduce to approximately £5 million). The Group's key financial covenants are now set out in the Amended Credit Facility (which is now effective). While the Amended Credit Facility has lifted the Group's testing ratios (including an increase of the Group's Covenant net debt to Covenant Adjusted EBITDA testing ratio at 31 December 2018 to 5.25x from 3.25x under the Previous Credit Facility (with stepped decreases over time)) (see Part I (*Letter from the Executive Chairman of Countrywide*) for further information), the Group's performance and ability to comply with financial covenants under the Amended Credit Facility or any other future lending arrangements is dependent on a number of factors discussed in the Risk Factors. Failure to achieve greater financial discipline will have a material adverse impact on the Group's results of operations and, if the Group is unable to comply with covenants under its existing or future debt facilities in the future and is unsuccessful in amending the relevant covenants or covenant thresholds, or obtaining consents or waivers, it will default under such debt facilities and may cease trading (see paragraph 2.1 of the Risk Factors for further information).

4.9 Professional indemnity claims

Through its B2B Business Unit, the Group conducts valuations on behalf of mortgage lenders, with approximately 350,000 valuations carried out per annum. Properties that have been valued by the Group have, in some cases, been subsequently repossessed by mortgage lenders. When such lenders sell these repossessed properties, they incur a loss if the sale price is less than the amount that was outstanding under the mortgage.

Lenders may claim, and historically in various instances have claimed, that the Group's original valuation of the property was too high. The limitation period for contractual claims in respect of valuations is six years from the time of the valuation. The expiration of the limitation period on contractual claims does not, however, prevent other types of claims being made in relation to valuations, including claims for negligence or recklessness under tort law. In common with other valuers, the Group is subject to significant claims in relation to incorrect mortgage valuation reports, particularly those carried out between 2004 and 2007, a period that was characterised by high volumes of residential property transactions, high residential property prices and a competitive mortgage lending environment. The downturn in the property market since 2008 has resulted in lenders and buyers seeking to recover losses incurred in connection with housing transactions consummated between 2004 and 2007. The Group has also been subject to, and may in the future be subject to, misvaluation claims in relation to valuations carried out by it outside of this period.

While the Group has professional indemnity insurance protection for misvaluation claims, there are excesses (pursuant to which the Group bears a first portion of the loss on each claim) and maximum caps for a single claim and in the aggregate under the relevant insurance policies. In addition, insurers have sought, and may seek, in certain circumstances, to dispute coverage. This has in the past led, and may in the future lead, to significant operating costs for the Group as it is required to cover the cost of any claims not covered by its insurance. In addition, the Group establishes provisions for both claims already received and claims yet to be received under its professional indemnity insurance arrangements. The latter category requires significant management judgement given the need to estimate the incidence and amount of future claims and the estimate of these provisions by their nature is judgmental and sensitive to any change in trends. See section 2.12 of the Risk Factors for further information regarding the risks associated with professional indemnity claims.

The Group's results of operations have been impacted in each of the periods under review by professional indemnity claims and it is expected that its results will continue to be impacted by such claims going forward. During H1 2018, eight new misvaluation claims were notified to the Group (2017: 37; 2016: 62; 2015: 113) and 62 existing misvaluation claims were closed (2017: 135; 2016: 290; 2015: 389). The aggregate value of the misvaluation claims closed during H1 2018 was £11.1 million (2017: £4.7 million; 2016: £9.5 million; 2015: £11.1 million), of which 79 *per cent*. was borne by the Group's insurers (2017: 37 *per cent*.; 2016: 64 *per cent*.; 2015: 48 *per cent*.) under professional indemnity policies. Overall, the Group's liability (net of liabilities borne by insurers) in respect of claims closed during H1 2018 represented 0.77 *per cent*. of total income (2017: 0.44 *per cent*.; 2016: 0.46 *per cent*.; 2015: 0.78 *per cent*.). An individually significant claim or a high volume of smaller claims can have a material effect on the Group's results of operations, resulting in a need to increase or decrease its provisions (such as the recognition of £2.1 million of exceptional income in H1 2018 in respect of a claim settled in the Group's favour in H1 2018, an increase in the Group's professional indemnity provisions by £1.8 million in 2017 as a result of an individually significant claim and the recognition of £2.9 million of exceptional income in 2016 in respect of an exceptional credit arising from the release of professional indemnity provisions originally booked as exceptional costs) and impacting the payments that it will ultimately have to make, as well as increasing the cost of its external insurance for professional indemnity claims (which has already increased over time).

These provisions are based on a detailed and systematic analysis of the claims notified to the Group and the Group's insurance coverage. Nevertheless, the determination of such provisions requires management to make judgements, estimates and assumptions with respect to a complex set of facts and the Group continues to review the claim trends and inputs underpinning its existing provisions. Such judgements, estimates and assumptions and, therefore, the provisions, are subject to uncertainty. Additionally, the existence of these provisions does not mean that the Group does not suffer a cash cost as a result of a claim. Regardless of whether a provision exists, a successful or settled claim results in a cash cost. When losses exceed the provisions, additional charges are recorded in the profit and loss account. In the future, additional provisions could be required with respect to further claims or positions taken by the Group's insurer. As a result, ultimate losses incurred in respect of misvaluation claims could exceed the Group's current provisions.

4.10 Seasonality

Although the UK housing market is seasonal, with peaks in the second and third quarters of the year (particularly in the summer months), the Group usually earns fairly consistent revenues throughout the year. However, the Group's total income and Adjusted EBITDA are typically higher in the second half than in the first half of the year because, while fixed costs (such as wages and salaries and finance costs, which are not seasonal) tend to be consistent throughout the year, volumes of transactions in the second half of the year are typically higher (in part due to sellers tending to prefer marketing their homes in the summer and better weather conditions encouraging more listings and viewings) and therefore there is a higher marginal contribution over such fixed costs. In 2017, the expected seasonality trend was overshadowed by the deterioration in performance in H2 2017.

Adverse weather conditions in the UK impact the volumes of listings and viewings throughout the year, which in turn may adversely impact the Group's results.

The following table sets forth half-year breakdowns of unaudited total income and unaudited Adjusted EBITDA for the periods under review.

	Total income	Adjusted EBITDA[1]
	(£ in thousands, unless indicated otherwise) (unaudited)	
H1 2015	338,582	41,028
H2 2015	395,154	71,949
H1 2016	370,256	37,859
H2 2016	366,699	45,689
H1 2017[2]	332,677	27,809
H2 2017[3]	337,214	34,815
H1 2018	303,620	10,656

1 See section 2.2 of this Part for a reconciliation of Adjusted EBITDA to profit/(loss) for the period.

2 Restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the H1 2017 Restatement (as defined below). Reflects the impact of the Prior-Year Correction. See section 3 of this Part for further details. Total income and Adjusted EBITDA for 2017 will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

3 Restated to reflect adjustments in respect of the adoption of IFRS 15, solely to facilitate comparability with the first half of 2017. Does not reflect the impact of Prior-Year Correction.

4.11 Prior-Year Correction

Following a recent management review of client accounting, and having received legal advice on the use of orphan funds, the Group now understands that some historical and untraceable orphan funds arising from the lettings business for the period from 2008 to 2017 should be held in trust under a separate client account. A liability of £4.7 million in respect of certain untraceable orphan funds for such period has therefore been recognised in the Group's balance sheet in the 2018 Unaudited Interim Financial Statements, £4.5 million of which was recognised as a prior-year correction, along with a related reduction in retained earnings net of deferred tax. The equivalent value in cash has been reported as restricted cash in the 2018 Unaudited Interim Financial Statements, which increased net debt at 30 June 2018. The Group's segment results for the Sales and Lettings Business for H1 2017 (as the comparative period) were also restated. This is collectively referred to as the "**Prior-Year Correction**". The Prior-Year Correction is not reflected for 2017, but the prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

5. KEY CONSOLIDATED INCOME STATEMENT ITEMS

5.1 Revenue

The Group derives revenue mainly from commissions and fees received for services and products that it provides across each of its four principal operating segments (see section 3 of this Part). The Group reports other income generated that relates principally to sub-let rental income or other sundry fees separately under “all other segments”.

(i) **UK Sales and Lettings and London Sales and Lettings**

(a) Sales: Service lines within these operating segments generate commissions on sales of residential and commercial property (from vendors of residential property and from new house builders), as well as commissions from auction sales, which is accounted for on the exchange of contracts for such sales. Revenue from property sales is determined by the interplay between house prices and commission rates, as well as transaction volumes. The level of commissions typically is directly affected by house prices which in turn are affected by the balance of demand and supply of residential property sale transactions. As is common in the UK, the Group typically earns commissions on sales of residential property on a “no sale — no fee” basis. Revenue is recognised on exchange of contracts whereby the buyer and the seller are legally obliged under contract to complete the residential property sale and purchase. However, the Group also charges a non-refundable upfront fee, where appropriate, to customers who wish to purchase “enhanced marketing packages” which provide prospective purchasers with additional detailed information on the property they are interested in and gives the Group the opportunity to obtain revenue regardless of whether a residential property sale is ultimately consummated. These operating segments also generate income from energy performance certificates. In addition, the Group operates a new homes agency, which generates revenue by charging home builders a commission for finding buyers. These operating segments also generate referral fees for generating leads for the other Business Units. These fees are eliminated upon consolidation at the Group level.

(b) Lettings: Service lines within these operating segments generate revenue from commissions and fees earned for providing various residential lettings services to customers, including tenant introduction, tenant renewal, standard lettings (often referred to as rent collection) or a full property management service, plus a residential property management service. Revenue generated by these operating segments for lettings services is driven by the number of lets, the mix in lets between new lets income and managed retail property income and associated fees and commissions. Commissions and fees vary depending on the service provided. Commissions and fees earned for tenant introduction (or tenant renewal) in respect of securing (or extending) the letting are recognised in full at the point of delivery of the service, which is considered to be when the underlying tenancy agreement commences. A revenue clawback provision, based on historical experience, is recognised for those contracts containing a break clause and which may require a refund if broken early. Fees for standard lettings and property management services, including residential property management services, are recognised on a straight line basis over the life of the agreement.

(ii) Financial Services

This operating segment generates commissions both from financial services providers and end-customers for arranging the sale of insurance policies, mortgages and related financial services products under contracts with financial services providers. Commissions earned for arranging such sales are generally accounted for when the policies go on risk or the mortgage is exchanged; in the case of mortgage application fees (from lenders) and mortgage fees (from lenders and customers), on the exchange date, in the case of life insurance policies and other commissions from related financial services products, on the date the policy goes on risk (with an associated clawback provision also recognised on such date to account for anticipated future clawbacks in respect of policies that lapse in the indemnity period). Commissions earned for arranging sales of general insurance policies are recognised on the date the premium is received. Other income (including commissions from referrals from other divisions) is recognised when the Group has no further obligations to any party in respect of that income.

(iii) B2B

This operating segment generates revenue from surveying and valuation fees received from financial institutions, conveyancing fees from customers buying or selling residential properties through the Group's network, and fees from commercial property consultancy and advisory services, property management and valuation services. This operating segment's revenue from surveying and valuation work is generated through its own network of directly employed surveyors as well as through its management of panels of third party valuation firms on behalf of its lender customer base, which involves allocation of work, controlling capacity and monitoring and reporting on risk and performance. This operating segment also generates a small portion of revenue from private survey work conducted through the UK Sales and Lettings and London Sales and Lettings operating segments' branch network and online channels, consisting mainly of home buyer reports and building surveys, as well as from issuing energy performance certificates which can be performed either in-house or by a third party (in which case the UK Sales and Lettings and London Sales and Lettings operating segments sell private surveys in store for a price, a portion of which is passed on to the B2B operating segment, which then employs third party firms to perform the work for a fee).

Revenue from conveyancing work is generated by providing transactional conveyancing services to residential customers who are buying or selling properties in the UK. It also earns fees through providing separate legal representation (i.e. legal advice specifically for a lender over the course of a transaction) and from fees generated by providing panel management services for corporate customers and retail customers referred by such corporate customers. The majority of conveyancing instructions originate within the Group by providing conveyancing services primarily to the customer bases of the UK Sales and Lettings and London Sales and Lettings operating segments.

Surveying, valuation and conveyancing fees are accounted for on completion of the service being provided. Revenue in respect of consultancy services performed by the Group's commercial business, Lambert Smith Hampton, is recognised either at a point in time on performance of the service or over a period of time as activity progresses, reflecting the Group's partial performance of its contractual obligations. When revenue is recognised as activity progresses, this is determined according to the nature of the transaction generally by reference to the cost of services performed to date as a proportion of total costs, services performed to date as a proportion of total services, or milestones reached.

In cases where the Group receives an amount up front in respect of future income streams, it amortises the value of the amounts received over the period of the contract as the services are delivered and the unexpired element is reflected in the Group's consolidated balance sheet under "liabilities" as deferred income.

5.2 Other income

Other income consists of rents receivable (sublet rental income), dividend income on available-for-sale financial assets and other operating income. Sublet rental income consists of income from rental properties that the Group sublets. Dividend income on available-for-sale financial assets reflected dividends on shares of ZPG plc held by the Group before the disposition of the Group's residual interest in 2016. Other operating income comprises a number of individually immaterial items aggregated across the Group.

Other income is recognised when its receipt is assured and the Group has no further obligations to any other party in respect of that income. Rental income from sub-let properties is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Dividends on available-for-sale equity instruments are recognised in the Group's consolidated income statement as part of other income when the Group's right to receive payments is established.

5.3 Employee benefit costs

Employee benefit costs consist of wages and salaries (including commissions), contingent consideration deemed remuneration, share options granted to directors and employees, defined contribution pension costs, defined benefit scheme costs and social security costs.

Employee benefit costs are the largest contributor to the Group's operating costs. Commissions are the largest variable costs included in employee benefit costs. The following table sets forth the contribution of employee benefit costs to the Group's total operating costs (being the sum of employee benefit costs and other operating costs in the Group's consolidated income statements) and total income for the periods under review.

	FY 2015	**FY 2016**	**FY 2017**	**H1 2017** *(unaudited)*	**H1 2018** *(unaudited)*
	(£ in thousands, unless indicated otherwise)				
Employee benefit costs	418,583	425,156	389,694	194,026	191,825
Group total operating costs	634,100	662,718	612,743	307,200	299,327
Employee benefit costs as a % of Group total operating costs	66	64	64	63	64
Employee benefit costs as a % of total income	57	58	58	58[1]	63

1 Total income restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the H1 2017 Restatement (as defined below). See section 3 of this Part for further details. Results for 2017 will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

See note 6 to each of the Annual Financial Statements for a breakdown of the components of employee benefit costs between 2015 and 2017.

5.4 Other operating costs

Other operating costs comprise:

- rent;
- advertising and marketing expenditure (including subscription costs for residential property portals such as Rightmove and Zoopla, search engine marketing costs and traditional marketing costs, such as TV marketing and outdoor marketing);
- costs for vehicle, plant and equipment hire, other motoring costs, repair and maintenance costs;
- profit on disposal of available-for-sale financial assets (unless material, in which case, it is classified as an exceptional item);
- profit on revaluation of investment property (in respect of 2015 only, as such investment property was sold into the Group's unlisted residential property fund in 2016); and
- trade receivables impairment (once trade receivables are considered past due after passing their contracted due date; significant trade receivables are reviewed for impairment if they are past due; all trade receivables are reviewed for impairment if they are past due beyond 90 days for individual customers or 180 days for commercial contracts) and other costs (comprising principally occupancy costs and functional costs for finance, human resources and information technology). The trade receivables impairment costs exclude, for 2017, an exceptional charge of £1.6 million made against the carrying value of trade receivables, which relate to assets recognised in prior periods, dating back as far as 2013, where circumstances in relation to collectability have changed during the year and principally relate to a portfolio of debt within a business acquired in 2015, now operating as part of Countrywide Residential Development Solutions within the B2B operating segment; this cost has been treated as exceptional due to the age of the debt and materiality of the impairment.

Other operating costs are recognised when incurred, to the extent that underlying services have been received.

The following table sets forth the contribution of other operating costs to the Group's total operating costs and total income for the periods under review.

	FY 2015	FY 2016	FY 2017	H1 2017 *(unaudited)*	H1 2018 *(unaudited)*
	(£ in thousands, unless indicated otherwise)				
Other operating costs	215,517	237,562	223,049	113,174	107,502
Group total operating costs	634,100	662,718	612,743	307,200	299,327
Other operating costs as a % of Group total operating costs	34	36	36	37[1]	36
Other operating costs as a % of total income	29	32	33	34	35

1 Total income restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the H1 2017 Restatement (as defined below). See section 3 of this Part for further details. Total income for 2017 will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

See note 7 to each of the Annual Financial Statements for a breakdown of the components of other operating costs between 2015 and 2017.

5.5 Depreciation and amortisation

The Group's depreciation and amortisation charge comprises the depreciation and amortisation that relates to assets purchased for use in the business, including property, plant and equipment (such as real property, furniture, motor vehicles and other equipment), and amortisation arising on those intangible assets (other than goodwill) that have been recognised as a result of business combinations (such as brands, customer contracts and relationships, computer software, sales pipeline and other intangibles).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. Freehold land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

- Freehold buildings — 50 years
- Leasehold improvements — over the period of the lease
- Furniture and equipment — three to five years
- Motor vehicles — three to five years

The residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Amortisation is charged to profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful lives are as follows:

- Computer software — one to five years
- Brand names — indefinite life in the Annual Financial Statements and 2018 Unaudited Interim Financial Statements, which the Group intends to change to a 15 year useful economic life effective 1 July 2018

Assets are tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.

- Customer contracts and relationships — five to 10 years
- Pipeline (agreed but unexchanged house sales at date of acquisition) — three months
- Other intangibles — six to 20 years

See notes 14 and 15 to the Annual Financial Statements and notes 4, 12 and 13 to the 2018 Unaudited Interim Financial Statements for further information regarding depreciation and amortisation.

5.6 Share of profit/(loss) from joint venture

At 30 June 2018, the Group had a 33.3 *per cent*. (unchanged from 31 December 2015, 2016 and 2017) interest in the ordinary share capital of TMG, a private limited company with share capital consisting of ordinary shares and deferred shares, and no quoted market price available for its shares. TMG is a provider of searches to the property companies sector. 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 supplies IT applications and products to UK mortgage lenders.

At 30 June 2018, the Group had a 49 *per cent.* interest in the ordinary share capital of Dynamo Mortgages Limited, trading as Dynamo, a direct to consumer digital mortgage offering that the Group recently developed and launched with its joint venture partner Blenheim Chalcott. The first few mortgages have been written by Dynamo in H1 2018.

Joint ventures are accounted for at equity, meaning that the Group's share of the profits and losses of jointly controlled entities is included in a separate line item of the Group's consolidated income statement. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, the Group does not recognise further losses except to the extent that it has incurred obligations or made payments on behalf of the joint venture. Accounting policies of the joint venture are aligned where applicable.

5.7 Exceptional items

Exceptional items comprise exceptional costs and exceptional income which the Board believes to be exceptional in nature by virtue of their nature, size or incidence. Such items include costs associated with restructuring existing businesses, integration of newly acquired businesses, asset impairments, costs associated with acquiring new businesses, profit on sale of available-for-sale financial assets, and similar items of a non-recurring nature together with reorganisation costs and similar charges.

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

The following table sets forth a detailed breakdown of exceptional items, split into exceptional income items and exceptional cost items, for the periods under review.

	FY 2015	FY 2016	FY 2017	H1 2017 *(unaudited)*	H1 2018 *(unaudited)*
		(£ in thousands, unless indicated otherwise)			
Exceptional income:					
Profit on disposal of available-for-sale financial assets	—	32,804[1]	—	—	—
Release of professional indemnity provisions	—	2,910[2]	—	—	3,186[3]
Deferred income amortisation	2,534[4]	—	—	—	—
Total exceptional income	**2,534**	**35,714**	**—**	**—**	**3,186**
Exceptional costs					
Strategic and restructuring costs:					
People-related restructuring costs	(3,767)[5]	(8,109)[6]	(4,405)[7]	(2,706)[8]	(3,737)[9]
Transformation project consultancy costs/restructuring and related consultancy costs	(3,288)[10]	—	(1,655)[11]	—	(3,396)[12]
Profit on sale of leasehold property	836[13]	—	—	—	—
Property closure costs	(1,211)[14]	(15,813)[15]	(1,861)[16]	—	(828)[17]
Market review and channel optimisation	—	(2,032)[18]	—	—	—
Other costs	(669)[19]	(400)[20]	—	—	—
Total strategic and restructuring costs, excluding impairment	**—**	**(26,354)**	**(7,921)**	**(2,706)**	**(7,961)**
Impairment of goodwill	—	(19,564)[21]	(192,253)[22]	—	(44,815)[23]
Impairment of brands	(6,126)[24]	(1,358)[25]	(12,871)[26]	—	(126,192)[27]
Impairment of customer contracts	—	—	(5,278)[28]	—	(9,605)[29]
Impairment of non-current assets	—	—	(4,084)[30]	—	(30,098)[31]
Impairment of trade receivables	—	—	(1,641)[32]	—	—
Total impairment charge	**—**	**(20,922)**	**(216,127)**	**—**	**(210,710)**
Professional indemnity provisions	—	—	(1,821)[33]	—	—
Onerous lease provisions	—	—	—	—	(7,544)[34]
Regulatory settlement costs	(826)[35]	—	—	—	—
Acquisition expenses	(1,082)[36]	(927)[37]	—	—	—
Total exceptional costs[38]	**(16,133)**	**(48,203)**	**(225,869)**	**(2,706)**	**(226,215)**
Total exceptional costs (net)[38]	**(13,599)**	**(12,489)**	**(225,869)**	**(2,706)**	**(223,029)**

1 The £32,804,000 profit on disposal of available-for-sale financial assets relates entirely to the sale of the Group's residual interest in ZPG Plc.

2 In 2016 the Group received reduced numbers of professional indemnity valuation claims, in line with expectations, and achieved closure of a number of challenging cases. Estimating the liability for professional indemnity claims is highly judgemental and the Group updated its financial models to reflect the latest inputs and trends and took advice from its panel of lawyers in respect of open claims in 2016. Despite the judgemental nature of the provision, the progress made during 2016 on individually significant professional indemnity claims, aligned with the low level of claims made, resulted in the assessment of a £2,910,000 release in the provision in 2016.

3 In H1 2018, a claim was settled in the Group's favour in H1 2018. As a result, funds, net of legal costs incurred, in the amount of £2,083,000 were received by the Group. Estimating the liability for professional indemnity claims remains highly judgemental and the Group updated its financial models to reflect the latest inputs and trends and taken advice from its panel of lawyers in respect of open claims in H1 2018. Despite the judgemental nature of the provision, the progress made during H1 2018 on individually significant professional indemnity claims, aligned with the low level of claims made, resulted in the assessment of a £1,103,000 release in the provision in H1 2018.

4 Arose from fair valuation of ZGG Plc shares crystallised upon merger in May 2012.

5 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 in 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.

6 £8,109,000 in respect of redundancy costs to achieve what was then considered to be the appropriate organisational structure.

7 £4,405,000 relating to redundancy costs and changes to the leadership structure that occurred during the year to progress the achievement of what was then considered to be the appropriate organisational structure.

8 £2,706,000 relating to redundancy costs incurred in connection with the Group's ongoing review and rationalisation of the business.

9 £3,737,000 relating to costs incurred in connection with the Group's review and rationalisation of its organisational structure, notably in central functions.

10 As part of the Group's strategic review, external agencies were involved where specialist skills were required. Consultancy costs of £3,288,000 were incurred in relation to a number of projects that included strategic support and change management; IT transformation; organisational redesign; talent development and leadership skills training; and internal communication in support of specific strategic objectives identified.

11 £1,655,000 was recognised in respect of third party consultancy costs, for a number of different projects undertaken to tackle cost optimisation targets and related strategic initiatives which are being project managed centrally and routinely reporting progress to the Group's Executive Committee.

12 £3,396,000 relating to restructuring and related costs associated with the review and rationalisation of the Group's organisational structure described in note 10 above.

13 The Group decided to rationalise its property footprint in London to integrate the London and B2B teams into its 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 (net of legal costs).

14 Offsetting the profit referred to in note 14 above, were 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 dilapidation 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.

15 £15,813,000 of property provisions, comprising: £4,162,000 dilapidation costs; £7,430,000 onerous contract costs in respect of closed premises; £3,084,000 associated asset write downs arising from rationalisation of the Group's branch footprint; and £1,137,000 of other property closure costs.

16 £1,861,000 of property closure costs, comprising: £1,515,000 of property provisions costs, in respect of dilapidations and onerous contract costs in respect of additional premises identified and closed during the period arising from further review, along with £346,000 of associated property closure costs.

17 £828,000 of property closure costs, comprising £0.6 million of closed property provisions and a £0.2 million property dilapidations provision in respect of a London office that has been identified for closure and communicated to impacted individuals prior to 30 June 2018. The closed property provisions cover the onerous commitment for the period from the intended vacation date until the end of the lease term.

18 £2,032,000 in respect of costs expensed during the year as part of the organisational redesign of the Group's marketing function and revisions to its channels to market aligned with the launch of its digital offering.

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

20 £400,000 in relation to a settlement with HMRC of £360,000 plus associated fees incurred in respect of various deficiencies in the Group's anti-money laundering and client due diligence procedures.

21 £19,564,000 of impairment charges from writing down goodwill associated with conveyancing operations (£1,083,000), and £5,016,000 and £13,465,000 respectively in relation to the UK Sales and Lettings and London Sales and Lettings cash generating units following an assessment of the recoverable value against the carrying value.

22 £192,253,000 of impairment charges from writing down goodwill associated with: the UK Sales and Lettings cash generating unit of £151,295,000 and the London Sales and Lettings cash generating unit of £40,958,000 following an assessment of the recoverable value against the carrying value.

23 £44,815,000 of impairment charges from writing down goodwill associated with the UK cash generating unit (£14,044,000) and the London cash generating unit (£30,771,000), following an assessment of the recoverable value against the carrying value.

24 Following the reorganisation of the Business Units, an initial review of the London Sales and Lettings operating segment's brands was undertaken and as a result of this rationalisation of intended future brand use an impairment of £6,126,000 was identified.

25 £1,358,000 of impairment charges from writing down four brands which were abandoned as part of the Group's review of the UK Sales and Lettings operating segment's marketplace.

26 £12,871,000 of impairment charges from writing down brand names associated with: the UK Sales and Lettings cash generating unit of £8,425,000 (reflecting partial impairments of Slater Hogg & Howison and Blundell Property Services) and the London Sales and Lettings cash generating unit of £4,446,000 following an assessment of the recoverable value against the carrying value.

27 £126,192,000 of impairment charges from writing down brand names associated with: the UK cash generating unit of £58,271,000 (reflecting full impairments of all brand names held) and the London cash generating unit of £67,921,000 (reflecting partial impairments of all brand names held) following an assessment of the recoverable value against the carrying value.

28 £5,278,000 of impairment charges from writing down customer contracts associated with: the UK Sales and Lettings cash generating unit of £4,075,000; the London Sales and Lettings cash generating unit of £1,103,000; and the Professional Services (B2B) cash generating unit of £100,000 following an assessment of the recoverable value against the carrying value.

29 £9,605,000 of impairment charges from writing down customer contracts associated with: the UK Sales and Lettings cash generating unit of £6,377,000 and the London Sales and Lettings cash generating unit of £3,228,000, following an assessment of the recoverable value against the carrying value.

30 £4,084,000 of impairment charges from writing down other non-current assets: £2,669,000 intangible fixed assets (computer software) and £116,000 tangible fixed assets (related computer hardware) associated with the UK Sales and Lettings cash generating unit, and £734,000 tangible fixed assets associated with the London Sales and Lettings cash generating unit following an assessment of the recoverable value against the carrying value (the London Sales and Lettings write-down arising as a result of impairments identified exceeding the intangible asset carrying values); and £565,000 write-off of an

available-for-sale investment following the commencement of administration proceedings against the available-for-sale investment.

31 £30,098,000 of impairment charges from writing down other non-current assets: £2,379,000 intangible fixed assets (computer software) and £17,779,000 tangible fixed assets (related computer hardware and other assets) associated with the UK cash generating unit and £2,482,000 intangible fixed assets (computer software) and £6,741,000 tangible fixed assets (related computer hardware and other assets) associated with the head office assets following an assessment of the recoverable value against the carrying value. The head office write-down arising as a result of impairments identified exceeding the intangible asset carrying values within the UK cash generating unit triggering an impairment of the assets within head office functions that support the UK cash generating unit. Tangible fixed assets of £717,000 associated with the central functions head office in London that has been identified for closure were impaired during H1 2018.

32 In addition, impairment charges of £1,641,000 have been made against the carrying value of trade receivables. These impairments relate to assets recognised in prior periods, dating back as far as 2013, where circumstances in relation to collectability have changed during the year and principally relate to a portfolio of debts within a business acquired during 2015, now operating as part of Countrywide Residential Development Solutions (within the B2B operating segment). This cost has been treated as exceptional due to the age of the debt and materiality of the impairment.

33 In 2017 the Group received reduced numbers of professional indemnity valuation claims, in line with expectations, and achieved closure of a number of challenging cases. Estimating the liability for professional indemnity claims is highly judgemental and the Group updated its financial models to reflect the latest inputs and trends and took advice from its panel of lawyers in respect of open claims. The judgemental nature of the provision, and progress made during the year on some individually significant professional indemnity claims, aligned with the low level of claims made, would have provided progress on unwinding the provision. However, an individually significant professional indemnity claim has resulted in the need to increase the provision by £1,821,000. This has been treated as an exceptional cost due to the materiality of the item.

34 In H1 2018, an analysis was undertaken of loss-making branches (at the direct branch contribution level) and onerous lease provisions with a present value of £7,544,000 recognised in relation to the economic outflows arising from onerous branch leases, which are to unwind over periods up to 2026. The economic outflows in relation to these loss-making branches will continue to be monitored to ensure that provisions are unwound as a credit to exceptional items in line with the losses being reported within the Group's results of operations, or released in full when a branch reaches profitability on turnaround or ceases to become an onerous contract due to other circumstances (for example, if a branch is sublet or a lease is recognised so that cash flows become positive).

35 The Group incurred regulatory settlement costs of £826,000 in respect of the penalty payable to the CMA and associated legal costs following the conclusion of its investigation into an association of estate and lettings agents in Hampshire, including Hamptons Estates Limited (in a period prior to the Group's ownership).

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

37 The Group incurred acquisition expenses of £927,000 across a number of transactions undertaken during the year.

38 Excludes exceptional financing costs not reported in operating profit (see section 5.8 of this Part for further information).

5.8 Finance costs

Finance costs comprise interest payable on borrowings (including under the Previous Credit Facility and finance lease commitments), net interest costs on pension scheme liabilities, the unwinding of the discount rates in respect of financial liabilities and provisions, premiums payable on settlement or redemption and direct issue costs. Interest costs accrue using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and amortised over the period to which the facility relates.

5.9 Finance income

Finance income comprises interest receivable on funds invested. Interest income is recognised in profit or loss as it accrues using the effective interest method.

5.10 Taxation (charge)/credit

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. See note 2 to the Annual Financial Statements and note 10 to the 2018 Unaudited Interim Financial Statements for further information regarding deferred taxes.

The standard rate of corporation tax for 2017 (19.25 *per cent.*) was lower than 2016 (20.0 *per cent.*) and 2015 (20.25 *per cent.*) due to changes in the UK's corporation tax rate between 2015 and 2017. Changes to the UK corporation tax rates were enacted as part of the Finance Act 2016 on

15 September 2016. The Group's tax charge for the periods under review represents an effective tax rate of 12.5 *per cent.* and 10.0 *per cent.* in 2015 and 2016, respectively, and an effective tax rate of 1.9 *per cent.*, 355.7 *per cent.* and 15.2 *per cent.* for 2017, H1 2017 and H1 2018, respectively, which differs from the standard rate of corporation tax in the UK for principally the following reasons:

- *2015*: the impact of a future reduction in the tax rate on deferred tax liabilities generated a £3.3 million tax credit and realisation of share-based tax relief of £1.7 million;
- *2016*: £32.8 million profit on the sale of the Group's residual interest in ZPG plc was sheltered by unrecognised capital losses and the impact of a further 1 *per cent.* reduction in the tax rate on deferred tax liabilities generated a £2.3 million tax credit;
- *2017*: a £210.4 million impairment of intangible assets resulted in an unwind of the associated deferred tax liabilities;
- *H1 2017*: the effective tax rate was distorted by the low tax credit on exceptional costs and the impact of measuring to a break-even result; and
- *H1 2018:* a £210.7 million impairment of tangible and intangible assets resulted in an unwind of the associated deferred tax liabilities.

Deferred taxes at the balance sheet date in 2016, 2017 and H1 2018 for purposes of the results comparisons in those years have been measured using rates enacted as part of the Finance Act 2016. The relevant deferred tax balances have been remeasured using rates applicable to when the balances are expected to unwind. These are no material uncertain tax positions.

5.11 Profit/(loss) for the period

Profit/(loss) for the period comprises statutory profit after tax.

6. OPERATIONAL DATA

The Group presents certain operational data in this document. These data may not be comparable with similarly titled operational data presented by others in the Group's industry. While the method of calculation may differ across the industry, the Board believes that these indicators are important to understanding the Group's performance from period to period and that they facilitate comparison with the Group's peers. These operational data are not intended to be a substitute for, or superior to, any IFRS measures of performance. These operational data are based on management estimates, are not part of the Financial Statements and have not been audited or otherwise reviewed by outside auditors, consultants or experts.

The following table sets out operational data for the Group in the periods under review. While the Group has revised its segment presentation for its H1 2018 results (and the comparative results for H1 2017) in its 2018 Unaudited Interim Financial Statements, the operational data below is presented on the basis of the segmental presentation in the 2017 Annual Financial Statements (i.e. four principal operating segments rather than three) to facilitate comparability across the periods.

	FY 2015[1]	FY 2016[1]	FY 2016[2]	FY 2017	H1 2017 *(unaudited)*	H1 2018 *(unaudited)*
UK Sales and Lettings						
Number of exchanges	50,396	50,891	50,362	41,722	22,532	18,407
Average fee per exchange (£)	2,640	2,520	2,511	2,381	2,559	2,398
Average house price (£)	188,388	198,798	198,122	203,068	214,601	214,746
Average number of rental properties managed	60,272	68,740	65,352	62,646	69,308	65,378
Average number of branches	791	784	783	666	766	724
Average number of full-time employees	4,734	4,852	4,748	3,710	4,283	4,042
London Sales and Lettings						
Number of exchanges	12,094	10,423	10,951	8,778	2,512	2,223
Average fee per exchange (£)	8,535	8,215	8,054	8,267	11,050	10,651
Average house price (£)	633,039	676,409	665,799	686,503	912,532	882,317
Average number of rental properties managed	21,645	22,404	25,792	26,644	21,198	21,712
Average number of branches	276	268	278	246	167	150
Average number of full-time employees	2,014	2,030	2,130	1,848	1,463	1,397
B2B						
Number of surveys/valuations completed	357,033	364,957	364,957	365,223	181,415	192,097
Number of conveyances completed	34,851	33,053	33,053	26,870	13,312	11,398
Countrywide Residential Development Solutions exchanges	5,187	4,896	4,896	3,705	2,056	1,396
Average number of corporate properties under management	32,049	36,635	36,635	36,624	36,222	37,677
Average number of full-time employees	2,613	2,759	2,764	2,573	2,598	2,541
Financial Services						
Core number of mortgages arranged	37,084	37,992	37,992	34,283	17,231	15,781
Non-core number of mortgages arranged	38,855	52,270	52,270	61,748	26,229	35,353
Total number of mortgages arranged	75,939	90,262	90,262	96,031	43,460	51,134
Core gross mortgage value (£ in billions)	5.1	5.5	5.5	5.0	2.6	2.4
Non-core gross mortgage value (£ in billions)	7.1	10.1	10.1	12.7	5.3	7.1
Total gross mortgage value (£ in billions)	12.2	15.7	15.7	17.7	7.9	9.5
Life insurance policies arranged	26,045	25,756	25,756	27,952	13,641	13,154
General insurance policies arranged	31,368	27,711	27,711	32,924	16,518	10,399
Average number of mortgage and protection consultants	657	676	676	633	575	524
Average number of full-time employees	968	997	997	1,000	1,002	977

1 Segment results for 2015 were not required to be, and were not, restated following the 2016 Segments Restatement. See section 3 of this Part for further details.

2 As presented in the 2016 Annual Financial Statements prior to the 2016 Segments Restatement. See section 3 of this Part for further details.

3 Restated following the 2016 Segments Restatement. See section 3 of this Part for further details.

Explanation of key operational data:

(i) UK Sales and Lettings / London Sales and Lettings

(a) **Number of exchanges** is the number of residential property sales transactions marketed by the relevant operating segment where contracts have been exchanged between the seller and the buyer of the residential property in the relevant period (which excludes, in the case of London Sales and Lettings, any overseas residential property sales transactions).

(b) **Average fee per exchange** is the fees received by the Group in respect of residential property sales transactions marketed by the relevant operating segment where contracts have been exchanged between the seller and the buyer of the residential property in the relevant period, divided by the number of months in the period (which excludes, in the case of London Sales and Lettings, any fees received by the Group in respect of overseas residential property sales transactions).

(c) **Average house price** is the average price of a house where contracts have been exchanged between the buyer and the seller within the relevant operating segment in the relevant period (which excludes, in the case of London Sales and Lettings, any houses where contracts have been exchanged overseas).

(d) **Average number of rental properties managed** is the number of residential properties in respect of which the relevant operating segment provides property management services during the period, divided by the number of months in the period.

(e) **Average number of branches** (i) in the context of UK Sales and Lettings, is the addition of the total number of branches in the UK (excluding London) that the Group operated per month during the relevant period, divided by the number of months in that period; and (ii) in the context of London Sales and Lettings, is the addition of the total number of the branches in London that the Group operated per month during the relevant period, divided by the number of months in that period.

(f) **Average number of full-time employees** is the number of full-time employees employed by the Group and providing services to the relevant operating segment during the period, divided by the number of months in the period.

(ii) B2B

(a) **Number of surveys/valuations completed** is the number of surveys and valuations that the B2B operating segment completes in the relevant period. It includes all cases completed by consultant and in-house employed surveyors but excludes cases completed by panel management firms.

(b) **Number of conveyances completed** is the number of cases that the B2B operating segment completes in the relevant period. It excludes all cases completed by panel management firms as well as in-house operations.

(c) **Countrywide Residential Development Solutions exchanges** is the number of new home related residential property sales transactions marketed by the B2B operating segment where contracts have been exchanged between the seller and the buyer of the residential property in the relevant period.

(d) **Average number of corporate properties under management** is the number of residential properties under management in respect of which the Group provides property management services to corporate customers during the period, divided by the number of months in the period.

(e) **Average number of full-time employees**, in the context of B2B, is the number of full-time employees employed by the Group and providing services to B2B during the period, divided by the number of months in the period.

(iii) Financial Services

(a) **Core number of mortgages arranged** is the gross mortgage value of mortgage contracts for house sales and remortgages that are completed and which the Group arranges in the relevant period through employees in its branch network.

(b) **Non-core number of mortgages arranged** is the gross mortgage value of mortgage contracts for house sales and remortgages that are completed and which the Group arranges in the relevant period through agents and employees in its distribution network but outside of its branch network.

(c) **Total number of mortgages arranged** is the number of mortgage contracts for house sales and remortgages that are completed and which the Group arranges in the relevant period, being the sum of Core number of mortgages arranged and Non-core number of mortgages arranged.

(d) **Core gross mortgage value** is the gross mortgage value of mortgage contracts for house sales and remortgages that are completed and which the Group arranges in the relevant period through employees in its branch network.

(e) **Non-core gross mortgage value** is the gross mortgage value of mortgage contracts for house sales and remortgages that are completed and which the Group arranges in the relevant period through agents and employees in its distribution network but outside of its branch network.

(f) **Total gross mortgage value** is the gross mortgage value of mortgage contracts for house sales and remortgages that are completed and which the Group arranges in the relevant period, being the sum of the Core gross mortgage value and Non-core gross mortgage value for such period.

(g) **Life insurance policies arranged** is the number of life insurance policies that the Group arranges in the relevant period.

(h) **General insurance policies arranged** is the number of general insurance policies that the Group arranges in the relevant period.

(i) **Average number of mortgage and protection consultants** is the number of full-time employees employed by the Group within the branch network and arranging mortgages, life insurance policies and general insurance policies during the period, divided by the number of months in the period.

(j) **Average number of full-time employees**, in the context of Financial Services, is the number of full-time employees employed by the Group and providing services to Financial Services during the period, divided by the number of months in the period.

7. RESULTS OF OPERATIONS

7.1 Comparison of the Group's results of operations for H1 2017 and H1 2018

The following table presents selected historical consolidated income statement information for the Group for H1 2017 and H1 2018, which has been extracted from the 2018 Unaudited Interim Financial Statements. As permitted by IAS 1 'Presentation and disclosure', certain items are presented separately in the income statement as exceptional where, in the judgement of the Board, 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. The columnar presentation of the Group's consolidated income statement in its Financial Statements separates exceptional items as well as adjusting items, specifically amortisation of intangibles arising on business acquisitions, contingent consideration and share-based payments, to illustrate consistently the Group's underlying business performance. This is not reflected in the table below.

	H1 2017[1] *(unaudited)*	H1 2018 *(unaudited)*
	(£ in thousands)	
Revenue	326,740	298,570
Other Income	5,937	5,050
Employee benefit costs	(194,026)	(191,825)
Other operating costs	(113,174)	(107,502)
Depreciation and amortisation	(16,535)	(15,218)
Group operating profit/(loss) before exceptional items	**8,942**	**(10,925)**
Employee benefit costs	(2,706)	(3,737)
Other operating costs	—	(8,582)
Impairment of non-current assets	—	(210,710)
Exceptional items (net)[2]	(2,706)	(223,029)
Operating profit/(loss)	**6,236**	**(233,954)**
Finance costs (including exceptional finance costs)	(6,107)	(8,937)
Finance income	63	140
Net finance costs	**(6,044)**	**(8,797)**
Profit/(loss) before taxation	**192**	**(242,751)**
Taxation (charge)/credit	(683)	36,935
Loss for the period	(491)	(205,816)
Adjusted EBITDA[3]	**27,809**	**10,656**

1 Restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the H1 2017 Restatement. See section 3 of this Part for further details. The Group's consolidated income statement will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.
2 Excludes exceptional financing costs not reported in operating profit (see section 5.8 of this Part for further information).
3 See section 2.2 of this Part for a reconciliation of Adjusted EBITDA to profit/(loss) for the period.

Revenue

Revenue decreased by £28.2 million, or 8.6 *per cent.*, from £326.7 million in H1 2017 to £298.6 million in H1 2018. This decrease was principally due to a £19.9 million, or 11.8 *per cent*., decline in revenue from the Sales and Lettings operating segment, a £6.7 million, or 5.7 *per cent.*, decline in revenue from the B2B operating segment, a £1.9 million, or 4.6 *per cent*., decline in revenue from the Financial Services operating segment, which more than offset a £0.3 million, or 150.0 *per cent.*, increase in revenue from "all other segments" in H1 2018 compared to H1 2017.

The decline in revenue from the Sales and Lettings operating segments was principally due to a smaller opening sales pipeline in January 2018 compared to January 2017, which the Board believes was principally due to the Group's significant sales pipeline deficit as a result of the Prior Strategy, as well as due to the 3.5 per cent. decline year-on-year in the number of second-hand homes exchanged in the UK in 2018 as at the end of May 2018 (according to HMRC transaction figures) and general lengthening of the time taken from sale to exchange in H1 2018 compared to H1 2017 (most predominantly in the month of April, when expected exchanges were unusually slow to materialise). The Board believes that the longer time lag between sale and exchange in H1 2018 compared to H1 2017 was in part due to continued weak consumer sentiment experienced across multiple sectors in the UK (which impact was more marked in London than in the rest of the UK). The higher value

London housing market continued to experience low levels of activity in H1 2018 owing in part to political and economic uncertainty, particularly in relation to Brexit and the continued effects of stamp duty changes affecting higher value homes and second homes. Revenue from the Group's Lettings business was down £2.2 million, or 2.6 *per cent.*, year-on-year, which was principally due to a £2.8 million decline in lettings revenue year-on-year in the UK (excluding London), which more than offset the £0.6 million increase year-on-year in London principally due to lower income from ancillary services.

The Board believes the decline in revenue in the B2B operating segment was principally due to difficult trading conditions in the Countrywide Residential Development Solutions business, with revenue having declined by 37.6 *per cent.* in H1 2018 compared to H1 2017, due to a 32.1 *per cent.* reduction in the number of Countrywide Residential Development Solutions exchanges between the periods. While the Board believes this deficit relates to a smaller opening sales pipeline in January 2018 compared to January 2017, it also believes that the poor performance in this business reflects the more difficult trading conditions experienced in the UK housing market in H1 2018 with stock release being delayed, sales taking longer to secure and land deals taking longer to mature in H1 2018 compared to H1 2017. The decline in revenue in the B2B operating segment was also due to declining revenue from Lambert Smith Hampton against the backdrop of continued uncertainty in the UK economic and political environment in H1 2018. This more than offset improvements in performance and increases in revenue from the surveying businesses in H1 2018 compared to H1 2017, which the Group believes benefited from a busy sector and the initiatives implemented pursuant to the new strategy and turnaround plan.

The Board believes that the decline in revenue from the Financial Services operating segment between the periods was principally due to a smaller opening sales pipeline in January 2018 compared to January 2017, a 9 *per cent.* reduction in the average number of mortgage and protection consultants in H1 2018 compared to H1 2017 and lower levels of referred business from Sales, which adversely impacted the core number of mortgages arranged and core gross mortgage value (8.4 *per cent.* decline and 7.7 *per cent.* decline, respectively, in H1 2018 compared to H1 2017). This more than offset the strong demand for remortgaging in the UK market as rates remained competitive in H1 2018.

Other income

Other income decreased by £0.9 million, or 14.9 *per cent.*, from £5.9 million in H1 2017 to £5.1 million in H1 2018. This decrease was principally due to a £0.6 million decrease in other income reported within "all other segments" as a result of lower rebates accrued from joint ventures.

Employee benefit costs

Employee benefit costs decreased by £2.2 million, or 1.1 *per cent.,* from £194.0 million in H1 2017 to £191.8 million in H1 2018. This decrease was principally due to a £6.2 million, or 3.3 *per cent.,* decline in wages and salaries (principally due to ongoing rationalisation of headcount), a £1.4 million, or 7.0 *per cent.,* decline in social security costs, which was partially offset by a £3.5 million increase in contingent consideration deemed remuneration (principally due to revisions to accrual estimates), a £0.5 million, or 42.8 *per cent.,* increase in share options granted to directors and employees and a £0.6 million, or 14.9 *per cent.,* increase in defined contribution pension costs.

Other operating costs

Other operating costs decreased by £5.7 million, or 5.0 *per cent.*, from £113.2 million in H1 2017 to £107.5 million in H1 2018. This was principally due to a £3.8 million, or 5.7 *per cent.,* decrease in other costs (principally comprising reductions in insurance charges and establishment costs following the rationalisation of the Group's branch network and cost optimisation initiatives undertaken in 2017 and H1 2018), as well as a £0.9 million, or 12.3 *per cent.,* decrease in vehicle, plant and equipment hire costs (principally due to the Group's cost optimisation strategy and reduced headcount), and a £2.8 million, or 24.5 *per cent.,* decrease in advertising and marketing expenditure (principally due to the Group's focus on targeted advertising and marketing alternatives, and renegotiation of key supplier contracts), which more than offset the £1.1 million, or 16.0 *per cent.,* increase in repairs and maintenance costs in H1 2018 compared to H1 2017 (principally due to repairs and maintenance of the branch network).

Adjusted EBITDA

Adjusted EBITDA decreased by £17.2 million, or 61.7 *per cent.*, from £27.8 million in H1 2017 to £10.7 million in H1 2018, primarily due to a £14.2 million, or 114.5 *per cent.*, decline in Adjusted EBITDA generated by the Sales and Lettings operating segment, a £3.3 million, or 22.2 *per cent.*, decline in Adjusted EBITDA generated by the B2B operating segment, as well as a £1.3 million, or 15.6 *per cent.*, decline in Adjusted EBITDA generated by the Financial Services operating segment, for the reasons described above. See section 2.2 of this Part for a reconciliation of Adjusted EBITDA to profit/(loss) for the year.

Depreciation and amortisation

Depreciation and amortisation charges decreased by £1.3 million, or 8.0 *per cent.*, from £16.5 million in H1 2017 to £15.2 million in H1 2018, principally due to a £0.9 million, or 29.9 *per cent.,* decline in the charge for amortisation of customer contracts and relationships in H1 2018 compared to H1 2017 (principally due to impairments undertaken in H2 2017 that reduced the amortisation charge in H1 2018), and a £0.4 million, or 4.9 *per cent.*, increase in depreciation charges in H1 2018 relating to property, plant and equipment. This was more than offset by a £0.9 million, or 16.9 *per cent.*, decline in amortisation of computer software in H1 2018 (resulting from the lower capitalised value of computer software following impairments of software developments in H2 2017).

Exceptional items (net)

The Group's exceptional items (net) increased by £220.3 million, from £2.7 million in H1 2017 to £223.0 million in H1 2018 and comprise items that have or will result in cash charges of £17.7 million and non-cash charges of £212.3 million. This increase was principally due to a £223.5 million increase in total exceptional costs, from £2.7 million in H1 2017 to £226.2 million in H1 2018, which more than offset the increase in exceptional income from £nil in H1 2017 to £3.2 million in H1 2018 (due to a £2.1 million receipt in respect of a professional indemnity claim settled in the Group's favour, and a release of £1.1 million from the professional indemnity provision in H1 2018 following an assessment of the Group's claims position).

The significant increase in exceptional costs was principally due to a £210.7 million increase in total impairment charges, from £nil in H1 2017, principally due to:

- impairment charges of £14.0 million and £30.8 million in respect of goodwill associated with the UK cash generating unit and the London cash generating unit, respectively, following an assessment of the recoverable value against the carrying value;
- impairment charges of £58.3 million and £67.9 million in respect of brand names associated with the UK cash generating unit (reflecting full impairments of all brand names held) and the London cash generating unit (reflecting partial impairments of all brand names held), respectively, following an assessment of the recoverable value against the carrying value;
- impairment charges of £6.4 million and £3.2 million in respect of customer contracts associated with the UK cash generating unit and the London cash generating unit, respectively, following an assessment of the recoverable value against the carrying value; and
- a £30.1 million impairment charge in respect of other non-current assets, including a £2.4 million impairment charge in respect of intangible fixed assets (computer software), a £17.8 million impairment charge in respect of tangible fixed assets (related to computer hardware and other assets) associated with the UK cash generating unit, a £2.5 million impairment charge in respect of intangible fixed assets (related to computer software); and a £6.7 million impairment charge in respect of tangible fixed assets (related to computer hardware and other assets) associated with head-office assets, in each case, following an assessment of the recoverable value against the carrying value (principally due to impairments identified within the UK cash generating unit exceeding the intangible asset carrying values held directly within the UK cash generating unit and therefore triggering an impairment of the assets held within head office but supporting the UK cash generating unit); and a £0.7 million impairment of tangible fixed assets associated with the office in London that has been identified for closure.

Moreover, the increase in exceptional costs was impacted by significant strategic and restructuring costs as a result of the implementation of the Group's cost optimisation initiatives in H1 2018, including:

- £3.7 million relating to redundancy costs, principally arising from the restructuring of head office functions undertaken following the Group's announcement on 8 March 2018, and changes to the leadership structure that occurred during H1 2018 to progress the achievement of the appropriate organisational structure;
- £3.4 million in respect of restructuring costs, including the write-down of assets related to curtailed projects, and third-party consultancy costs arising from a number of different projects undertaken to tackle cost optimisation targets and related strategic initiatives which are being project managed centrally); and
- £0.8 million of property closure costs, comprising £0.6 million of closed property provisions and a £0.2 million property dilapidations provision in respect of a London office that has been identified for closure and communicated to impacted individuals prior to 30 June 2018. The closed property provisions cover the onerous commitment for the period from the intended vacation date until the end of the lease term.

The increase in the Group's exceptional costs in H1 2018 was also in part due to onerous lease provisions with a present value of £7.5 million in H1 2018 (compared to £nil in H1 2017), recognised in relation to the economic outflows arising from onerous contracts in respect of loss-making branches, which are to unwind over periods up to 2026. The economic outflows in relation to these loss-making branches will continue to be monitored to ensure that provisions are unwound as a credit to exceptional items in line with the losses being reported within the Group's results of operations, or released in full when a branch reaches profitability on turnaround or ceases to become an onerous contract due to other circumstances (for example, if a branch is sublet or a lease is recognised so that cash flows become positive).

Finance costs

Finance costs increased by £2.8 million, or 46.3 *per cent.*, from £6.1 million in H1 2017 to £8.9 million in H1 2018. This was principally due to £3.8 million of exceptional financing costs that were included in finance costs for H1 2018 (comprising capitalised financing fees, net of amortisation to 30 June 2018, of £1.6 million that were written off following amendment to the Previous Credit Facility undertaken on 2 February 2018, as well as costs of £2.2 million incurred in relation to professional fees provided in relation to the work undertaken to potentially restructure the Group's borrowings, which do not relate to the Capital Refinancing Plan and have therefore been expensed as abortive fees). These costs were included within finance costs as opposed to exceptional items (net) because they are reported below operating profit/(loss).

Finance income

Finance income increased by £77,000, or 122.2 *per cent.*, from £63,000 in H1 2017 to £140,000 in H1 2018.

Taxation (charge)/credit

The Group recognised a tax credit of £36.9 million in H1 2018 against a loss before taxation of £242.8 million. The Group recognised a tax charge of £0.7 million in H1 2017 against a profit before taxation of £0.2 million. This represents an effective tax rate of 355.7 *per cent.* in H1 2017, compared to an effective tax rate of 15.2 *per cent.* in H1 2018, which differs from the standard rate of corporation tax in the UK of 19.0 *per cent.* in H1 2017 and 19.3 *per cent.* in H1 2018. The principal reasons for the difference in the effective tax rate in H1 2018 are the exceptional tax credit of £35.2 million recognised by the Group in H1 2018 on higher losses before tax of £242.8 million (compared to a £0.7 million exceptional tax credit in H1 2017). The H1 2018 tax credit was principally due to the £210.7 million impairment of intangible and tangible assets that resulted in the unwind of the related deferred tax liability.

__Profit/(loss) for the period__

As a result of the foregoing factors, the Group incurred a loss for the period of £205.8 million in H1 2018, compared to a loss for the period of £0.5 million in H1 2017.

7.2 Comparison of segment results for H1 2017 and H1 2018

The results of each of the Group's segments (as presented in the 2018 Unaudited Interim Financial Statements) are presented below. The results have been derived from the 2018 Unaudited Interim Financial Statements, which reflects the H1 2017 Restatement and the Prior-Year Correction.

__Sales and Lettings__

	H1 2017[1]	H1 2018
	(£ in thousands, unless indicated otherwise) (unaudited)	
Revenue	168,358	148,477
Other income	4,293	4,150
Total income	172,651	152,627
Inter-segment revenue	7,998	6,518
Total income from external customers	180,649	159,145
Contingent consideration	(172)	57
Share-based payments	(488)	(472)
Depreciation and amortisation	(10,314)	(6,428)
Exceptional costs (net of exceptional income)	(747)	(212,141)
Segment operating (loss)/profit	**638**	**(220,781)**
Operational data:		
UK Sales and Lettings		
Number of exchanges	22,532	18,407
Average fee per exchange (£)	2,559	2,398
Average house price (£)	214,601	214,746
Average number of rental properties managed	69,308	65,378
Average number of branches	766	724
Average number of full-time employees	4,283	4,042
London Sales and Lettings		
Number of exchanges	2,512	2,223
Average fee per exchange (£)	11,050	10,651
Average house price (£)	912,532	882,317
Average number of rental properties managed	21,198	21,712
Average number of branches	167	150
Average number of full-time employees	1,463	1,397

1 Restated for H1 2017 in the 2018 Unaudited Interim Financial Statements following the H1 2017 Restatement. See section 3 of this Part for further details.

Total income from external customers

Total income from external customers attributable to the Sales and Lettings operating segment decreased by £21.5 million, or 11.9 *per cent.*, from £180.6 million in H1 2017 to £159.1 million in H1 2018. This decrease was principally due to a decline in commission rates received from the sale of residential properties in the London Sales and Lettings business, principally due to a 4,125, or 18.3 *per cent.,* decline in the number of exchanges in the UK (excluding London), from 22,532 homes exchanged in H1 2017 to 18,407 homes exchanged in H1 2018, a 289, or 11.5 *per cent.*, decline in the number of exchanges in London, from 2,512 homes exchanged in H1 2017 to 2,223 homes exchanged in H1 2018, a 6.3 *per cent.* and 3.6 *per cent.* decline in the average fee per exchange in the UK (excluding London) and London, respectively, in H1 2018 compared to H1 2017, a £30,215, or 3.3 *per cent.*, decline in the average house price in London in the same period, and a 3,930, or 5.7 *per cent.*, decline in the average number of rental properties managed in the UK (excluding London). This more than offset an increase in the average number of rental properties managed in London by 514 properties, or 2.4 *per cent.*, to 21,712 in H1 2018, compared to 21,198 properties in H1 2017, and the slight increase in the average house price in the UK (excluding London) in H1 2018 compared to H1 2017.

The Board believes the decline in total income from external customers and operational metrics in Sales and Lettings in H1 2018 compared to H1 2017 was principally due to the smaller opening sales pipeline in January 2018 compared to January 2017, which the Board believes was principally due to the Group's significant sales pipeline deficit as a result of the Prior Strategy, as well as a decline in market transaction volumes illustrated by the 3.5 *per cent.* decline year-on-year in the number of second-hand homes exchanged in the UK in H1 2018 as at the end of May 2018 (according to HMRC transaction figures) and a general lengthening of the time taken from sale to exchange in H1 2018 compared to H1 2017 (most predominantly in the month of April, where the expected exchanges were unusually slow to materialise). The Board believes that the longer time lag between sale and exchange in H1 2018 compared to H1 2017 was in part due to continued weak consumer sentiment experienced across multiple sectors in the UK (which impact was more marked in London than in the rest of the UK). The higher value London housing market continued to experience low levels of activity in H1 2018 owing in part to political and economic uncertainty, particularly in relation to Brexit and the continued effects of stamp duty changes affecting higher value homes and second homes. Total income generated from external customers in the Group's Lettings business declined by £2.2 million, or 2.6 *per cent.*, in H1 2018 compared to H1 2017, while the average number of properties managed declined by 3.8 *per cent.* in the same period, which was principally due to lower income from ancillary services.

The Board also believes that while significant progress has been made in H1 2017 to build back industry expertise and staffing levels in the Sales and Lettings business, the average number of full-time employees was still lower in H1 2018 compared to H1 2017, contributing to weaker performance in this operating segment, and it will take some time for the initiatives that are being implemented as part of the new strategy and turnaround plan to materialise in the form of an improvement in total income from external customers.

Contingent consideration

Contingent consideration for the Sales and Lettings operating segment increased from a charge of £172,000 incurred in H1 2017, to a credit of £57,000 incurred in H1 2018.

Share-based payments

The share-based payment charge attributable to the Sales and Lettings operating segment remained broadly stable between the periods. The share-based payment for H1 2018 comprised charges in respect of grants under the LTIP to senior managers, as well as SIP charges (to April 2018) and SAYE charges (from May 2018) arising from employee participation.

Depreciation and amortisation

Depreciation and amortisation charges attributable to the Sales and Lettings operating segment decreased by £3.9 million in H1 2018 compared to H1 2017, due to a £1.6 million decrease in amortisation charges in H1 2018 compared to H1 2017 (principally due to a reduction in the amortisation of computer software as a result of the lower capitalised value following impairments of software developments in H2 2017).

Exceptional costs (net of exceptional income)

Exceptional costs (net of exceptional income) attributable to the Sales and Lettings operating segment increased by £211.4 million, from £0.7 million in H1 2017 to £212.1 million in H1 2018. This increase was primarily due to:

- impairment charges of £14.0 million and £30.8 million in respect of goodwill associated with the UK cash generating unit and the London cash generating unit, respectively, following an assessment of the recoverable value against the carrying value;
- impairment charges of £58.3 million and £67.9 million in respect of brand names associated with the UK cash generating unit (reflecting full impairments of all brand names held) and the London cash generating unit (reflecting partial impairments of all brand names held), respectively, following an assessment of the recoverable value against the carrying value;

- impairment charges of £6.4 million and £3.2 million in respect of customer contracts associated with the UK cash generating unit of and the London cash generating unit, respectively, following an assessment of the recoverable value against the carrying value;
- a £20.9 million impairment charge in respect of other non-current assets, including a £2.4 million impairment charge in respect of intangible fixed assets (computer software), a £17.8 million impairment charge in respect of tangible fixed assets (related to computer hardware and other assets) associated with the UK cash generating unit, and a £0.7 million impairment of tangible fixed assets associated with the office in London that has been identified for closure;
- strategic and restructuring costs of £2.9 million incurred as part of the turnaround of the Sales and Lettings business; and
- onerous lease provisions with a present value of £7.5 million in H1 2018 (compared to £nil in H1 2017), recognised in relation to the economic outflows arising from onerous contracts in respect of loss-making branches in the Sales and Lettings operating segment, which are to unwind over periods up to 2026. The economic outflows in relation to these loss-making branches will continue to be monitored to ensure that provisions are unwound as a credit to exceptional items in line with the losses being reported within the Group's results of operations, or released in full when a branch reaches profitability on turnaround or ceases to become an onerous contract due to other circumstances (for example, if a branch is sublet or a lease is recognised so that cash flows become positive).

Segment operating (loss)/profit

As a result of the foregoing factors, the Sales and Lettings operating segment generated an operating loss of £220.8 million in H1 2018 compared with segment operating profit of £0.6 million in H1 2017.

Financial Services

	H1 2017 *(unaudited)*	H1 2018 *(unaudited)*
	(£ in thousands, unless indicated otherwise)	
Revenue	40,458	38,585
Other income	535	406
Total income	40,993	38,991
Inter-segment revenue	1,607	1,237
Total income from external customers	42,600	40,228
Contingent consideration	(399)	(1,330)
Share-based payments	(134)	(246)
Depreciation and amortisation	(1,367)	(1,156)
Exceptional costs (net of exceptional income)	(340)	(541)
Segment operating (loss)/profit	**6,386**	**4,004**
Operational data:		
Core number of mortgages arranged	17,231	15,781
Non-core number of mortgages arranged	26,229	35,353
Total number of mortgages arranged	43,461	51,134
Core gross mortgage value (£ in billions)	2.6	2.4
Non-core gross mortgage value (£ in billions)	5.3	7.1
Total gross mortgage value (£ in billions)	7.9	9.5
Life insurance policies arranged	13,641	13,154
General insurance policies arranged	16,518	10,399
Average number of mortgage and protection consultants	575	524
Average number of full-time employees	1,002	977

Total income from external customers

Total income from external customers attributable to the Financial Services operating segment decreased by £2.4 million, or 5.6 *per cent.*, from £42.6 million in H1 2017 to £40.2 million in H1 2018. The Board believes that this decrease was principally due to the smaller opening sales pipeline in January 2018 compared to January 2017, weaker performance from the Financial Services Business

Unit's branch-based sales team, which was impacted by lower referrals of business from the Sales and Lettings operating segment in H1 2018 compared to H1 2017 due to weaker financial performance in that operating segment, as well as due to the decline in mortgage and protection consultants employed within the Group's branch network, from 575 mortgage and protection consultants in H1 2017 to 524 mortgage and protection consultants in H1 2018. The Board believes that the decline in the number of mortgage and protection consultants also adversely impacted the number of life insurance policies arranged and general insurance policies arranged, which declined by 3.6 *per cent.* and 37.0 *per cent.*, respectively in H1 2018, compared to H1 2017. While the Group has taken steps in H1 2018 to invest and grow the number of mortgage and protection consultants in the Group's branch network to provide more comprehensive coverage to the branch network and focus on introducing customers to the Group's conveyancing service, the Group is faced with a competitive market where mortgage and protection consultants are finding it easier to become self-employed. This resulted in a 1,450, or 8.4 *per cent.,* decline in core number of mortgages arranged in H1 2018 compared to H1 2017, as well as a £0.2 billion, or 7.7 *per cent.*, decline in core gross mortgage value.

This more than offset an increase in the total number of mortgages arranged by 7,673 mortgages, or 17.7 *per cent.*, from 43,461 in H1 2017 to 51,134 in H1 2018, as well as an increase in the total gross mortgage value (from £8.0 billion total mortgages written in H1 2017 to £9.5 billion total mortgages written in H1 2018) in large part due to strong performance among appointed representatives arranging mortgages for the Group outside of the branch network, including strong performance in the Mortgage Bureau and The Buy To Let Business, resulting in a significantly greater increase in the non-core number of mortgages arranged and non-core gross mortgage value as compared to the core number of mortgages arranged and core gross mortgage value in H1 2018.

The Financial Services operating segment's total income from external customers was also positively impacted by strong performance in the remortgaging sector.

Contingent consideration

Contingent consideration for the Financial Services operating segment increased by £0.9 million, or 233.3 *per cent.*, from £0.4 million in H1 2017 to £1.3 million in H1 2018. This was principally due to higher profitability in certain acquired entities and higher amounts accrued in H1 2018 as a result of performance conditions having been satisfied in acquired entities.

Share-based payments

The share-based payment charge attributable to the Financial Services operating segment increased by £0.1 million, or 83.6 *per cent.*, from £0.1 million in H1 2017 to £0.2 million in H1 2018. The share-based payment for H1 2018 comprised charges in respect of grants under the LTIP to senior managers, as well as SIP charges (to April 2018) and SAYE charges (from May 2018) arising from employee participation.

Depreciation and amortisation

Depreciation and amortisation charges attributable to the Financial Services operating segment remained broadly stable between the periods.

Exceptional costs (net of exceptional income)

Exceptional costs (net of exceptional income) attributable to the Financial Services operating segment increased by £0.2 million, from £0.3 million in H1 2017 to £0.5 million in H1 2018. This increase was primarily due to costs incurred in connection with the Group's implementation of strategic projects in the Financial Services business.

Segment operating (loss)/profit

As a result of the foregoing factors, the Financial Services operating segment's operating profit for H1 2018 decreased by £2.4 million, from segment operating profit of £6.4 million in H1 2017 to £4.0 million in H1 2018.

B2B

	H1 2017 *(unaudited)*	H1 2018 *(unaudited)*
	(£ in thousands, unless indicated otherwise)	
Revenue	117,750	111,073
Other income	478	419
Total income	118,228	111,492
Inter-segment revenue	(9,605)	(7,755)
Total income from external customers	108,623	103,737
Contingent consideration	1,108	(411)
Share-based payments	(299)	(375)
Depreciation and amortisation	(3,683)	(2,888)
Exceptional costs (net of exceptional income)/exceptional income (net of exceptional costs)	(777)	2,059
Segment operating (loss)/profit	**11,059**	**9,829**
Operational data:		
Number of surveys/valuations completed	181,415	192,097
Number of conveyances completed	13,312	11,398
Countrywide Residential Development Solutions exchanges	2,056	1,396
Average number of corporate properties under management	36,222	37,677
Average number of full-time employees	2,598	2,541

Total income from external customers

Total income from external customers attributable to the B2B operating segment decreased by £4.9 million, or 4.5 *per cent.*, from £108.6 million in H1 2017 to £103.7 million in H1 2018. The Board believes this decrease was principally due to difficult trading conditions in the Countrywide Residential Development Solutions business, with revenue from this business having declined by approximately 37.6 *per cent.* in H1 2018 compared to H1 2017, driven by a significantly lower number of Countrywide Residential Development Solutions exchanges between the periods (with a 660, or 32.1 *per cent.,* decline in Countrywide Residential Development Solutions exchanges, from 2,056 exchanges in H1 2017 to 1,396 exchanges in H1 2018). While the Board believes this decline related to a smaller opening sales pipeline in January 2018 compared to January 2017, it also believes that the poor performance in this business reflects the more difficult trading conditions experienced in the UK housing market in H1 2018 with stock release being delayed, sales taking longer to secure and land deals taking longer to mature in H1 2018 compared to H1 2017. The decline in total income from external customers in the B2B operating segment was also impacted by a decline in total income from external customers in the Lambert Smith Hampton business against the backdrop of continued uncertainty in the UK economic and political environment in H1 2018. This more than offset improvements in performance and increases in total income from external customers from the surveying businesses in H1 2018 compared to H1 2017, which the Group believes benefited from the initiatives implemented pursuant to the new strategy and turnaround plan. The average number of corporate properties under management increased by 1,145 from 36,222 to H1 2017 to 37,667 in H1 2018. The number of surveys and valuations completed by the B2B operating segment, increased by 10,682 surveys and valuations, or 5.9 *per cent.*, from 181,415 surveys and valuations in H1 2017 to 192,097 surveys and valuations in H1 2018, driven by the Group's in-house workforce (with an increase in the number of qualified surveyors as at 30 June 2018 compared to 30 June 2017 and a trainee programme initiated in February 2018 to support growth in the business).

While the conveyancing business benefited from improved profitability in H1 2018, the number of conveyances completed by the B2B operating segment declined by 1,914 conveyances, or 14.4 *per cent.*, from 13,312 conveyances completed in H1 2017 to 11,398 conveyances completed in H1 2018, principally due to lower referrals from the Sales and Lettings business.

Contingent consideration

Contingent consideration for the B2B operating segment increased from a credit of £1.1 million in H1 2017 to a charge of £0.4 million being incurred in H1 2018, principally due to higher profitability in certain acquired entities in H1 2018 compared with lower amounts accrued in H1 2017 as a result of performance conditions not having been satisfied in acquired entities.

Share-based payments

The share-based payment charge attributable to the B2B operating segment increased by £76,000 in H1 2018 compared to H1 2017. The share-based payment for H1 2018 comprised charges in respect of grants under the LTIP to senior managers, as well as SIP charges (to April 2018) and SAYE charges (from May 2018) arising from employee participation.

Depreciation and amortisation

Depreciation and amortisation charges attributable to the B2B operating segment decreased by £0.8 million in H1 2018 compared to H1 2017, principally due to a £0.7 million reduction in depreciation and amortisation related to computer hardware and software.

Exceptional costs (net of exceptional income)/exceptional income (net of exceptional costs)

Exceptional items (net) attributable to the B2B operating segment decreased by £2.8 million, from £0.8 million of exceptional costs (net of exceptional income) in H1 2017 to £2.1 million of exceptional income (net of exceptional costs) million in H1 2018. This increase was primarily due to an amount of £2.1 million having been received and treated as exceptional income in H1 2018 in respect of a claim settled in the Group's favour in H1 2018 and a release of £1.1 million from the professional indemnity provision in H1 2018.

Segment operating (loss)/profit

As a result of the foregoing factors, the B2B operating segment's operating profit for H1 2018 decreased by £1.3 million from segment operating profit of £11.1 million in H1 2017 to £9.8 million in H1 2018.

7.3 Comparison of the Group's results of operations for 2016 and 2017

The following table presents selected historical consolidated income statement information for the Group for 2016 and 2017, which has been extracted from the 2017 Annual Financial Statements and does not reflect the Prior-Year Correction. The columnar presentation of the Group's consolidated income statement in its Financial Statements separates exceptional items as well as adjusting items, specifically amortisation of intangibles arising on business acquisitions, contingent consideration and share-based payments, to illustrate consistently the Group's underlying business performance. This is not reflected in the table below.

	FY 2016	FY 2017[1]
	(£ in thousands)	
Revenue	723,970	661,049
Other Income	12,985	10,829
Employee benefit costs	(425,156)	(389,694)
Other operating costs	(237,562)	(223,049)
Depreciation and amortisation	(32,872)	(33,490)
Share of (loss)/profit from joint venture	(13)	690
Group operating profit before exceptional items	**41,352**	**26,335**
Profit on disposal of available-for-sale assets	32,804	—
Employee benefit costs	(8,109)	(4,405)
Other operating costs	(16,262)	(6,978)
Impairment of non-current assets	(20,922)	(214,486)
Exceptional items (net)[2]	(12,489)	(225,869)
Operating profit/(loss)	**28,863**	**(199,534)**
Finance costs	(9,672)	(12,607)
Finance income	304	82
Net finance costs	**(9,368)**	**(12,525)**
Profit/(loss) before taxation	**19,495**	**(212,059)**
Taxation (charge)/credit	(1,955)	3,987
Profit/(loss) for the year	**17,540**	**(208,072)**
Adjusted EBITDA[3]	**83,548**	**64,687**

1 Does not reflect the Prior-Year Correction. The prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

2 The presentation of exceptional items including profit on disposal of available-for-sale assets, employee benefit costs, other operating costs and impairment of non-current assets has been conformed to the way in which such items have been presented in the 2017 Annual Financial Statements.

3 See section 2.2 of this Part for a reconciliation of Adjusted EBITDA to profit/(loss) for the year.

Revenue

Revenue decreased by £62.9 million, or 8.7 *per cent.*, from £724.0 million in 2016 to £661.0 million in 2017. This decrease was principally due to a £37.7 million, or 16.7 *per cent.*, decline in revenue from the UK Sales and Lettings operating segment, a £14.6 million, or 8.8 *per cent.*, decline in revenue from the London Sales and Lettings operating segment, a £10.3 million, or 4.1 *per cent.*, decline in revenue from the B2B operating segment and a £0.5 million, or 0.7 *per cent.*, decline in revenue from the Financial Services operating segment, which more than offset a £0.2 million, or 60.3 *per cent.*, increase in revenue from "all other segments" in 2017 compared to 2016.

The decline in revenue from the UK Sales and Lettings and London Sales and Lettings operating segments was principally due to the Group's Prior Strategy (see section 4.1 of this Part for further information), in particular, the impact of branch closures (including closure of certain profitable branches) and staffing changes made in the Sales and Lettings businesses (with high level of attrition of some of the Group's most experienced Sales and Lettings personnel). The Board believes this resulted in the loss of market share and revenue from these businesses. The decline in revenue (particularly in the London Sales and Lettings operating segment and, to a lesser extent, the UK Sales and Lettings operating segment) was also attributable to continuing challenges in the UK trading environment, particularly impacted by the challenges of affordability and a lack of housing supply (which contributed to the decline in the volume of transactions), changes to the stamp duty regime that were implemented in 2016, the tapering of interest tax relief for landlords in 2017, uncertainty around the implications of Brexit and the UK's economic prospects, tighter household finances and the increase in the Bank of England's base rate to 0.5 *per cent.* in 2017. In addition, while average house prices increased by 2.5 *per cent.* outside of London, the UK Sales and Lettings operating segment experienced a 5.2 *per cent.* decline in its average fee for sales, which the Board believes was principally due to the loss of industry expertise in the UK Sales and Lettings operating segment and, to a lesser extent, due to the challenging conditions in the UK property market.

Revenue from the B2B and Financial Services operating segments' were also impacted, in large part, by weaker performance from the branch-based sales team, which was heavily impacted by adverse performance of the UK Sales and Lettings and London Sales and Lettings operating segments, with a decline in referrals from the Sales and Lettings businesses and opportunities to generate complementary income.

Other income

Other income decreased by £2.2 million, or 16.6 *per cent.*, from £13.0 million in 2016 to £10.8 million in 2017. This decrease was principally due to no dividend income on available-for-sale financial assets in 2017 compared to £0.5 million of such income in 2016 (as a result of no dividend income from subsidiaries having been declared in 2017), as well as a £1.4 million, or 12.4 *per cent.,* decline in other operating income and a £0.2 million, or 27.2 *per cent.,* decline in rent receivable.

Employee benefit costs

Employee benefit costs decreased by £35.5 million, or 8.3 *per cent.,* from £425.2 million in 2016 to £389.7 million in 2017. This decrease was principally due to a £28.8 million, or 7.9 *per cent.,* decline in wages and salaries (principally due to the closure of branches and rationalisation of branch headcount), a £2.9 million, or 42.5 *per cent.,* decline in contingent consideration deemed remuneration (principally due to reductions in the number of transactions with outstanding deferrals and revisions to accrual estimates), a £2.6 million, or 6.4 *per cent.,* decline in social security costs, a £0.6 million, or 25.8 *per cent.,* decline in share options granted to directors and employees, a £0.5 million, or 5.2 *per cent.,* decline in defined contribution pension costs and a slight decline in defined benefit scheme costs.

Other operating costs

Other operating costs decreased by £14.5 million, or 6.1 *per cent.*, from £237.6 million in 2016 to £223.0 million in 2017. This was principally due to a £7.8 million, or 5.7 *per cent.,* decrease in other costs (principally comprising reductions in branch costs following the rationalisation of the Group's branch network and cost optimisation initiatives undertaken in 2017), as well as a £2.8 million, or 9.3 *per cent.,* decrease in rent (principally due to branch closures), a £2.4 million, or 98.4 *per cent.,* decrease in trade receivables impairment (principally due to the reversal of a 2016 bad debt provision of £1.2 million on outstanding debt that was subsequently collected in 2017 and 2018), a £1.8 million, or 11.0 *per cent.,* decrease in vehicle, plant and equipment hire costs (principally due to the Group's cost optimisation strategy and reduced headcount), and a £1.6 million, or 7.5 *per cent.,* decrease in advertising and marketing expenditure (principally due to a shift in the Group's focus on cheaper advertising and marketing alternatives, and renegotiation of key supplier contracts), which more than offset the £2.9 million, or 22.6 *per cent.,* increase in repairs and maintenance costs in 2017 compared to 2016 (principally due to repairs and maintenance of the branch network).

Adjusted EBITDA

Adjusted EBITDA decreased by £18.9 million, or 22.6 *per cent.*, from £83.5 million in 2016 to £64.7 million in 2017, primarily due to a £13.0 million, or 46.5 *per cent.*, decline in Adjusted EBITDA generated by the UK Sales and Lettings operating segment, a £9.0 million, or 43.8 *per cent.*, decline in Adjusted EBITDA generated by the London Sales and Lettings operating segment, as well as a £3.0 million, or 13.3 *per cent.*, decline in Adjusted EBITDA generated by the Financial Services operating segment, which more than offset a £4.1 million, or 12.9 *per cent.*, increase in Adjusted EBITDA generated by the B2B operating segment in 2017 compared to 2016, for the reasons described above. See section 2.2 of this Part for a reconciliation of Adjusted EBITDA to profit/(loss) for the year.

Depreciation and amortisation

Depreciation and amortisation charges increased by £0.6 million, or 1.9 *per cent.*, from £32.9 million in 2016 to £33.5 million in 2017, principally due to a £3.0 million, or 39.1 *per cent.,* increase in amortisation of computer software as a result of increased levels of investment in IT infrastructure, accompanied by a £3.3 million, or 23.7 *per cent.*, increase in depreciation of property, plant and equipment, which more than offset the £5.6 million, or 49.5 *per cent.*, decrease in amortisation of intangible assets recognised through business combinations in 2017 compared to 2016 (principally due to £6.6 million of the annual charge relating to intangible assets recognised in 2007, when the Group was taken private, ending in 2017).

Share of (loss)/profit from joint venture

Share of (loss)/profit from joint venture increased by £0.7 million, from a loss of £13,000 in 2016 to a profit of £0.7 million in 2017, principally due to TMG's improved financial performance in 2017.

Exceptional items (net)

The Group's exceptional items (net) increased significantly, from £12.5 million in 2016 to £225.9 million in 2017. This was principally due to a £177.7 million increase in total exceptional costs, from £48.2 million in 2016 to £225.9 million in 2017, as well as a reduction in exceptional income from £35.7 million in 2016 (principally due to a £32.8 million profit on the sale of the Group's residual interest in ZPG Plc and a £2.9 million release in the professional indemnity valuation claims provision) to £nil in 2017.

The significant increase in exceptional costs was principally due to a £195.2 million increase in total impairment charges, from £20.9 million in 2016 to £216.1 million in 2017, principally due to:

- impairment charges of £151.3 million and £41.0 million in respect of goodwill associated with the UK Sales and Lettings cash generating unit and the London Sales and Lettings cash generating unit, respectively, following an assessment of the recoverable value against the carrying value;
- impairment charges of £8.4 million and £4.4 million in respect of brand names associated with the UK Sales and Lettings cash generating unit (reflecting partial impairments of Slater Hogg & Howison and Blundell Property Services) and the London Sales and Lettings cash generating unit (reflecting an impairment against the Greene & Co brand name), respectively, following an assessment of the recoverable value against the carrying value;
- impairment charges of £4.1 million, £1.1 million and £0.1 million in respect of customer contracts associated with the UK Sales and Lettings cash generating unit, the London Sales and Lettings cash generating unit and the Professional Services (B2B) cash generating unit, respectively, following an assessment of the recoverable value against the carrying value; and
- a £4.1 million impairment charge in respect of other non-current assets, including a £2.7 million impairment charge in respect of intangible fixed assets (computer software related to the discontinuation of the Group's hybrid offering in March 2018), a £0.1 million impairment charge in respect of tangible fixed assets (related computer hardware) associated with the UK Sales and Lettings cash generating unit, a £0.7 million impairment charge relating to tangible fixed assets associated with the London Sales and Lettings cash generating unit following an assessment of the recoverable value against the carrying value (the London write-down arising as a result of impairments identified exceeding the intangible asset carrying values, and a £0.6 million write-off of an available-for-sale investment following the commencement of administration proceedings against the available-for-sale investment.

In addition, impairment charges of £1.6 million were made against the carrying value of trade receivables, which relate to assets recognised in prior periods, dating as far back as 2013, where circumstances in relation to collectability have changed during 2017 and principally relate to a portfolio of debts within a business acquired during 2015 (now operating as part of Countrywide Residential Development Solutions within the B2B operating segment). The cost has been treated as exceptional due to the age of the debt and materiality of the impairment.

Moreover, the increase in exceptional costs was impacted by significant strategic and restructuring costs as a result of the implementation of the Group's cost optimisation initiatives in 2017, including:

- £4.4 million relating to redundancy costs and changes to the leadership structure that occurred during 2017;
- £1.7 million in respect of third party consultancy costs, for a number of different projects undertaken to tackle cost optimisation targets and related strategic initiatives; and
- £1.9 million of property closure costs, comprising £1.5 million of property provision costs, in respect of dilapidations and onerous contract costs in respect of additional premises identified and closed during 2017 arising from further review, along with £0.3 million of associated property closure costs.

The increase in the Group's exceptional costs in 2017 was also in part due to a £1.8 million increase in the provision for professional indemnity valuation claims, as a result of an individually significant professional indemnity claim.

Finance costs

Finance costs increased by £2.9 million, or 30.3 *per cent.*, from £9.7 million in 2016 to £12.6 million in 2017. This was principally due to a £2.5 million, or 32.1 *per cent.*, increase in interest payable on the Previous Credit Facility in 2017 compared to 2016, due to an increase in the margin on such facility from 2.75 *per cent.* to 3.0 *per cent.* over LIBOR, which more than offset the £80.0 million decrease in the amount drawn (from £290.0 million at 31 December 2016 to £210.0 million at 31 December 2017), as well as a £0.3 million increase in the amortisation of facility fees, a £0.1 million increase in other finance costs (including due to costs from an interest rate swap that the Group entered into to convert floating levels of interest on the Previous Credit Facility into a fixed rate on specified levels of drawdown from 20 June 2016, which swap was terminated in H1 2018), and a £0.1 million increase in net interest costs arising on the pension scheme, which more than offset the decline in interest arising from finance leases and other interest paid in 2017 compared to 2016 (principally due to lower capital expenditures on IT assets in 2017).

Finance income

Finance income decreased by £0.2 million, or 73.0 *per cent.*, from £0.3 million in 2016 to £0.1 million in 2017, principally due to a £0.2 million, or 71.9 *per cent.* decline in interest income, which was attributable to lower cash balances and products bearing less favourable interest rates, as well as a slight decline in net interest income arising on the pension scheme from £12,000 in 2016 to £nil in 2017.

Taxation (charge)/credit

The Group recognised a tax credit of £4.0 million in 2017 against a loss before taxation of £212.1 million. The Group recognised a tax charge of £2.0 million in 2016 against a profit before taxation of £19.5 million. This represents an effective tax rate of 1.9 *per cent.* in 2017, compared to an effective tax rate of 10.0 *per cent.* in 2016, which differs from the standard rate of corporation tax in the UK of 19.3 *per cent.* in 2017 and 20.0 *per cent.* in 2016. The principal reasons for the lower effective tax rate in 2017 are the exceptional tax credit of £9.7 million recognised by the Group in 2017 on higher losses before tax of £237.2 million in 2017 (compared to an £8.7 million exceptional tax credit recognised on losses of £33.2 million in 2016). The exceptional tax credit in 2017 was principally due to the £210.4 million impairment of goodwill, brands and customer contracts which resulted in the unwind of the related deferred tax liability.

Profit/(loss) for the year

As a result of the foregoing factors, the Group incurred a loss for the year of £208.1 million in 2017, compared to a profit for the year of £17.5 million in 2016.

7.4 Comparison of segment results for 2016 and 2017

The results of each of the Group's segments (as presented in the 2017 Annual Financial Statements) are presented below and have been derived from the 2017 Annual Financial Statements, which reflects the 2016 Segments Restatement.

UK Sales and Lettings

	FY 2016[1]	FY 2017[2]
	(£ in thousands, unless indicated otherwise)	
Revenue	226,444	188,715
Other income	3,427	4,129
Total income	229,871	192,844
Inter-segment revenue	17,949	12,342
Total income from external customers	247,820	205,186
Contingent consideration	—	—
Share-based payments	(303)	(336)
Depreciation and amortisation	(14,943)	(14,881)
Share of (loss)/profit from joint venture	—	—
Exceptional costs (net of exceptional income)	(17,388)	(168,477)
Segment operating (loss)/profit	**(4,788)**	**(168,806)**
Operational data:		
Number of exchanges	50,362	41,722
Average fee per exchange (£)	2,511	2,381
Average house price (£)	198,122	203,068
Average number of rental properties managed	65,352	62,646
Average number of branches	783	666
Average number of full-time employees	4,748	3,710

1 Restated for 2016 in the 2017 Annual Financial Statements following the 2016 Segments Restatement. See section 3 of this Part for further details.

2 Does not reflect the Prior-Year Correction. The prior-year comparative period (2017) will be restated for the Sales and Lettings operating segment in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

Total income from external customers

Total income from external customers attributable to the UK Sales and Lettings operating segment decreased £42.6 million, or 17.2 *per cent*., from £247.8 million in 2016 to £205.2 million in 2017. This decrease was principally due to a decline in commission rates received from the sale of residential properties in the UK Sales and Lettings business, with the average fee per exchange decreasing by £130, or 5.2 *per cent.,* from £2,511 in 2016 to £2,381 in 2017, as well as an 8,640, or 17.2 *per cent.*, decline in the number of exchanges, from 50,362 homes exchanged in 2016 to 41,722 homes exchanged in 2017, and a 2,706, or 4.1 *per cent.*, decline in the average number of rental properties managed, from 65,352 properties managed in 2016 to 62,646 properties managed in 2017, which more than offset the slight increase in average house prices from £198,122 in 2016 to £203,068 in 2017. While the Lettings business performed better than Sales in this operating segment, a 4 *per cent.* reduction in properties under management year-on-year, coupled with a decline in the number of lets agreed, resulted in an 8 *per cent.* decline in total income from external customers from the Lettings business in this operating segment.

The Board believes that the Group's Prior Strategy (see section 4.1 of this Part for further information), in particular the impact of branch closures (including closure of certain profitable branches) and staffing changes made in the UK Sales and Lettings business (with high level of attrition of some of the Group's most experienced Sales and Lettings personnel), contributed to the decline in the number of exchanges and average number of rental properties managed outside of London and, therefore, the decline in total income from external customers, which in turn resulted in the loss of market share. In particular, the Board believes that the integration of the sales and lettings businesses within this operating segment failed to take account of the very different characteristics and customer bases of the two businesses (which require different operational experience). This, together with the rationalisation of the branch footprint (with an average of 666 branches in 2017 compared to 783 branches in 2016) based on an estimate of footfall rather than profitability, which resulted in the closure of certain profitable branches, as well as the significant loss of experienced sales and lettings professionals (and therefore loss of significant industry expertise), with average number of full-time employees declining from 4,748 in 2016 to 3,710 in 2017, is believed to have resulted in the loss of market share and total income from external customers from this operating segment. In addition, while average house prices increased by 2.5 *per cent.* outside of London, the UK Sales and Lettings operating segment experienced a 5.2 *per cent.* decline in its average fee for sales, which the Board believes was principally due to the loss of industry expertise and, to a lesser extent, the challenging macroeconomic and geopolitical environment.

Continuing challenges in the UK trading environment, particularly impacted by the challenges of affordability and a lack of housing supply, changes to the stamp duty regime that were implemented in 2016, the tapering of interest tax relief for landlords in 2017, uncertainty around the implications of Brexit and the UK's economic prospects, tighter household finances and the increase in the Bank of England's base rate to 0.5 *per cent*. in 2017, also contributed to the decline in the number of exchanges and average number of rental properties managed outside of London and, therefore, the decline in total income from external customers.

Contingent consideration

There was no contingent consideration for the UK Sales and Lettings operating segment in 2016 or 2017.

Share-based payments

The share based payment charge attributable to the UK Sales and Lettings operating segment increased by £33,000, or 10.9 *per cent.*, from £303,000 in 2016 to £336,000 in 2017. The share-based payment comprised a decreased charge in respect of annual nil cost option grants under the three-year LTIP to senior managers as a result of aligning non market conditions to underlying performance across grants and increased SIP charges arising from employee participation.

Depreciation and amortisation

Depreciation and amortisation charges attributable to the UK Sales and Lettings operating segment remained broadly stable between the periods.

Share of (loss)/profit from joint venture

There was no share of loss or profit from joint venture attributable to the UK Sales and Lettings operating segment in 2016 or 2017.

Exceptional costs (net of exceptional income)

Exceptional costs (net of exceptional income) attributable to the UK Sales and Lettings operating segment increased by £151.1 million from £17.4 million in 2016 to £168.5 million in 2017. This increase was primarily due to:

- a £151.3 million impairment charge in respect of goodwill associated with the UK Sales and Lettings cash generating unit in 2017,
- an £8.4 million impairment charge in respect of brand names associated with the UK Sales and Lettings cash generating unit (reflecting partial impairments of Slater Hogg & Howison and Blundell Property Services) in 2017,
- a £4.1 million impairment charge in respect of customer contracts associated with the UK Sales and Lettings cash generating unit in 2017, and
- various strategic and restructuring costs, including property closure costs resulting from the closure of branches within the UK Sales and Lettings Business Unit and a £2.7 million impairment charge in respect of intangible fixed assets (computer software related to the discontinuation of the Group's hybrid offering in March 2018).

Segment operating (loss)/profit

As a result of the foregoing factors, the UK Sales and Lettings operating segment's operating losses for 2017 increased by £164.0 million from losses of £4.8 million in 2016 to losses of £168.8 million in 2017.

London Sales and Lettings

	FY 2016[1]	FY 2017[2]
	(£ in thousands, unless indicated otherwise)	
Revenue	165,622	150,998
Other income	3,178	1,082
Total income	168,800	152,080
Inter-segment revenue	3,753	3,224
Total income from external customers	172,553	155,304
Contingent consideration	(397)	(397)
Share-based payments	(200)	(316)
Depreciation and amortisation	(5,159)	(5,249)
Share of (loss)/profit from joint venture	—	—
Exceptional costs (net of exceptional income)	(20,552)	(48,586)
Segment operating (loss)/profit	**(5,757)**	**(43,001)**
Operational data:		
Number of exchanges	10,951	8,778
Average fee per exchange (£)	8,054	8,267
Average house price (£)	665,799	686,503
Average number of rental properties managed	25,792	26,644
Average number of branches	278	246
Average number of full-time employees	2,130	1,848

1 Restated for 2016 in the 2017 Annual Financial Statements following the 2016 Segments Restatement. See section 3 of this Part for further details.

2 Does not reflect the Prior-Year Correction. The prior-year comparative period (2017) will be restated for the Sales and Lettings operating segment in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

Total income from external customers

Total income from external customers attributable to the London Sales and Lettings operating segment decreased £17.2 million, or 10.0 *per cent.*, from £172.6 million in 2016 to £155.3 million in 2017. This decrease was principally due to a decline in commission rates received from the sale of residential properties in the London Sales and Lettings business, principally due to a 2,173, or 19.8 *per cent.,* decline in the number of exchanges, from 10,951 homes exchanged in 2016 to 8,778 homes exchanged in 2017, which more than offset the £213, or 2.6 *per cent.*, increase in the average fee per exchange from £8,054 in 2016 to £8,267 in 2017, the £20,704, or 3.1 *per cent.*, increase in the average house price from £665,799 in 2016 to £686,503 in 2017, and the increase in the average number of rental properties managed in 2017 by 852 properties, or 3.3 *per cent.*, to 26,644 compared to 25,792 properties managed in 2016. While overall Lettings revenue in the London Sales and Lettings operating segment accounted for 51 *per cent.* of total income in London in 2017 (compared to 46 *per cent.* in 2016) and the number of properties under management increased across the periods, overall total income from external customers from Lettings was flat year-on-year (principally due to lower fees from ancillary services, in part due to growth in the number of properties managed by the Group's Hamptons brand which offset the loss of properties under management in other parts of London).

The Group's Prior Strategy (see section 4.1 of this Part for further information), in particular the integration of the sales and lettings businesses within this operating segment, failed to take account of the very different characteristics and customer bases of the two businesses (which require different operational experience). This, together with the rationalisation of the branch footprint (with an average of 246 branches in 2017 compared to 278 branches in 2016) based on an estimate of footfall rather than profitability, which resulted in the closure of certain profitable branches, as well as the loss of experienced sales and lettings professionals in the mid-market London business (and therefore loss of industry expertise), with average number of full-time employees declining from 2,130 in 2016 to 1,848 in 2017, is believed to have contributed to the decline in the number of exchanges and the average fee per exchange in London and, therefore, the decline in total income from external customers, which in turn resulted in the loss of market share. However, structural changes implemented as part of the Group's Prior Strategy did not extend to the Group's premium brands in this operating segment, such as Hamptons International and John D Wood & Co., where specialist management structures were retained and respected and experienced managers continued to lead the teams, delivering resilient performance against the backdrop of a challenging market environment in London. This was more than offset by the weak performance in the operating segment's mid-market London business (which the Board believes was largely due to loss of industry expertise), where changes in management resulted in the average number of full-time employees falling year-on-year by 13.2 *per cent.*, impacting total income from external customers.

Continuing challenges in the UK trading environment, particularly impacted by the challenges of affordability and a lack of housing supply, changes to the stamp duty regime that were implemented in 2016, the tapering of interest tax relief for landlords in 2017, uncertainty around the implications of Brexit and the UK's economic prospects, tighter household finances and the increase in the Bank of England's base rate to 0.5 *per cent*. in 2017 had a marked impact on total income from external customers in this operating segment. In particular, the London housing market was slower than the rest of the UK to improve from the double impact in 2016 of material increases in stamp duty on high value properties and second homes plus the outcome of the Brexit referendum.

Contingent consideration

Contingent consideration for the London Sales and Lettings operating segment remained unchanged at £0.4 million in 2016 and 2017.

Share-based payments

The share-based payment charge attributable to the London Sales and Lettings operating segment increased by £0.1 million, or 58.0 *per cent.*, from £0.2 million in 2016 to £0.3 million in 2017. The share-based payment comprised a decreased charge in respect of annual nil-cost option grants under the three-year LTIP to senior managers as a result of aligning non-market conditions to underlying performance across grants and increased SIP charges arising from employee participation.

Depreciation and amortisation

Depreciation and amortisation charges attributable to the London Sales and Lettings operating segment remained broadly stable between the periods.

Share of (loss)/profit from joint venture

There was no share of loss or profit from joint venture attributable to the London Sales and Lettings operating segment in 2016 or 2017.

Exceptional costs (net of exceptional income)

Exceptional costs (net of exceptional income) attributable to the London Sales and Lettings operating segment increased by £28.0 million, or 136.4 *per cent.*, from £20.6 million in 2016 to £48.6 million in 2017. This increase was primarily due to:

- a £41.0 million impairment charge in respect of goodwill associated with the London Sales and Lettings cash generating unit in 2017,
- a £4.5 million impairment charge in respect of the Green & Co brand name held within the London Sales and Lettings cash generating unit in 2017,
- a £1.1 million impairment charge in respect of customer contracts associated with the London Sales and Lettings cash generating unit in 2017, and
- strategic and restructuring costs, including property closure costs resulting from the closure of branches within the London Sales and Lettings Business Unit and a £0.7 million impairment charge in respect of tangible fixed assets associated with the impairment of the Greene & Co brand and goodwill.

Segment operating (loss)/profit

As a result of the foregoing factors, the London Sales and Lettings operating segment's operating losses for 2017 increased by £37.2 million from £5.8 million in 2016 to £43.0 million in 2017.

Financial Services

	FY 2016	FY 2017
	(£ in thousands, unless indicated otherwise)	
Revenue	82,667	82,124
Other income	1,629	1,947
Total income	84,296	84,071
Inter-segment revenue	3,878	3,253
Total income from external customers	88,174	87,324
Contingent consideration	(867)	(969)
Share-based payments	(220)	(271)
Depreciation and amortisation	(6,132)	(2,770)
Share of (loss)/profit from joint venture	—	—
Exceptional costs (net of exceptional income)	(47)	(1,304)
Segment operating (loss)/profit	**15,416**	**14,346**
Operational data:		
Core number of mortgages arranged	37,992	34,283
Non-core number of mortgages arranged	52,270	61,748
Total number of mortgages arranged	90,262	96,031
Core gross mortgage value (£ in billions)	5.5	5.0
Non-core gross mortgage value (£ in billions)	10.1	12.7
Total gross mortgage value (£ in billions)	15.7	17.7
Life insurance policies arranged	25,756	27,952
General insurance policies arranged	27,711	32,924
Average number of mortgage and protection consultants	676	633
Average number of full-time employees	997	1,000

Total income from external customers

Total income from external customers attributable to the Financial Services operating segment decreased by £0.9 million, or 1.0 *per cent.*, from £88.2 million in 2016 to £87.3 million in 2017. This decrease was principally due to weaker performance from the Financial Services Business Unit's branch-based sales team, which was heavily impacted by lower referrals of business from the UK Sales and Lettings and London Sales and Lettings operating segments in 2017, compared to 2016, due to weaker financial performance in those operating segments, as well as due to the decline in mortgage and protection consultants employed within the Group's branch network, from 676 consultants in 2016 to 633 consultants in 2017. This resulted in a 3,709, or 9.8 *per cent.,* decline in core number of mortgages arranged in 2017 compared to 2016, as well as a £0.5 billion, or 10 *per cent.*, decline in core gross mortgage value. This more than offset:

- an increase in the total number of mortgages arranged by 5,769 mortgages, or 6.4 *per cent.*, from 90,262 in 2016 to 96,031 in 2017, as well as an increase in the total gross mortgage value (from £15.7 billion total mortgages written in 2016 to £17.7 billion total mortgages written in 2017) in large part due to strong performance among appointed representatives arranging mortgages for the Group outside of the branch network, resulting in a significantly greater increase in the non-core number of mortgages arranged and non-core gross mortgage value as compared to the core number of mortgages arranged and core gross mortgage value in 2017;
- a 2,196, or 8.5 *per cent.,* increase in life insurance policies arranged in 2017 compared to 2016; and
- a 5,213, or 18.8 *per cent.* increase in general insurance policies arranged in 2017 compared to 2016.

The Financial Services operating segment's total income from external customers was positively impacted by strong performance in The Buy To Let Business, Mortgage Bureau and Mortgage Intelligence in particular, as well as by growth in the remortgage sector (which represented approximately 39 *per cent.* of the overall market as at 31 December 2017 and which experienced 9 *per cent.* growth year-on-year) and growth in the first-time buyer sector (which represented approximately 23 *per cent.* of the overall market as at 31 December 2017 and which experienced 11 *per cent.* growth year-on-year). The increase in the number of life insurance policies arranged in 2017 was principally due to the launch of new products that were more competitive relative to the market (as to price and proposition) and improvements to the Group's IT systems to address instabilities that had limited consultants' usage in 2016.

Contingent consideration

Contingent consideration for the Financial Services operating segment increased by £0.1 million, or 11.8 *per cent.*, from £0.9 million in 2016 to £1.0 million in 2017.

Share-based payments

The share-based payment charge attributable to the Financial Services operating segment increased by £51,000, or 23.2 *per cent.*, from £0.2 million in 2016 to £0.3 million in 2017. The share-based payment comprised a decreased charge in respect of annual nil-cost option grants under the three-year LTIP to senior managers as a result of aligning non-market conditions to underlying performance across grants and increased SIP charges arising from employee participation.

Depreciation and amortisation

Depreciation and amortisation charges attributable to the Financial Services operating segment decreased by £3.4 million, or 54.8 *per cent.*, from a charge of £6.1 million in 2016 to £2.8 million in 2017. This was principally due to no amortisation charges in 2017 in respect of certain contracts that reached the end of their estimated useful lives.

Share of (loss)/profit from joint venture

There was no share of loss or profit from joint venture attributable to the Financial Services operating segment in 2016 or 2017.

Exceptional costs (net of exceptional income)

Exceptional costs (net of exceptional income) attributable to the Financial Services operating segment increased by £1.3 million, from £47,000 in 2016 to £1.3 million in 2017. This increase was primarily due to redundancy costs and costs associated with the Group's implementation of strategic projects in the Financial Services business.

Segment operating (loss)/profit

As a result of the foregoing factors, attributable to the Financial Services operating segment's operating profit for 2017 decreased by £1.1 million from segment operating profit of £15.4 million in 2016 to £14.3 million in 2017.

B2B

	FY 2016[1]	FY 2017
	(£ in thousands, unless indicated otherwise)	
Revenue	248,859	238,606
Other income	1,506	958
Total income	250,365	239,564
Inter-segment revenue	(25,580)	(18,819)
Total income from external customers	224,785	220,745
Contingent consideration	(4,692)	(62)
Share-based payments	(397)	(457)
Depreciation and amortisation	(7,550)	(7,583)
Share of (loss)/profit from joint venture	—	—
Exceptional costs (net of exceptional income)	(1,787)	(3,844)
Segment operating (loss)/profit	**17,072**	**23,630**
Operational data:		
Number of surveys/valuations completed	364,957	365,223
Number of conveyances completed	33,053	26,870
Countrywide Residential Development Solutions exchanges	4,896	3,705
Average number of corporate properties under management	36,635	36,624
Average number of full-time employees	2,764	2,573

1 Restated for 2016 in the 2017 Annual Financial Statements following the 2016 Segments Restatement. See section 3 of this Part for further details.

Total income from external customers

Total income from external customers attributable to the B2B operating segment decreased by £4.0 million, or 1.8 *per cent.*, from £224.8 million in 2016 to £220.7 million in 2017. This decrease was principally due to weaker performance from the B2B Business Unit's conveyancing team, which was heavily impacted by lower referrals of business from the UK Sales and Lettings and London Sales and Lettings operating segments in 2017, compared to 2016, due to weaker financial performance in those operating segments, as well as the loss of experienced industry professionals, with average number of full-time employees declining by 191, or 6.9 *per cent.,* in 2017 compared to 2016.

The number of conveyances completed by the B2B operating segment declined by 6,183 conveyances, or 18.7 *per cent.*, from 33,053 conveyances in 2016 to 26,870 conveyances in 2017.

The B2B operating segment was also impacted by a 1,191, or 24.3 *per cent.*, decline in Countrywide Residential Development Solutions exchanges, from 4,896 exchanges in 2016 to 3,705 exchanges in 2017, due to a smaller sales pipeline resulting from the Group's Prior Strategy (which adversely impacted the Group's ability to win instructions). This more than offset the slight increase in the number of surveys and valuations completed by the B2B operating segment, by 266 surveys and valuations, from 364,957 surveys and valuations in 2016 to 365,223 surveys and valuations in 2017, and the margin improvement that was achieved through an improvement in the use of in-house lawyers and cost savings in respect of conveyancing services.

Contingent consideration

Contingent consideration for the B2B operating segment decreased by £4.6 million, from £4.7 million in 2016 to £62,000 in 2017, principally due to lower profitability in certain acquired entities and lower amounts accrued in 2017 as a result of performance conditions not having been satisfied in acquired entities.

Share-based payments

The share-based payment charge attributable to the B2B operating segment remained relatively stable between 2016 and 2017. The share-based payment comprised a decreased charge in respect of annual nil-cost option grants under the three-year LTIP to senior managers as a result of aligning non-market conditions to underlying performance across grants and increased SIP charges arising from employee participation.

Depreciation and amortisation

Depreciation and amortisation charges attributable to the B2B operating segment remained relatively stable between 2016 and 2017.

Share of (loss)/profit from joint venture

There was no share of loss or profit from joint venture attributable to the B2B operating segment in 2016 or 2017.

Exceptional costs (net of exceptional income)

Exceptional costs (net of exceptional income) attributable to the B2B operating segment increased by £2.1 million, or 115.1 *per cent.*, from £1.8 million in 2016 to £3.8 million in 2017. This increase was primarily due to impairment charges of £1.6 million that were made against the carrying value of trade receivables in 2017, which relate to assets recognised in prior periods, dating back as far as 2013, where circumstances in relation to collectability changed during the year and principally relate to a portfolio of debts within a business acquired by the Group in 2015, now operating as part of Countrywide Residential Development Solutions. This cost has been treated as exceptional due to the age of the debt and materiality of the impairment. In addition, an impairment of £0.1 million was incurred following an assessment of the recoverable value of the B2B cash generating unit against the carrying value.

Segment operating (loss)/profit

As a result of the foregoing factors, the B2B operating segment's operating profit for 2017 increased by £6.6 million from segment operating profit of £17.1 million in 2016 to £23.6 million in 2017.

7.5 Comparison of the Group's results of operations for 2015 and 2016

The following table presents selected historical consolidated income statement for the Group for 2015 and 2016, which has been extracted from the 2016 Annual Financial Statements. The columnar presentation of the Group's consolidated income statement in its Financial Statements separates exceptional items as well as adjusting items, specifically amortisation of intangibles arising on business acquisitions, contingent consideration and share-based payments, to illustrate consistently the Group's underlying business performance. This is not reflected in the table below.

	FY 2015	FY2016[2]
	(£ in thousands, unless indicated otherwise)	
Revenue	718,699	723,970
Other Income	15,037	12,985
Employee benefit costs	(418,583)	(425,156)
Other operating costs	(215,517)	(237,562)
Depreciation and amortisation	(31,358)	(32,872)
Share of loss from joint venture	(914)	(13)
Group operating profit before exceptional items	**67,364**	**41,352**
Profit on disposal of available-for-sale assets	—	32,804
Employee benefit costs	(3,767)	(8,109)
Other operating costs	(3,706)	(16,262)
Impairment of non-current assets	(6,126)	(20,922)
Exceptional items (net)[1]	(13,599)	(12,489)
Operating profit/(loss)	**53,765**	**28,863**
Finance costs	(6,376)	(9,672)
Finance income	321	304
Net finance costs	**(6,055)**	**(9,368)**
Profit/(loss) before taxation	**47,710**	**19,495**
Taxation charge	(5,942)	(1,955)
Profit/(loss) for the year	**41,768**	**17,540**
Adjusted EBITDA[2]	**112,977**	**83,548**

1 The presentation of exceptional items including profit on disposal of available-for-sale assets, employee benefit costs, other operating costs and impairment of non-current assets has been conformed to the way in which such items have been presented in the 2017 Annual Financial Statements.

2 See section 2.2 of this Part for a reconciliation of Adjusted EBITDA to profit/(loss) for the year.

Revenue

Revenue increased by £5.3 million, or 0.7 *per cent*., from £718.7 million in 2015 to £724.0 million in 2016. This increase was principally due to a £8.7 million, or 3.7 *per cent.*, increase in revenue from the UK Sales and Lettings operating segment, a £6.9 million, or 9.0 *per cent.*, increase in revenue from the Financial Services operating segment, a £6.7 million, or 2.8 *per cent.*, increase in revenue from the B2B operating segment and a £11,000, or 3.0 *per cent.*, increase in revenue from "all other segments", which more than offset a £17.0 million, or 10.0 *per cent.*, decline in revenue from the London Sales and Lettings operating segment in 2016 compared to 2015.

The increase in revenue from the UK Sales and Lettings operating segment was principally due to a significant increase in sales activity in the first half of 2016, aided in part by the then-impending 3 *per cent.* additional stamp duty charge for second home owners and buy-to-let properties that came into effect in April 2016, which led to a significant increase in conversion of the sales pipeline in March 2016 as buyers — primarily landlords — brought forward transactions to meet the deadline. The 13 *per cent.* increase in lettings revenue in this operating segment also benefited from the increase in properties under management by over 8,500 or 14 *per cent.* year-on-year. This more than mitigated the slowing of sales activity in the second half of 2016, as a result of uncertainty following the Brexit referendum, which had an adverse impact on consumer sentiment (with fewer buyers and sellers coming to the market, higher levels of sale cancellations and a reduction in front end activity).

The UK Sales and Lettings segment also benefited from improved productivity with better conversion of valuations to instructions in the second half of 2016. The increase in revenue from the Financial Services operating segment was principally due to stronger mortgage market conditions in the first half of 2016 compared to the same period in 2015, driven principally by buying demand ahead of the increase in the stamp duty charge, as well as increases in sales of insurance policies, which more than mitigated the slowdown in lending growth in the second half of 2016 as a result of uncertainty in the run up to the vote on the Brexit referendum, as well as the decision by many customers to choose to wait and see rather than remortgage due to record low interest rates. The increase in revenue from the B2B operating segment was principally due to strong performance in the surveying business, which broadly tracked increased mortgage and remortgage approvals and an increase in the Group's average fee for surveying work, which more than mitigated the slowdown in demand for surveying services following the result of the Brexit referendum, as well as the lower volumes of conveyancing services (principally due to the reduced house exchanges across the Group and a decline in penetration rate in 2016).

Other income

Other income decreased by £2.1 million, or 13.6 *per cent.*, from £15.0 million in 2015 to £13.0 million in 2016. This decrease was principally due to a £2.0 million, or 14.7 *per cent.*, decline in other operating income in 2016 and a £0.2 million decline in rent receivable, which was partially offset by a £0.2 million increase in dividend income on available-for-sale financial assets (principally due to lower dividends from subsidiaries having been declared).

Employee benefit costs

Employee benefit costs increased by £6.6 million, or 1.6 *per cent.*, from £418.6 million in 2015 to £425.2 million in 2016. This increase was principally due to a £6.1 million, or 1.7 *per cent.*, increase in wages and salaries (principally due to increases in headcount, which more than offset a reduction in aggregate compensation paid to members of the Group's Executive Committee in 2016 as a result of a number of redundancies made throughout the year), a £1.9 million, or 29.1 *per cent.*, increase in defined contribution pension costs, a £1.3 million, or 3.4 *per cent.*, increase in social security costs and a £0.2 million, or 95.3 *per cent.*, increase in defined benefit scheme costs. This more than offset a £2.1 million, or 23.6 *per cent.*, decrease in contingent consideration deemed remuneration (due to a reduction in the number of legacy acquisitions within performance periods and lower profitability in certain acquired entities) and a £0.9 million, or 26.9 *per cent.* decrease in share options granted to directors and employees in 2016 compared to 2015.

Other operating costs

Other operating costs increased by £22.1 million, or 10.3 *per cent.*, from £215.5 million in 2015 to £237.6 million in 2016. This was principally due to a £4.9 million, or 62.8 *per cent.*, increase in repair and maintenance costs (principally relating to the Group's branch network), a £2.9 million, or 20.3 *per cent.*, increase in other motoring costs (principally due to increases in headcount and related motoring cost spend), a £1.6 million, or 5.9 *per cent.*, increase in rent (principally due to higher rent in one branch in 2016 compared to 2015), a £1.8 million, or 303.0 *per cent.,* increase in trade receivables impairment (principally due to a greater number of trade receivables being considered past due because they have passed their contracted due date, including an exceptional £1.2 million charge on a single trade receivable), a £1.2 million, or 6.2 *per cent.,* increase in advertising and marketing expenditure (principally due to increased marketing activity), as well as no profits on disposal of available-for-sale financial assets or profits on revaluation of investment property being incurred in 2016, compared to losses of £0.2 million and £0.4 million, respectively, in 2015. The increase in these other operating costs more than offset a £1.1 million, or 6.3 *per cent.,* decline in vehicle, plant and equipment hire costs in 2016 compared to 2015.

Depreciation and amortisation

Depreciation and amortisation charges increased by £1.5 million, or 4.8 *per cent.*, from £31.4 million in 2015 to £32.9 million in 2016, principally due to a £1.6 million increase in depreciation in respect of leasehold improvements as a result of branch refurbishments and a £0.2 million increase in amortisation of intangible assets recognised through business combinations as a result of incremental rate of growth in acquisitions during 2016, which more than offset a £2.1 million lower charge for furniture and equipment in 2016 compared to 2015 (in respect of computer hardware).

Share of loss from joint venture

Share of loss from joint venture decreased by £0.9 million, or 98.6 *per cent.*, from a loss of £0.9 million in 2015 to a loss of £13,000 in 2016, principally due to TMG's improved financial performance in 2016.

Exceptional items (net)

The Group's exceptional items (net) decreased by £1.1 million, or 8.2 *per cent.*, from £13.6 million in 2015 to £12.5 million in 2016. This was principally due to a £32.1 million, or 198.8 *per cent.,* increase in exceptional costs, from £16.1 million in 2015 to £48.2 million in 2016, which more than offset the £33.2 million increase in exceptional income, from £2.5 million in 2015 to £35.7 million in 2016 (principally due to a £32.8 million profit on the sale of the Group's residual interest in ZPG plc and a £2.9 million release in the professional indemnity valuation claims provision).

The increase in exceptional costs was principally due to a £33.1 million increase in total restructuring costs, from £14.2 million in 2015 to £47.3 million in 2016, principally due to significant branch restructuring, acceleration of the Group's Prior Strategy and resizing the UK Sales and Lettings and London Sales and Lettings estates, including:

- £19.6 million of impairment charges from writing down goodwill associated with closure of conveyancing operations (£1.1 million) and the UK Sales and Lettings and London Sales and Lettings cash generating units (£5.0 million and £13.5 million, respectively) following an assessment of the recoverable value against the carrying value of the goodwill;
- £15.8 million of property provisions, comprising £4.2 million of dilapidation costs, £7.4 million of onerous contract costs in respect of closed premises, £3.1 million of associated asset write-downs arising from the rationalisation of the Group's branch footprint and £1.1 million of other property closure costs;
- £8.1 million in respect of associated redundancy costs to achieve what was then considered to be the appropriate organisational structure;
- £2.0 million in respect of costs expensed during the year as part of the organisational redesign of the Group's marketing function and revisions to its channels to market aligned with the launch of its digital offering; and

- £1.4 million of impairment charges from writing down four brands that were abandoned as part of the Group's review of the UK Sales and Lettings marketplace in pursuit of its fewer, better brands prior strategy.

In addition, the Group incurred acquisition expenses of £0.9 million across a number of transactions undertaken during 2016.

Finance costs

Finance costs increased by £3.3 million, or 51.6 *per cent.*, from £6.4 million in 2015 to £9.7 million in 2016. This was principally due to a £3.3 million, or 71.4 *per cent.* increase in interest payable on the Previous Credit Facility (due to a £90 million increase in borrowings under the Previous Credit Facility, from £200.0 million as at 31 December 2015 to £290.0 million as at 31 December 2016, and an increase in the margin to 2.75 *per cent.* of LIBOR following an amendment of the Previous Credit Facility in February 2016), a £0.4 million increase in the amortisation of facility fees, a £0.2 million increase in other interest paid on other loans and a £10,000 increase in other finance costs, which more than offset a £0.4 million decline in interest arising from finance leases and a £0.2 million decline in net interest costs arising on the pension scheme (which was £nil for 2016, compared to £0.2 million for 2015).

Finance income

Finance income remained broadly stable between 2015 and 2016, with a £17,000 decrease in 2016, principally due to a £29,000 decline in interest income, which more than offset the £12,000 increase in net interest income arising on the pension scheme in 2016.

Taxation charge

The Group recognised a tax charge of £2.0 million in 2016 against a profit before taxation of £19.5 million. The Group recognised a tax charge of £5.9 million in 2015 against a profit before taxation of £47.7 million. This represents an effective tax rate of 10.0 *per cent.* in 2016, compared to 12.5 *per cent.* in 2015, which differs from the standard rate of corporation tax in the UK of 20.0 *per cent.* in 2016 and 20.25 *per cent.* in 2015. The principal reasons for the lower effective tax rate in 2016 are the £32.8 million gain on the disposal of ZPG Plc shares being sheltered by unrecognised capital losses and the impact of a further 1 *per cent.* reduction in the tax rate on deferred tax liabilities generated a £2.3 million tax credit.

Profit/(loss) for the year

As a result of the foregoing factors, the Group incurred a profit for the year of £17.5 million in 2016, compared to a profit for the year of £41.8 million in 2015, reflecting a decrease by £24.2 million, or 58.0 *per cent*.

7.6 Comparison of segment results for 2015 and 2016

The results of each of the Group's segments (consistent with the presentation of segments in the 2017 Annual Financial Statements) are presented below and have been derived from the 2016 Annual Financial Statements, which does not reflect the 2016 Segments Restatement.

UK Sales and Lettings

	FY 2015	FY 2016
	(£ in thousands, unless indicated otherwise)	
Revenue	231,989	240,681
Other income	6,611	3,535
Total income	238,600	244,216
Inter-segment revenue	15,851	18,059
Total income from external customers	254,451	262,275
Contingent consideration	—	—
Share-based payments	(464)	(307)
Depreciation and amortisation	(13,252)	(15,135)
Share of (loss)/profit from joint venture	—	—
Exceptional costs (net of exceptional income)	(844)	(17,388)
Segment operating (loss)/profit	**28,783**	**(1,826)**
Operational data:		
Number of exchanges	50,396	50,891
Average fee per exchange (£)	2,640	2,520
Average house price (£)	188,388	198,798
Average number of rental properties managed	60,272	68,740
Average number of branches	791	784
Average number of full-time employees	4,734	4,852

Total income from external customers

Total income from external customers attributable to the UK Sales and Lettings operating segment increased by £7.8 million, or 3.1 *per cent*., from £254.5 million in 2015 to £262.3 million in 2016. This increase was principally due to a 8,468, or 14.0 *per cent*., increase in the average number of rental properties managed by the UK Sales and Lettings operating segment, a £10,410, or 5.5 *per cent*., increase in average house prices and a 495, or a 1.0 *per cent*., increase in the number of exchanges in 2016 compared to 2015. This more than offset the decline in commission rates received from the sale of residential properties in the UK Sales and Lettings business, with the average fee per exchange decreasing by £120, or 4.*5 per cent*., from £2,640 in 2015 to £2,520 in 2016 (principally due to weakened consumer sentiment following the outcome of the Brexit referendum in 2016).

The increase in average number of rental properties managed in 2016 was principally due to the growth in this segment's lettings operations as a result of acquisitions completed in 2015, as well as the acquisition of Finders Keepers in Oxford in 2016 and improved customer retention (which the Board believes was due to focus on delivering greater service to its landlord customers). The increase in the number of exchanges and average house prices was driven principally by buying demand ahead of the 3 *per cent*. stamp duty surcharge on second homes and buy-to-let properties that came into effect in April 2016 as buyers – primarily landlords – brought forward transactions to meet the deadline, but which buying demand was dampened in the second half of 2016 as a result of uncertainty around the outcome of Brexit, and the Bank of England's decision to reduce its base rate to a record low of 0.25 *per cent*. in August 2016. Total income from external customers also benefited from improved productivity with better conversion of valuations to instructions in the second half of 2016.

Contingent consideration

There was no contingent consideration for the UK Sales and Lettings operating segment in 2015 or 2016.

Share-based payments

The share-based payment charge attributable to the UK Sales and Lettings operating segment decreased by £0.2 million, or 33.8 *per cent.*, from £0.5 million in 2015 to £0.3 million in 2016. The share-based payment charge principally related to a specific scheme granted at the point of the IPO in 2013, when Countrywide granted 7.2 million options to employees who were former equity holders of

Countrywide Holdings, Ltd under the IPO plan, which more than offset an increased charge in respect of annual nil-cost option grants under the three-year LTIP to senior managers as a result of aligning non-market conditions to underlying performance across grants.

Depreciation and amortisation

Depreciation and amortisation charges attributable to the UK Sales and Lettings operating segment remained broadly stable between the periods.

Share of (loss)/profit from joint venture

There was no share of loss or profit from joint venture attributable to the UK Sales and Lettings operating segment in 2015 or 2016.

Exceptional costs (net of exceptional income)

Exceptional costs (net of exceptional income) attributable to the UK Sales and Lettings operating segment increased by £16.5 million, from £0.8 million in 2015 to £17.4 million in 2016. The increase in exceptional costs in 2016 resulted from:

- £5.0 million of impairment charges from writing down goodwill associated with the UK Sales and Lettings cash generating unit;
- £8.5 million of property provisions, comprising £2.9 million of dilapidation costs, £2.6 million of onerous contract costs in respect of closed premises, £3.0 million of associated asset write-downs arising from the rationalisation of the UK Sales and Lettings branch footprint;
- £3.2 million in respect of associated redundancy costs to achieve what was then considered to be the appropriate organisational structure; and
- £1.4 million of impairment charges from writing down four brands that were abandoned as part of the Group's review of the UK Sales and Lettings marketplace, in pursuit of its prior fewer, better brands strategy.

This more than offset the £2.5 million increase in exceptional income in 2016 (compared to no exceptional income in 2015).

Segment operating (loss)/profit

As a result of the foregoing factors, the UK Sales and Lettings operating segment generated operating losses for 2016 of £1.8 million compared to operating profits of £28.8 million in 2015.

London Sales and Lettings

	FY 2015	FY 2016
	(£ in thousands, unless indicated otherwise)	
Revenue	170,742	153,707
Other income	3,814	3,070
Total income	174,556	156,777
Inter-segment revenue	3,426	3,631
Total income from external customers	177,982	160,408
Contingent consideration	(1,096)	(397)
Share-based payments	(123)	(197)
Depreciation and amortisation	(4,284)	(4,972)
Share of (loss)/profit from joint venture	—	—
Exceptional costs (net of exceptional income)	(6,768)	(20,552)
Segment operating (loss)/profit	**21,891**	**(8,094)**
Operational data:		
Number of exchanges	12,094	10,423
Average fee per exchange (£)	8,535	8,215
Average house price (£)	633,039	676,409
Average number of rental properties managed	21,645	22,404
Average number of branches	276	268
Average number of full-time employees	2,014	2,030

Total income from external customers

Total income from external customers attributable to the London Sales and Lettings operating segment decreased by £17.6 million, or 9.9 *per cent.*, from £178.0 million in 2015 to £160.4 million in 2016. This decrease was principally due to a 1,671, or 13.8 *per cent.*, decline in the number of exchanges and a £320, or a 3.7 *per cent.,* decline in the average fee per exchange in 2016 compared to 2015, which more than offset the £43,370, or 6.9 *per cent.*, increase in the average house price (principally due to higher demand in H1 2016, aided in part by the then-impending 3 *per cent.* additional stamp duty charge for second home owners and buy-to-let properties and the impending increases in stamp duty land tax on homes valued over £1 million) and a 759, or 3.5 *per cent.,* increase in the average number of rental properties managed in 2016 compared to 2015 (which the Board believes was principally due to improved referrals from Sales to Lettings and between brands and branches).

The decline in the number of exchanges and average fee per exchange was principally due to the slowing of sales activity in London, which was impacted in the second half of 2016, more than the rest of the UK, by the additional stamp duty charge for second home owners and buy-to-let properties that came into effect in 2016, a weaker housing market sentiment in the run up to and following the Brexit referendum (with fewer buyers and sellers coming to the market, higher levels of sale cancellations and a reduction in front end activity) and the adverse impact of increases in stamp duty land tax on homes valued over £1 million. The Board believes that this decline was also in part due to the Group's Prior Strategy, with the implementation of branch rationalisation initiatives in 2016 and the loss of experienced sales professionals, particularly in the mid-market segment.

Contingent consideration

Contingent consideration for the London Sales and Lettings operating segment decreased by £0.7 million, or 63.8 *per cent.*, from £1.1 million in 2015 to £0.4 million in 2016. This was principally due to releases of legacy contingent consideration accruals in line with the performance of acquired businesses.

Share-based payments

The share-based payment charge attributable to the London Sales and Lettings operating segment increased by £0.1 million, or 60.2 *per cent.*, from £0.1 million in 2015 to £0.2 million in 2016. The share-based payment charge principally related to a specific scheme granted at the point of the IPO in

2013, when Countrywide granted 7.2 million options to employees who were former equity holders of Countrywide Holdings, Ltd under the IPO plan, which more than offset an increased charge in respect of annual nil-cost option grants under the three-year LTIP to senior managers as a result of aligning non-market conditions to underlying performance across grants.

Depreciation and amortisation

Depreciation and amortisation charges attributable to the London Sales and Lettings operating segment increased by £0.7 million, or 16.1 *per cent.*, from £4.3 million in 2015 to £5.0 million in 2016. This was principally due to a £0.3 million, or 33.9 *per cent.*, increase in depreciation on leasehold improvements in 2016 compared to 2015.

Share of (loss)/profit from joint venture

There was no share of loss or profit from joint venture attributable to the London Sales and Lettings operating segment in 2015 or 2016.

Exceptional costs (net of exceptional income)

Exceptional costs (net of exceptional income) attributable to the London Sales and Lettings operating segment increased by £13.8 million, or 203.7 *per cent.*, from £6.8 million in 2015 to £20.6 million in 2016. This increase was primarily due to a £13.5 million impairment charge from writing down goodwill associated with the London Sales and Lettings cash generating unit as a result of changes in the London market and costs arising from the Group's transformation agenda business restructuring initiatives, £5.4 million of property provisions (comprising £1.2 million of dilapidation costs and £3.6 million of onerous contract costs in respect of closed premises, and £1.0 million in respect of associated redundancy costs to achieve what was then considered to be the appropriate organisational structure).

Segment operating (loss)/profit

As a result of the foregoing factors, the London Sales and Lettings generated segment operating losses of £8.1 million for 2016 compared to segment operating profit of £21.9 million in 2015.

Financial Services

	FY 2015	FY 2016
	(£ in thousands, unless indicated otherwise)	
Revenue	75,796	82,667
Other income	1,186	1,629
Total income	76,982	84,296
Inter-segment revenue	4,012	3,878
Total income from external customers	80,994	88,174
Contingent consideration	—	(867)
Share-based payments	(64)	(220)
Depreciation and amortisation	(6,009)	(6,132)
Share of (loss)/profit from joint venture	—	—
Exceptional costs (net of exceptional income)	(393)	(47)
Segment operating (loss)/profit	**14,243**	**15,416**
Operational data:		
Core number of mortgages arranged	37,084	37,992
Non-core number of mortgages arranged	38,855	52,270
Total number of mortgages arranged	75,939	90,262
Core gross mortgage value (£ in billions)	5.1	5.5
Non-core gross mortgage value (£ in billions)	7.1	10.1
Total gross mortgage value (£ in billions)	12.2	15.7
Life insurance policies arranged	26,045	25,756
General insurance policies arranged	31,368	27,711
Average number of mortgage and protection consultants	657	676
Average number of full-time employees	968	997

Total income from external customers

Total income from external customers attributable to the Financial Services operating segment increased by £7.2 million, or 8.9 *per cent.*, from £81.0 million in 2015 to £88.2 million in 2016. This increase was principally due a 14,323, or 18.9 *per cent.*, increase in the total number of mortgages arranged, largely due to an increasing non-core number of mortgages arranged, as well as a £3.5 billion, or 28.7 *per cent.*, increase in the total gross mortgage value, which more than offset a 289, or 1.1 *per cent.* decline in the number of life insurance policies arranged, from 26,045 in 2015 to 25,756 in 2016, and a 3,657, or 11.7 *per cent.,* decline in the number of general insurance policies arranged, from 31,368 In 2015 to 27,711 in 2016. The increase in the total number of mortgages arranged and total gross mortgage value was principally due to stronger mortgage market conditions in the first half of 2016 compared to the same period in 2015, with higher levels of gross lending driven principally by buying demand ahead of the 3 *per cent*. stamp duty surcharge on second homes and buy-to-let properties, which buying demand was dampened in the second half of 2016 as a result of uncertainty around the outcome of Brexit, and the Bank of England's decision to reduce its base rate to a record low of 0.25 *per cent*. in August 2016. The Board believes that total income from external customers benefited from the resilience of the Financial Services Business Unit's sales force, particularly its non-core sales force, in what was a challenging year, with focus on helping the Group's existing customers remortgage to a better deal when their current mortgage product came to an end, improving the number of customers receiving protection advice and subsequently committing to taking out insurance protection policies.

The number of life insurance policies arranged declined in 2016 principally due to dated and uncompetitive products compared to those offered in the broader UK market (as to price and proposition) and unstable IT systems that limited consultant usage.

The Financial Services operating segment's total income from external customers was also positively impacted by an increase in total income from external customers from The Buy To Let Business and Mortgage Bureau, which were acquired in February 2016 and April 2016, respectively, as well as by positive performance in Mortgage Intelligence and Slater Hogg.

Contingent consideration

Contingent consideration for the Financial Services operating segment increased by £0.9 million, from £nil in 2015 to £0.9 million in 2016. This was due to no businesses having been acquired in the Financial Services operating segment in 2015 compared to the acquisition of The Buy To Let Business and Mortgage Bureau in 2016, both of which included contingent consideration arrangements.

Share-based payments

The share-based payment charge attributable to the Financial Services operating segment increased by £0.1 million, or 243.8 *per cent.*, from £0.1 million in 2015 to £0.2 million in 2016. The share-based payment charge principally related to a specific scheme granted at the point of the IPO in 2013, when Countrywide granted 7.2 million options to employees who were former equity holders of Countrywide Holdings, Ltd under the IPO plan, which more than offset an increased charge in respect of annual nil-cost option grants under the three-year LTIP to senior managers as a result of aligning non-market conditions to underlying performance across grants.

Depreciation and amortisation

Depreciation and amortisation charges attributable to the Financial Services operating segment increased by £0.1 million, or 2.0 *per cent.*, from a charge of £6.0 million in 2015 to £6.1 million in 2016.

Share of loss or profit from joint venture

There was no share of loss or profit from joint venture attributable to the Financial Services operating segment in 2015 or 2016.

Exceptional costs (net of exceptional income)

Exceptional costs (net of exceptional income) attributable to the Financial Services operating segment decreased by £0.3 million, from £0.4 million in 2015 to £47,000 in 2016.

Segment operating (loss)/profit

As a result of the foregoing factors, the Financial Services operating segment's operating profit for 2016 increased by £1.2 million, from £14.2 million in 2015 to £15.4 million in 2016.

B2B

	FY 2015	FY 2016
	(£ in thousands, unless indicated otherwise)	
Revenue	239,805	246,537
Other income	2,535	1,506
Total income	242,340	248,043
Inter-segment revenue	(23,289)	(25,568)
Total income from external customers	219,051	222,475
Contingent consideration	(7,730)	(4,692)
Share-based payments	(250)	(391)
Depreciation and amortisation	(6,477)	(7,544)
Share of (loss)/profit from joint venture	—	—
Exceptional costs (net of exceptional income)	(1,079)	(1,787)
Segment operating (loss)/profit	**16,766**	**16,377**
Operational data:		
Number of surveys/valuations completed	357,033	364,957
Number of conveyances completed	34,851	33,053
Countrywide Residential Development Solutions exchanges	5,187	4,896
Average number of corporate properties under management	32,049	36,635
Average number of full-time employees	2,613	2,759

Total income from external customers

Total income from external customers attributable to the B2B operating segment increased by £3.4 million, or 1.6 *per cent.*, from £219.1 million in 2015 to £222.5 million in 2016. This increase was principally due to a 7,924, or 2.2 *per cent.*, increase in the number of surveys/valuations completed by the B2B operating segment, as well as a 4,586, or 14.4 *per cent.*, increase in the average number of corporate properties under management in 2016, compared to 2015, which more than offset the 291, or 5.6 *per cent.*, decline in Countrywide Residential Development Solutions exchanges, and the 1,798, or 5.2 *per cent.*, decline in the number of conveyances completed by the B2B operating segment.

The increase in the number of surveys/valuations completed in 2016 broadly tracked increasing mortgage and remortgage approvals in the UK market in the first half of 2016, compared to the first half of 2015. However, the Board believes that the performance of the valuations business was adversely impacted in the second half of 2016 following the outcome of the Brexit referendum, as the B2B operating segment experienced a more pronounced divide in demand for valuations between the North and South of the UK (with demand for valuations slowing down more significantly in the South and the South East compared to regions in the North). The increase in the average number of corporate properties under management was principally due to acquisitions made in the Sales business (Sutton Kersh and Woods).

The decline in Countrywide Residential Development Solutions exchanges was principally due to lower demand as a result of uncertainty in the run up to the vote on the Brexit referendum and weaker consumer sentiment following such referendum, particularly in and around the London market (with developers trying to assess the longer term impact of Brexit on price and with higher levels of sale cancellations as buyers pulled out due to uncertainty about the future). The conveyancing business, which is reliant on referrals of business from the UK Sales and Lettings and London Sales and Lettings operating segments, suffered lower volumes in 2016 compared to 2015 due to lower referrals of business as a result of a decline in the number of exchanges across those operating segments in 2016 compared to 2015.

Contingent consideration

Contingent consideration for the B2B operating segment decreased by £3.0 million, or 39.3 *per cent.*, from £7.7 million in 2015 to £4.7 million in 2016, principally due to higher contingent consideration accruals in 2015 to account for expected performance in certain acquired businesses, which charges decreased in 2016 following lower than expected performance in acquired businesses.

Share-based payments

The share-based payment charge attributable to the B2B operating segment increased by £0.1 million, or 56.4 *per cent.*, from £0.3 million in 2015 to £0.4 million in 2016. The share-based payment charge principally related to a specific scheme granted at the point of the IPO in 2013, when Countrywide granted 7.2 million options to employees who were former equity holders of Countrywide Holdings, Ltd under the IPO plan, which more than offset an increased charge in respect of annual nil-cost option grants under the three-year LTIP to senior managers as a result of aligning non-market conditions to underlying performance across grants.

Depreciation and amortisation

Depreciation and amortisation charges attributable to the B2B operating segment increased by £1.0 million, or 16.5 *per cent.*, from £6.5 million in 2015 to £7.5 million in 2016. This was principally due to a £0.7 million, or 39.9 *per cent.*, increase in amortisation of acquired intangibles and a £0.3 million, or 55.1 *per cent.*, increase in depreciation on fixtures and fittings related largely to these acquisitions.

Share of (loss)/profit from joint venture

There was no share of loss or profit from joint venture attributable to the B2B operating segment in 2015 or 2016.

Exceptional costs (net of exceptional income)

Exceptional costs (net of exceptional income) attributable to the B2B operating segment increased by £0.7 million, or 65.6 *per cent.*, from £1.1 million in 2015 to £1.8 million in 2016. This increase was primarily due to a £1.1 million impairment charge from writing down goodwill associated with conveyancing operations.

Segment operating (loss)/profit

As a result of the foregoing factors, the B2B operating segment's operating profit for 2016 decreased by £0.4 million from segment operating profit of £16.8 million in 2015 to £16.4 million in 2016.

8. LIQUIDITY AND CAPITAL RESOURCES

In the periods under review, the Group relied primarily on cash flows from operating activities, available cash and cash equivalents, as well as cash flows from financing activities (being borrowings under the Previous Credit Facility). The Previous Credit Facility comprised a £275.0 million revolving credit facility and accompanying £60.0 million accordion facility repayable in March 2020), of which £240.0 million was drawn as at the Reference Date to finance its operations and initiatives, including acquisitions and organic growth. The Board believes that the Group is currently over-leveraged and that the Group's current capital position is unsustainable. The Group's net debt at 30 June 2018 was £211.7 million, compared with Adjusted EBITDA for H1 2018 of £10.7 million. The Group's net debt to Adjusted EBITDA ratio and Covenant net debt to Covenant Adjusted EBITDA ratio were 4.66x and 4.79x respectively, as at the same date.

As part of the Capital Refinancing Plan, the Group expects to raise net proceeds of approximately £129 million by way of the Issue. The Group has already replaced the Previous Credit Facility with the £275.0 million Amended Credit Facility (which is effective), which matures in 2022. The Board aims to reduce the Group's Covenant net debt to Covenant Adjusted EBITDA ratio to 2.0-2.5x following the Capital Refinancing Plan and will strive to reduce this ratio further to below 1.0x in the medium term. Please see Part I (*Letter from the Executive Chairman of Countrywide*) for further information.

The Group has in the past sought and obtained consents and amendments to its covenants and covenant thresholds to avoid a default under the financial covenants under its Previous Credit Facility. The covenant ratios in the Previous Credit Facility were amended in February 2018 after deterioration of the Group's business performance in 2017 placed greater pressure on Countrywide's ability to comply with those covenants, in particular the leverage ratio. In June 2018, the Group agreed with its lenders under the Previous Credit Facility to defer the June testing date in respect of certain financial covenants (although this deferral has since been superseded by the entry into the Amended Credit Facility Agreement).

The Group's key financial covenants are now set out in the Amended Credit Facility. While the Amended Credit Facility has lifted the Group's testing ratios (including an increase of the Group's Covenant net debt to Covenant Adjusted EBITDA ratio at 31 December 2018 to 5.25x from 3.25x under the Previous Credit Facility (with stepped decreases over time)) (see Part I (*Letter from the Executive Chairman of Countrywide*) for further information), the Group's performance and ability to comply with financial covenants under the Amended Credit Facility or any other future lending arrangements is dependent on a number of factors discussed in the Risk Factors. Failure to achieve greater financial discipline will have a material adverse impact on the Group's results of operations and, if the Group is unable to comply with covenants under its existing or future debt facilities in the future and is unsuccessful in amending the relevant covenants or covenant thresholds, or obtaining consents or waivers, it will default under such debt facilities and may cease trading (see paragraph 2.1 of the Risk Factors for further information).

The Group regularly reviews performance against monthly budgets and forecasts to ensure sufficient funds are available to meet liquidity and capital requirements. As these requirements are influenced by many factors, some of which are beyond the Group's control, the Group's funding requirements may change over time.

The Group's liquidity requirements primarily relate to funding its working capital requirements, and meeting ongoing debt service obligations. The Group's liquidity requirements also relate to funding its operating costs and capital expenditures.

Countrywide is a holding company with no direct source of operating income. It is therefore dependent on its capital raising abilities and dividend payments from its subsidiaries.

9. CASH FLOWS

9.1 H1 2017 and H1 2018

The following table presents primary components of the Group's cash flows for the periods indicated.

	H1 2017[1] *(unaudited)*	**H1 2018** *(unaudited)*
	(£ in thousands, unless indicated otherwise)	
Net cash generated from/(used in) operating activities[2]	11,670	(17,218)
Net cash inflow/(outflow) from operating activities[2]	4,629	(21,205)
Net cash (outflow)/inflow from investing activities	(8,380)	9,443
Net cash (outflow)/inflow from financing activities	(5,577)	27,085
Net (decrease)/increase in cash and cash equivalents	(9,328)	15,323
Cash and cash equivalents at the start of the period	45,326	22,533
Cash and cash equivalents at the end of the period	35,998	37,856

1 Restated for H1 2017 in the 2018 Interim Financial Statements following the adoption of IFRS 15 as of 1 January 2018 as well as for the reclassification of contingent consideration paid from investing activities to operating activities as this relates to contingent consideration arrangements that are deemed remuneration. See section 3 of this Part for further details. The Group's consolidated cash flow statement will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

2 Included within net cash generated from operating activities is £5.5 million of net cash expended on exceptional strategic and restructuring costs (excluding property closure costs that have been provided for but not yet incurred) in relation to H1 2018 (see note 9 to the 2018 Unaudited Interim Financial Statements).

Net cash inflow/(outflow) from operating activities

The Group had a net cash outflow from operating activities of £21.2 million in H1 2018 compared to a net cash inflow from operating activities of £4.6 million in H1 2017. Net cash inflow/(outflow) from operating activities was impacted by the Group's lower profitability in H1 2018 compared to H1 2017, as well as a £14.5 million decrease in trade and other payables in H1 2018 principally due to the unwind of historical cyclical cash management practices amounting to £17.9 million (compared to a £9.6 million decrease in trade and other payables in H1 2017) as well as a £3.4 million decrease in trade and other receivables. This more than offset the positive impact from the £1.7 million increase in income tax credit (due to losses being incurred in H1 2018 compared to profits generated in H1 2017) and the £1.4 million decline in interest paid between H1 2017 and H1 2018. The Board believes that the Group's net cash outflow from operating activities in H1 2018 also reflects the weaker trading result in H1 2018 feeding into the cash flows.

Net cash (outflow)/inflow from investing activities

The Group had a net cash inflow from investing activities of £9.4 million in H1 2018 compared to a net cash outflow from investing activities of £8.4 million in H1 2017. This was in large part due to the receipt of £15.8 million in proceeds from the disposal of the Group's interest in unlisted residential property fund units, as well as a lower cash outflow of £1.9 million for purchase of property, plant and equipment in H1 2018 (compared to a cash outflow of £3.9 million in H1 2017) as a result of the Group's strategy of right-sizing capital expenditures, and a lower cash outflow in respect of deferred consideration paid in relation to current and prior year acquisitions of £0.2 million in H1 2018 (compared to a cash outflow of £2.2 million in H1 2017), principally due to the timing of settlement of legacy acquisition payments. This more than offset a cash outflow of £1.3 million for purchase of investments (in respect of investments in Dynamo) in H1 2018.

Net cash (outflow)/inflow from financing activities

The Group had a net cash inflow from financing activities of £27.1 million in H1 2018, compared to a net cash outflow from financing activities of £5.6 million in H1 2017. This increase was principally due to a £30.0 million drawdown under the Previous Credit Facility in H1 2018 (compared to a £40.0 million repayment made in H1 2017), as well as a lower £1.5 million capital repayment of finance lease liabilities in H1 2018 (compared with a £1.7 million repayment in H1 2017), and a slight decrease in the cash outflow for the buyback of shares in H1 2018 compared to H1 2017, which more than offset an increase in financing fees paid, from £2,000 in H1 2017 to £0.9 million in H1 2018.

9.2 2015, 2016 and 2017

The following table presents primarily components of the Group's cash flows for the periods indicated.

	FY 2015	**FY 2016**[1]	**FY 2017**[2]
	(£ in thousands, unless indicated otherwise)		
Net cash generated from operating activities[3]	65,175	27,892	58,122
Net cash inflow from operating activities[3]	46,275	8,780	43,308
Net cash outflow from investing activities	(82,874)	(15,488)	(17,132)
Net cash (outflow)/inflow from financing activities	32,352	27,698	(48,969)
Net (decrease)/increase in cash and cash equivalents	(4,247)	20,990	(22,793)
Cash and cash equivalents at the start of the financial year	28,583	24,336	45,326
Cash and cash equivalents at the end of the financial year	24,336	45,326	22,533

1 Consolidated cash flow information for 2016 has been restated for the reclassification of: (i) purchase of non-controlling interest from investing to financing activities; and (ii) contingent consideration paid from investing to operating activities as this relates to contingent consideration arrangements that are deemed remuneration.

2 Does not reflect the Prior-Year Correction. The prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

3 Included within net cash generated from operating activities is £6.1 million of cash expended on exceptional strategic and restructuring costs (excluding property closure costs which have been provided for but not yet incurred) in relation to 2017; see note 10 to the 2017 Annual Financial Statements for further details.

Net cash inflow from operating activities

Net cash inflow from operating activities was £34.5 million higher in 2017 compared to 2016, impacted by a £19.5 million decrease in trade and other receivables (aided by effective management of working capital), a £5.8 million decrease in income tax paid (due to losses being incurred in 2017 compared to profits generated in 2016), and a £3.3 million increase in the depreciation charge, (principally due to an increase in depreciation of property, plant and equipment) which more than offset the significant decline in profit before taxation of £19.5 million in 2016 compared to a loss before taxation of £212.1 million in 2017.

Net cash inflow from operating activities was £37.5 million lower in 2016 compared to 2015, principally due to a £32.8 million loss on disposal of available-for-sale financial assets, lower profits before taxation of £19.5 million in 2016, compared to £47.7 million in 2015, and a £27.3 million decrease in trade and other payables, compared to £0.5 million in 2015 (principally due to deferred and contingent consideration payments and accrued National Insurance share-based payment charges).

Net cash outflow from investing activities

Net cash outflow from investing activities was £1.6 million higher in 2017 compared to 2016, in large part due to the receipt of £48.2 million of proceeds from the sale of the Group's residual interest in ZPG plc in 2016, which more than offset no cash outflow for acquisitions net of cash acquired in 2017 (compared to £29.4 million of cash outflow for acquisitions net of cash acquired in 2016) as a result of the Group's change in growth strategy in 2017 to focus on organic growth, lower cash outflow of £6.9 million for purchase of property, plant and equipment in 2017 (compared to £17.9 million in 2016) and lower cash outflow for purchase of intangible assets of £7.6 million in 2017 (compared to £11.1 million in 2016) principally due to reduced capital expenditures as part of the Group's strategy of right-sizing capital expenditures.

Net cash outflow from investing activities was £67.4 million lower in 2016 compared to 2015, in large part due to the receipt of £48.2 million of proceeds from the sale of the Group's residual interest in ZPG plc in 2016, as well as lower outflow for acquisitions net of cash acquired of £29.4 million in 2016 (compared to £62.9 million in 2015) principally due to fewer acquisitions being undertaken in 2016, which more than offset increases in deferred and contingent consideration paid in relation to current and prior year acquisitions of £4.2 million in 2016 (nil in 2015), an increase in £5.6 million of outflow for the purchase of intangible assets in 2016 compared to 2015 (principally due to investments in the Group's IT systems, network and infrastructure) and a £3.7 million decrease in proceeds from the sale of property, plant and equipment in 2016 compared to 2015.

Net cash (outflow)/inflow from financing activities

The Group had a net cash outflow from financing activities of £49.0 million in 2017, compared to a net cash inflow from financing activities of £27.7 million in 2016. This increase was principally due to a £80.0 million repayment under the Previous Credit Facility in 2017, which facility was reduced in size as part of a renegotiation of its terms, which more than offset the £36.9 million that the Group raised through a placing of Countrywide's shares in 2017, the significantly lower outflow of £1.4 million for purchase of Countrywide's own shares in 2017 compared to the outflow of £18.1 million in 2016, as well as a £2.2 million decrease in capital repayment of finance lease liabilities (due to lower levels of such liabilities) and a £1.9 million decline in financing fees paid (as a result of repayment of borrowings under the Previous Credit Facility in 2017).

Net cash inflow from financing activities was £4.7 million lower in 2016 compared to 2015, in large part due to a £10.3 million increase in outflow for the purchase of own shares as part of Countrywide's share buyback programme in 2016, a £1.5 million increase in financing fees paid and a £0.6 million increase in outflow for capital repayment of finance lease liabilities in 2016 (due to higher levels of such liabilities), which more than offset the £10 million increase in drawings under the Previous Credit Facility, and slight declines in dividends paid to owners of the parent and non-controlling interests in 2016.

10. BORROWINGS

As at the Reference Date, the Group's total borrowings were £244.9 million, including £240.0 million of bank borrowings, £2.9 million of borrowings under other loans, partially offset by £0.7 million of capitalised banking fees, and £2.7 million of finance lease liabilities (£1.3 million of which are current and £1.4 million of which are non-current).

The net proceeds raised by way of the Issue are, in part, required by the Amended Credit Facility to be used to repay outstanding indebtedness under the Amended Credit Facility. The Board aims to reduce the Group's Covenant net debt to Covenant Adjusted EBITDA ratio to 2.0-2.5x following the Capital Refinancing Plan and will strive to reduce this ratio further to below 1.0x in the medium term. Please see Part I (*Letter from the Executive Chairman of Countrywide*) for further information.

10.1 Previous Credit Facility Agreement

As at 30 June 2018, the Previous Credit Facility Agreement included a £275.0 million revolving credit facility and an additional £60.0 million accordion facility, with any outstanding balance repayable in full on 20 March 2020. Interest was payable based on LIBOR plus a margin of 3.25 *per cent*. The margin was linked to the leverage ratio of the Group and the margin rate was reviewed twice a year (and could vary between 1.75 *per cent*. and 3.25 *per cent.*). The revolving credit facility was available for utilisation subject to satisfying interest cover and leverage covenants. £200.0 million was drawn under the revolving credit facility as at 31 December 2015, £290.0 million was drawn as at 31 December 2016, £210.0 million was drawn as at 31 December 2017 and £240.0 million was drawn as at 30 June 2018.

10.2 Amended Credit Facility Agreement

With effect from 2 August 2018, Countrywide, certain other members of the Group and Countrywide's syndicate of lenders have entered into the Amended Credit Facility Agreement to amend, extend and restate the Previous Credit Facility Agreement. Further details of the Amended Credit Facility Agreement are set out in section 17 of Part XII (*Additional Information*);

10.3 Other loans

The Group assumed £1 million of unsecured loan notes which are non-interest bearing and are repayable in 2029 when it purchased Mortgage Intelligence Holdings Limited. As at 30 June 2018, the Group has £1.6 million of capital and associated interest charges accruing at a rate of 8 *per cent. per annum* under a loan payable within the Buy To Let Group Limited, which had a carrying value of £1.6 million (£1.9 million including accrued interest) as at 30 June 2018 (the "**Buy To Let Loan**") that is payable to the joint shareholder and director in February 2019. Interest accrues at a rate of 8 *per cent. per annum*.

10.4 Finance lease liabilities

The Group's lease liabilities are effectively secured as the rights to the leased asset, which revert to the lessor in the event of default by the Group. The following table presents the Group's total finance lease liabilities, with a breakdown as between those that are due within one year and after one year.

	FY 2015	FY 2016	FY 2017	H1 2017 *(unaudited)*	H1 2018 *(unaudited)*
	(£ in thousands, unless indicated otherwise)				
Finance lease liabilities:					
Finance leases due within one year	4,662	721	1,011	939	1,325
Finance leases due after one year	5,458	3,029	2,349	2160	1,355
Total finance lease liabilities	**10,120**	**3,750**	**3,360**	**3,099**	**2,680**

11. CAPITAL EXPENDITURES

The Group's capital expenditures consist of leasehold improvements (including branch refurbishments), furniture and equipment and the development and upgrade of software and IT infrastructure and network (including new technology platforms to deliver online offerings to the Group's customers). Acquisitions are not recognised as part of capital expenditures. For costs related to acquisitions during the periods under review — see section 4.6 of this Part for further information.

The following table presents the Group's total capital expenditures for the periods indicated.

	FY 2015	FY 2016	FY 2017	H1 2017 *(unaudited)*	H1 2018 *(unaudited)*
	(£ in thousands, unless indicated otherwise)				
Capital Expenditures:					
Purchase of property, plant and equipment	16,561	17,939	6,940	3,917	1,852
Purchase of intangible assets	5,431	11,071	7,577	2,859	3,302
Total capital expenditure	**21,992**	**29,010**	**14,517**	**6,776**	**5,154**

The Group undertook capital expenditures of £22.0 million, £29.0 million, £14.5 million, £6.8 million and £5.2 million for 2015, 2016, 2017, H1 2017 and H1 2018, respectively. Capital expenditures on the purchase of property, plant and equipment in the periods under review has largely been focused on branch refurbishments and, on the purchase of intangible assets on the development and upgrade of the Group's software and IT infrastructure and systems (specifically new technology platforms to deliver online offerings to the Group's customers).

In line with the Group's new strategy and turnaround plan, the Group has begun to focus, since the second half of 2017 on improving financial discipline, cash flow and capital allocation, which includes right-sizing capital expenditures. This is reflected in the £14.5 million decline in capital expenditures in 2017 compared to 2016 and the decline of £1.6 million in H1 2018 compared to H1 2017.

As at 30 June 2018, the Group had entered into contractual commitments for the acquisition of property, plant and equipment, as well as computer software, amounting to £9.4 million, which have not yet been incurred and which relate to the year ending 31 December 2018 and the three subsequent years (£2.0 million as at 31 December 2017). These commitments primarily relate to the Group's computer hardware refresh programme which the Group has committed to under agreements with a supplier for outsourcing of IT arrangements (£1.1 million) and £8.3 million in respect of computer hardware and software specific to B2B applications.

11.1 Anticipated capital expenditures

Countrywide's competitiveness and long-term profitability depends in part on its ability to deliver returns from the deployment of its capital expenditures. The Board expects the Group's capital expenditures to decrease to approximately £13.2 million in 2018 (compared to 2017), broadly return to 2017 levels in 2019, and increase in 2020 and 2021 to around £25.0 million *per annum*.

As described in Part I (*Letter from the Executive Chairman of Countrywide*), the Board anticipates such capital expenditures will include investments in various initiatives to be implemented under the new strategy and turnaround plan, which primarily relate to investment in the Group's software, IT systems and infrastructure to drive cost efficiencies and growth of the Group's online offering, as well as branch refurbishments.

12. OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2018, the Group had no off-balance sheet arrangements.

As at 30 June 2018, the Group had a £4.5 million letter of credit for its offshore captive insurance company and a £3.95 million surety bond which could be used to pay third-party claims in respect of its fleet, neither of which is reflected on the Group's balance sheet.

13. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth, as at 31 December 2017, a summary of the Group's key contractual obligations and commitments.

	Less than 1 year	1-5 years	More than 5 years	Total
	(£ in thousands, unless indicated otherwise)			
Contractual obligations				
Property[1]	24,310	51,192	16,367	**91,869**
Vehicles, plant and equipment[2]	12,215	10,465	53	**22,733**
Deferred and contingent consideration[3]	9,906	19,745	—	**29,651**
Equity commitment[4]	3,700	—	—	**3,700**

1 Reflects minimum lease payments on leasehold facilities (including branches), primarily in connection with the Group's branch network.

2 Principally reflects minimum lease payments on vehicles and IT equipment.

3 Reflects deferred consideration of £3.6 million, which is contractually fixed in value. The residual balance is the potential undiscounted aggregate maximum contractual commitment in respect of contingent consideration. Payment of any of this contingent consideration is linked to the vendors remaining in the Group's employment for the contractual period, and a number are also dependent on the underlying performance of the relevant businesses acquired.

4 Reflects uncalled portion of equity commitment in respect of the Dynamo joint venture.

The table above does not reflect obligations related to payments associated with the Group's Scheme, which are described in section 14 of this Part or obligations related to the Previous Credit Facility and the Amended Credit Facility.

14. PENSIONS

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

14.1 Defined benefit

In the past, the Group offered membership of the DB Section of the Scheme to eligible employees. However, the DB Section was closed to new entrants in 1988 and subsequently closed to further service accrual at the end of 2003. Members of the DB Section earned benefits linked to final pensionable salary and service at the date of retirement or date of leaving the scheme, if earlier. As at 31 December 2017, the DB Section had a deficit of £5.6 million on an IAS19 basis.

The regulatory framework requires the Scheme to undergo an actuarial funding valuation at least every three years and for there to be put in place an appropriate schedule of contributions and, where necessary, a deficit recovery plan. The most recent actuarial funding valuation was carried out as at 5 April 2015, showing a deficit on the "technical provisions" basis (as defined in the applicable UK legislation) of £10.6 million. In November 2016, the Group agreed a pension funding plan with the trustees of the Scheme to fund the DB Section deficit. In 2015, 2016, 2017, H1 2017 and H1 2018, the Group paid a £1.9 million, £1.9 million, £2.0 million, £2.0 million and £2.0 million contribution respectively to the DB Section. The funding plan commits the Group to a contribution of £2.0 million per year in the years 2017 to 2020. The significant actuarial assumptions used in the valuation of the DB Section of the Group's Scheme as at 31 December 2017 have been reviewed. The movements in the discount and inflation rates used to value the pension liabilities, as well as the updated asset valuations and the net pension liabilities, have moved materially since 31 December 2017 and an actuarial gain before taxation of £0.6 million (30 June 2017: actuarial gain £0.9 million) has been recognised in the Group's consolidated statement of comprehensive income. The net pension liability stands at £3.3 million at 30 June 2018 (30 June 2017: £0.8 million).

A pensioner buy-in of all remaining non-insured pensioners was concluded during December 2017 which allowed transformation of the Scheme's risk profile, without requiring any additional funding from Countrywide, thus maintaining the current payment profile for company contributions.

The funding level of the DB Section is dependent on the market value of the assets of the section and on the value placed on its liabilities. A variety of factors, including factors outside the Group's control, may adversely affect the value of the DB Section's assets or liabilities, including interest rates, inflation rates, investment performance, exchange rates, life expectancy assumptions, actuarial data and adjustments and regulatory changes. The Group may in the future be required to increase its level of contribution due to changes to these or other internal or external factors. Any requirement to contribute additional funds into the Scheme could have a material adverse effect on the Group's financial condition.

14.2 Defined contribution

The Group operates a defined contribution pension arrangement for eligible employees and pays fixed contributions to separately administered pension insurance plans. The Group has no further obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

The Group's defined contribution pension costs were £6.7 million in 2015, £8.6 million in 2016, £8.2 million in 2017 and £4.7 million in H1 2018 (£4.1 million in H1 2017).

For further details about the Group's Scheme arrangements, including a sensitivity analysis for 2015 to 2017, please refer to note 25 to the Annual Financial Statements and note 22 to the 2018 Unaudited Interim Financial Statements.

15. QUALITATIVE AND QUANTITATIVE DISCLOSURE ON MARKET RISK

The Group's activities expose it to market risk in the form of interest rate risk.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. See note 32 to the Annual Financial Statements and note 6 to the 2018 Unaudited Interim Financial Statements for further information.

The average rate at which the fixed rate liabilities were fixed in 2017 was 3.56 *per cent*. (3.58 *per cent.* in 2016) and the average period for which the liabilities were fixed was 365 days (365 days in 2016). The Group's swap was terminated in H1 2018.

The interest payable on the Amended Credit Facility is at variable rates.

There is no material difference between the book and the fair values of the financial assets and liabilities.

16. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial information under IFRS requires management to make significant estimates and assumptions about the carrying amounts of assets and liabilities, as well as the related disclosure, including contingent assets and liabilities. These estimates and associated assumptions 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. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

The Board considers that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Group's financial statements are set out below. For a detailed discussion of the application of these and other accounting policies as well as related estimates and judgements, please refer to note 2 to each of the Financial Statements.

16.1 Critical accounting judgements in applying the Group's accounting policies

Going concern

On 2 August 2018, Countrywide announced a proposal to raise gross proceeds of £140 million by way of the Issue. The Issue is conditional, among other things, on Shareholders approving the Capital Refinancing Resolutions at the General Meeting scheduled for 28 August 2018. The Issue is fully underwritten by the Joint Bookrunners on the terms set out in the Underwriting Agreement.

The Board expects that the Capital Refinancing Resolutions will be approved by Shareholders and that Countrywide will receive the net proceeds of the Issue. Based on this expectation, the Board believes that, even in a reasonable downside scenario, the Group will continue to have adequate financial resources to allow them to realise their assets and discharge their liabilities as they fall due. In assessing the going concern assumptions, the Board has reviewed a range of forecast outcomes, assessed identified downside risks and mitigating actions, and evaluated the resulting financial measures against the relevant covenant tests under the Amended Credit Facility and in the light of the expected net proceeds from the Issue. The downside risks include a number of significant but plausible scenarios, incorporating a reasonable downside scenario, and mitigating actions that would be available to the Group in response to these scenarios.

On the basis of the foregoing, the Directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis. Therefore, the financial statements do not include any adjustments which would be required if the going concern basis of preparation were deemed to be inappropriate.

Material uncertainties

In order to facilitate the Capital Refinancing Plan, Countrywide's lender group has entered into an amendment, extension and restatement of the Previous Credit Facility. The £275.0 million Amended Credit Facility Agreement contains a mandatory prepayment and cancellation provision. If Countrywide's shareholders do not approve the Capital Refinancing Resolutions and/or the Issue has not otherwise taken place by 30 September 2018 (for any one of a variety of reasons specified in the Amended Credit Facility Agreement), or if the gross aggregate proceeds of the Issue is otherwise less than £100.0 million, Countrywide will enter into a 10 Business Day consultation with its lenders regarding the continuation of the facilities. Following the end of that consultation period, the majority lenders may notify Countrywide that they require the Amended Credit Facility to be prepaid and cancelled. If such notice has been provided, the Amended Credit Facility must be prepaid and cancelled. In such circumstances, Countrywide would seek to renegotiate or refinance the Amended Credit Facility. There can be no certainty that Countrywide would be able to do so on commercially acceptable terms or at all. In the event that Countrywide were unable to renegotiate or refinance the Amended Credit Facility and its lenders were to demand repayment of all borrowings, a working capital shortfall of the amounts owed (less any surplus working capital held immediately before the demand for repayment) would arise. Without the support of its lenders, Countrywide would be unable to meet its liabilities as they fall due, which would likely result in Countrywide becoming immediately insolvent and having to cease trading. However, provided that the Issue takes place, the Board is confident that the gross proceeds will exceed £100.0 million as the Issue is fully underwritten by the Joint Bookrunners on the terms and subject to the conditions of the Underwriting Agreement.

In undertaking this assessment, the Board has considered the fact that a shareholder vote is required in order to raise additional capital through the Issue, and that the Underwriting Agreement is subject to certain specific conditions which, although customary in nature, are outside the control of Countrywide. These events and conditions cast a material uncertainty on the completion of the Issue which may cast significant doubt about the Group's ability to continue as a going concern. The effect on the Group of any failure to implement the Capital Refinancing Plan may also be compounded by factors outside of the Group's control, such as a further downturn in the UK housing market or conditions adversely impacting the UK mortgage market.

PricewaterhouseCoopers LLP's audit report in the 2017 Annual Financial Statements expressed a material uncertainty as to the ability of Countrywide and the Group to continue as a going concern.

PricewaterhouseCoopers LLP's review opinion in the 2018 Unaudited Interim Financial Statements also expressed a material uncertainty as to the ability of Countrywide and the Group to continue as a going concern.

Exceptional items

Certain items are presented separately in the Group's 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 costs of restructuring the business, are provided in section 5.7 of this Part.

16.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within 2018, are discussed below. In preparing the 2018 Unaudited Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2017 Annual Financial Statements, with the exception of the following changes in estimates. During H1 2018, management reassessed its estimates in respect of taxation (see note 10 to the 2018 Unaudited Interim Financial Statements), pensions (see note 23 to the 2018 Unaudited Interim Financial Statements), contingent consideration payables in respect of acquisitions made in prior periods (see note 6 to the 2018 Unaudited Interim Financial Statements), impairment (see note 14 to the 2018 Unaudited Interim Financial Statements) and also provisions (see note 20 to the 2018 Unaudited Interim Financial Statements).

Impairment of goodwill and indefinite life intangible assets

Determining whether goodwill and indefinite life 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 the Group's 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 is 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 to the 2017 Annual Financial Statements and note 14 to the 2018 Unaudited Interim 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 into three categories:

(i) Reserves for known claims: These losses are recommended by the Group's professional claims handlers and approved panel law firms who take into account all the information available on the claims and recorded on the Group's 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.

(ii) 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.

(iii) 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 historical claim rate, the 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. The number of valuation claims continued to decline significantly throughout 2017 to historically low levels. 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 lenders. While there is uncertainty around the future of the UK economy as the UK government deals with Brexit, there are no macroeconomic indicators that this is a reasonable likelihood in the short term and the Directors do not consider it appropriate to provide for additional claims due to macroeconomic changes. It should be noted that, as disclosed in the 2017 Annual Financial Statements, based on 2017 data, a 5 *per cent*. increase in the valuation claim rate applied to all surveys performed between 2004 and 2008 could lead to a £3.5 million increase in the provision for future claims.

Claim liability rate — the number of claims closed with a loss compared to the number of closed claims. The Group's claim handlers and panel lawyers robustly defend all of the Group's claims and as a result they have achieved a number of successes in 2017 where customers have withdrawn their claim. Consequently, the Group has not experienced any increase to the claim liability rate. The liability rate is sensitive to changes in experience and therefore the Group has 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 disclosed in the 2017 Annual Financial Statements, based on 2017 data, a 10 *per cent*. increase in the average liability rate applied to open claims at the end of the year and unreported claims anticipated would impact the provision for claims already received by £0.4 million.

Average loss — the average of total incurred losses for closed claims. Average losses on claims settled have reduced by 5 *per cent*. in 2017 versus prior year (based on weighted average across the various claim populations). As disclosed in the 2017 Annual Financial Statements, based on 2017 data, applying a 10 *per cent*. increase in the average loss to the open claims received would increase the total provision required for this population (the IBNER) by £0.1 million.

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. 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. A number of historical acquisitions have related contingent consideration, set out in note 33 to the 2017 Financial Statements which is remeasured at each reporting date in line with estimates and assumptions in relation to the forecast performance of the acquired business.

16.3 New standards, amendments and interpretations effective and adopted by the Group

Certain new accounting standards and interpretations have been published that were not mandatory for 2015, 2016 and 2017 but which have been adopted by the Group as of 1 January 2018 (IFRS 9 and IFRS 15) or will be adopted by the Group as of 1 January 2019 (IFRS 16), as applicable. The following new standards or interpretations have had, in the 2018 Unaudited Interim Financial Statements and are expected to have, a material effect on the consolidated financial statements of the Group:

IFRS 9

IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities.

(i) Classification and measurement of financial assets

The Group has applied the requirements of IFRS 9 to instruments owned at 1 January 2018 and has not applied the requirements to instruments that had already been derecognised prior to 1 January 2018. Comparative amounts have not been restated.

As at the date of initial application of IFRS 9, the Group has elected to apply the fair value through profit or loss option for all of its non-controlling equity interests that were classified as available-for-sale under IAS 39. There will be no impact on the classification and measurement of the other financial assets, and no change in the accounting for financial liabilities, held by the Group.

On transition, £1,967,000 of gains previously recorded within 'Other reserves' in relation to the Group's holding in the unlisted residential property fund units have been reclassified to retained earnings. The asset was subsequently disposed of during H1 2018.

(ii) Impairment of financial assets

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach under IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses, which will be updated at each reporting date.

As at 1 January 2018, the Group have reviewed and assessed existing financial assets, amounts due from customers, for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk. An additional credit allowance of £1,202,000 has been recognised against retained earnings net of its related deferred tax impact at £974,000, as presented below.

	Trade and other receivables
	(£ in thousands)
At 31 December 2017 calculated under IAS 39	(4,211)
Amounts restated through retained earnings	(1,202)
Opening loss allowance at 1 January 2018 under IFRS 9	(5,413)

The additional loss allowance recognised upon the initial application of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to the financial assets.

In determining the expected credit losses for these assets, the Group have taken into account the historical default experience, the financial position of the counterparties, in estimating the likelihood of default of each of these financial assets occurring within their loss assessment time horizon.

IFRS 15

IFRS 15 'Revenue from contracts with customers' establishes principles for determining when and how revenue arising from contracts with customers should be recognised. An entity should recognise revenue when it transfers goods or services to a customer based on the amount of consideration to which the entity expects to be entitled from a customer in exchange for fulfilling its performance obligations.

Management has undertaken a detailed assessment of all contracts and revenue streams across all business units using the five-step approach specified by IFRS 15: identify the contract(s) with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) a performance obligation is satisfied.

The Group generates revenue and other income from external customers mainly in the UK from three main types of business: Sales and Lettings, Financial Services and Business to Business (B2B). Management is required to take all relevant factors and circumstances into account when determining the revenue recognition methods that appropriately depict the transfer of control of goods or services to the customer for each performance obligation. This requires management to make certain judgements, including: the determination of the performance obligations in the contract; whether the Group is acting as principal or agent; the estimation of any variable consideration in determining the contract price; the allocation of the price to the performance obligations inherent in the contract; and an appropriate method of recognising revenue. Other key considerations comprise the appropriate accounting treatment of any costs incurred to obtain the contract and the treatment of any costs incurred to fulfil a contract.

In determining the appropriate method of recognising revenue, management is required to make judgements as to whether the performance obligations are satisfied over a period of time or at a point in time. For performance obligations that are satisfied over a period of time, judgements are made as to whether the output method or the input method is more appropriate to measure progress towards complete satisfaction of the performance obligation. If the performance obligations are not satisfied over a period of time, the Group recognises revenue at a point in time.

The adoption of IFRS 15 has impacted the 2018 Unaudited Interim Financial Statements as follows:

(i) **B2B**. Within the B2B Business Unit, Lambert Smith Hampton generates revenue from commercial property consultancy and advisory services, property management and valuation services. Work-in-progress ("**WIP**") was previously recognised on specific types of contracts. Under IFRS 15, the performance obligations of certain contracts are deemed to be satisfied at a point in time. As a result, the Group no longer recognises WIP against these contracts. The Group continues to recognise WIP against other contracts where the performance obligations are satisfied over a period of time.

(ii) **Sales and Lettings**. A proportion of revenue from lettings rent collection was previously recognised at the outset of the rent collection agreement, together with an appropriate clawback provision, based on historical experience. Under IFRS 15, revenue is now recognised over the life of the rent collection agreement in accordance with the satisfaction of the performance obligations.

The Group adopted IFRS 15 on 1 January 2018 and has elected to restate comparative information from prior periods (including the H1 2017 comparative in the 2018 Unaudited Interim Financial Statements). The prior-year comparisons for 2017 will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018. The Group has applied the practical expedients under which contracts that began or ended in 2017, or contracts that were completed prior to 1 January 2017, have not been restated.

See note 4 to the 2018 Unaudited Interim Financial Statements for tables that show the impact of the adoption of IFRS 15 on the Group's consolidated balance sheet as at 30 June 2017 and 31 December 2017 and the impact on the Group's consolidated income statement for H1 2017.

IFRS 16

IFRS 16 'Leases' amends the definition of a lease, along with the recognition and measurement principles for leases and establishes the principles for disclosure. The standard is effective for accounting periods beginning on or after 1 January 2019 and is expected to have a significant impact on the consolidated financial statements of the Group. On adoption, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. Depreciation of the right of use asset will be recognised in the Group's consolidated income statement on a straight-line basis, with interest recognised on the lease liability. This will result in a change to the profile of the net charge taken to the income statement over the life of the lease. These charges will replace the lease costs currently charged to the income statement.

The Group continues to assess the full impact of IFRS 16. Significant judgements are also required, for example in determination of lease term based on the probability of renewal and identification of suitable discount rates. However, the impact will greatly depend on the facts and circumstances at the time of adoption and upon transition choices adopted. It is therefore not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated results.

Other standards, amendments and interpretations not yet effective and not discussed above are not relevant or considered significant to the Group.

16.4 Prior-year error correction in respect of the reconstitution of trust funds

The Group holds money on behalf of parties to property transactions. For example, the Group holds deposits made by lessees of properties. Generally, the Group does not recognise client money on its consolidated balance sheet. However, the Group deposits client money in interest-bearing accounts and recognises the interest component as finance income in the Group's consolidated income statement.

The Group takes all practical and reasonable measures to identify the ownership of client money and to trace and return funds in a timely manner. Historically, orphan balances that remained untraceable and were more than six years old were recognised in Countrywide's consolidated income statement as other income and an indemnity was put in place by Countrywide to the underlying subsidiary entities to ensure that any claims arising subsequently on these funds would be met by Countrywide. In practice, less than 1 per cent. of the funds released were ever claimed and paid out.

Following a recent management review of client accounting, and having received legal advice on the use of orphan funds, the Group now understands that some of these funds should be held in trust under a separate client account. This has resulted in the Prior-Year Correction in the 2018 Unaudited Interim Financial Statements in respect of certain untraceable orphan funds for the period from 2008 to 2017. The Prior-Year Correction is not reflected for 2017, but the prior-year comparative period (2017) will be restated in the Group's consolidated financial statements as of and for the year ending 31 December 2018.

17. POST-BALANCE SHEET EVENTS

As at the Reference Date, the Group had no material post-balance sheet events.

18. RELATED PARTY TRANSACTIONS

18.1 H1 2017 and H1 2018

(i) **Transactions with key management personnel**. Key management compensation amounted to £2.2 million in H1 2018 (£1.7 million in H1 2017). See note 23 to the Annual Financial Statements for further information.

(ii) **TMG**. In H1 2018 and H1 2017, the Group purchased £1.0 million and £1.2 million of property searches and data services, respectively, from its joint venture with TMG. In the same periods, the Group recognised management services fee receivables of £2.3 million and £nil, respectively, and rebates received/receivable of £0.1 million and £0.2 million, respectively from its joint venture with TMG, in respect of services previously provided.

(iii) **Buy To Let Group**. The Group accrued interest of £0.1 million and £0.1 million on the Buy To Let Loan in H1 2017 and H1 2018, respectively.

(iv) **Oaktree Capital Management**. The Group also paid fees of £20,000 in each of H1 2017 and H1 2018 to Oaktree Capital Management, the Group's largest shareholder, in respect of Caleb Kramer's services as a director that are provided to Countrywide under an agreement between Countrywide and Oaktree Capital Management FIE LLC.

18.2 2015, 2016 and 2017

(i) **Transactions with key management personnel**. Key management compensation amounted to £4.0 million in 2017 (£4.6 million in 2016; £6.2 million in 2015). See note 6(b) to the Annual Financial Statements for further information.

(ii) **TMG**. In 2015, 2016 and 2017, the Group purchased £2.6 million, £2.4 million and £2.1 million of property searches and data services, respectively, from its joint venture with TMG. In the same periods, the Group received rebates or recognised rebates receivable of £2.8 million, £2.2 million and £0.9 million from its joint venture with TMG, in respect of services previously provided.

(iii) **Buy To Let Group**. The Group accrued interest of £0.1 million and £0.1 million on the Buy To Let Loan in 2016 and 2017, respectively.

(iv) **Oaktree Capital Management**. The Group also paid fees of £40,000 in each of 2015, 2016 and 2017 to Oaktree Capital Management, the Group's largest shareholder, in respect of Caleb Kramer's services as a director that are provided to Countrywide under an agreement between Countrywide and Oaktree Capital Management FIE LLC.

Countrywide has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given in 2015, 2016, 2017 or H1 2018 regarding related party transactions.

19. CAPITALISATION AND INDEBTEDNESS

The following table sets out the Group's capitalisation and indebtedness as at 30 June 2018.

	As at 30 June 2018 *(unaudited)*
	(£ in thousands, unless indicated otherwise)
Total current debt:	
Guaranteed	—
Secured	—
Unguaranteed and unsecured[1]	1,325
Total non-current debt (excluding current portion of long-term debt):	
Guaranteed[2]	239,282
Secured	—
Unguaranteed and unsecured[3]	4,270
Total non-current debt	**243,552**
Total gross indebtedness	**244,877**
Shareholders' Equity:	
Share capital	2,413
Share premium	211,838
Other reserves	(18,280)
Total capitalisation	**195,971**[4]

1 Finance lease liabilities, with a term of less than one year.

2 The Group's total non-current debt that is guaranteed and total gross indebtedness are shown net of capitalised banking fees (£0.7 million) attributable to the Previous Credit Facility. The Group's total non-current debt and total gross indebtedness do not reflect the impact of the Capital Refinancing Plan.

3 Reflects £1,355,000 of finance leases with a term in excess of one year as well as £2,915,000 of other loans

4 Were retained losses at 30 June 2018 (of £112,056,000) netted against shareholders' equity, total capitalisation would be £83,915,000

The following table sets out the components of the Group's net indebtedness as at 30 June 2018.

	As at 30 June 2018[1] *(unaudited)*
	(£ in thousands, unless indicated otherwise)
Cash and cash equivalents	37,856
Restricted cash	(4,681)
Liquidity	33,175
Current Financial Receivable	**33,175**
Current bank debt	—
Current portion of non-current debt	—
Other current financial debt	1,325
Current Financial Debt	**1,325**
Net Current Financial Indebtedness	31,850
Non-current bank loans[1]	239,282
Other non-current financial debt	1,355
Bonds issued	—
Other non-current loans	2,915
Non-current Financial Indebtedness	**243,552**
Net Financial Indebtedness	**211,702**

1 The Group's non-current bank loans are shown net of capitalised banking fees (of £718,000) attributable to the Previous Credit Facility.

Please see section 14 of this Part for details of the Group's deferred and contingent liabilities.

PART VII

TERMS AND CONDITIONS OF THE ISSUE

1. INTRODUCTION

As explained in Part I (*Letter from the Executive Chairman of Countrywide*), Countrywide is proposing to raise gross proceeds of £140 million (approximately £129 million after deduction of estimated commissions, fees and expenses) by way of:

(i) a Firm Placing of 1,114,419,569 Firm Placing Shares; and

(ii) a Placing and Open Offer of 285,580,431 Open Offer Shares,

in each case at an Issue Price of 10 pence per New Ordinary Share. The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares.

Under the Open Offer, Qualifying Shareholders are being given the opportunity to subscribe for Open Offer Shares *pro rata* to their Existing Holdings on the basis of 6 Open Offer Shares for every 5 Existing Ordinary Shares held by them and registered in their name at the Record Date (and so in proportion to any other number of Existing Ordinary Shares then held) on the terms and subject to the conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders, the Application Form).

2. THE OPEN OFFER ENTITLEMENT

Subject to the terms and conditions set out in this Part (and, in the case of Qualifying Non-CREST Shareholders, the Application Form), each Qualifying Shareholder is being invited to subscribe for Open Offer Shares *pro rata* to their Existing Holdings at the Issue Price (payable in full and free of all expenses) on the following *pro rata* basis:

6 Open Offer Shares for every 5 Existing Ordinary Shares

held and registered in their name on the Record Date (and so in proportion to any other number of Existing Ordinary Shares then held) (the "**Open Offer Entitlement**"). Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Open Offer Entitlements.

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their Open Offer Entitlement. Fractions of Open Offer Shares will not be allotted and each Qualifying Shareholder's Open Offer Entitlement under the Open Offer will be rounded down to the nearest whole number.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim by Euroclear UK's Claims Processing Unit. Open Offer Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their entitlements will have no rights, and will not receive any benefit, under the Open Offer. Any Open Offer Shares which are not applied for under the Open Offer may be allocated to Conditional Placees, subject to the terms and conditions of the Underwriting Agreement, with the proceeds retained for the benefit of Countrywide.

The attention of Shareholders and any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document or an Application

Form into a jurisdiction other than the United Kingdom is drawn to section 8 of this Part relating to Overseas Shareholders, which forms part of the terms and conditions of the Open Offer. In particular, Overseas Shareholders with registered addresses in any Excluded Territory will not be sent this document or the Application Form.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is as at 5:00 p.m. on 31 July 2018. Application Forms for Qualifying Non-CREST Shareholders accompany this document and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST on 3 August 2018. **The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is 11:00 a.m. on 17 August 2018.**

Application will be made for the New Ordinary Shares to be admitted to the Official List with a premium listing and admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence, fully paid, at or shortly after 8:00 a.m. on 30 August 2018 (whereupon an announcement will be made by Countrywide to a Regulatory Information Service).

3. CONDITIONALITY

The Open Offer is conditional upon the Underwriting Agreement becoming or being declared unconditional in all respects by Admission and the Underwriting Agreement not having been terminated in accordance with its terms prior to Admission. The Underwriting Agreement is conditional among other things, upon:

(i) the passing of the Capital Refinancing Resolutions; and

(ii) Admission becoming effective on or before 8:00 a.m. on 30 August 2018 (or such later date and/or time as Countrywide and the Joint Bookrunners may agree, being no later than 14 September 2018).

In the event that any of these conditions is not satisfied or where applicable waived, the Issue will not proceed. In such circumstances, application monies will be returned without payment of interest, as soon as practicable thereafter.

Following Admission, the Underwriting Agreement will not be subject to any condition or right of termination (including in respect of statutory withdrawal rights). For further details of the Underwriting Agreement, please see section 17 of Part XII (*Additional Information*).

4. ACTION TO BE TAKEN IN CONNECTION WITH THE OPEN OFFER

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

The action to be taken in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has received an Application Form in respect of their entitlement under the Open Offer or has had their Open Offer Entitlements credited to his CREST Stock account:

(i) If you are a Qualifying Non-CREST Shareholder, please refer to section 5 and sections 7 to 14 (inclusive) of this Part.

(ii) If you are a Qualifying CREST Shareholder, please refer to sections 6 to 14 (inclusive) of this Part and to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to apply under the Open Offer Entitlements in respect of the Open Offer Entitlements of such members held in CREST.

5. ACTION TO BE TAKEN BY QUALIFYING NON-CREST SHAREHOLDERS IN CONNECTION WITH THE OPEN OFFER

5.1 General

Save as provided in section 8 of this Part, Qualifying Non-CREST Shareholders will have received an Application Form with this document. The Application Form sets out:

(i) in Box 1, the number of Existing Ordinary Shares registered in such person's or persons' name on the Record Date (on which a Qualifying Non-CREST Shareholder's Open Offer Entitlement is based);

(ii) in Box 2, the maximum number of Open Offer Shares for which such person(s) are entitled to apply under the Open Offer;

(iii) in Box 3, how much such person(s) would need to pay in pounds sterling if they wish to take up their Open Offer Entitlement in full;

(iv) the procedures to be followed if such person(s) wishes to dispose of all or part of his Open Offer Entitlement or to convert all or part of their entitlement into uncertificated form; and

(v) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

Qualifying Non-CREST Shareholders may apply for any whole number of Open Offer Shares up to their Open Offer Entitlement.

Qualifying Non-CREST Shareholders may also hold an Application Form by virtue of a *bona fide* market claim.

The instructions and other terms set out in the Application Form constitute part of the terms and conditions of the Open Offer to Qualifying Non-CREST Shareholders.

The latest time and date for acceptance of the Application Forms and payment in full will be 11:00 a.m. on 17 August 2018. The Open Offer Shares are expected to be issued on 30 August 2018. After such date the Open Offer Shares will be in registered form, freely transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

Qualifying Shareholders who do not want to take up or apply for Open Offer Shares should take no action and should not complete or return the Application Form. Qualifying Shareholders are, however, encouraged to vote at the General Meeting by attending in person or by completing and returning the enclosed Form of Proxy (either in hard copy or electronically) or by completing and transmitting a CREST Proxy Instruction.

5.2 Bona fide market claims

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Ordinary Shares through the market prior to 8:00 a.m. on 2 August 2018 (the Ex-Entitlement Time). Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims.

The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Ordinary Shares prior to the Ex-Entitlement Time, being 8:00 a.m. on 2 August 2018, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 6 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however, be forwarded to or transmitted in or into any of the Excluded Territories. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in section 6 of this Part.

Qualifying Non-CREST Shareholders who have sold all of their registered holdings prior to 8:00 a.m. on 2 August 2018 should, if the market claim is to be settled outside CREST, complete Box 6 on the Application Form and immediately send it to the broker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee, or directly to the purchaser or transferee, if known. The Application Form should not, however, be forwarded to or transmitted in or into any Excluded Territory. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in section 6 of this Part.

Qualifying Non-CREST Shareholders who have sold or otherwise transferred part only of their Existing Ordinary Shares shown in Box 1 of their Application Form prior to 8:00 a.m. on 2 August 2018 should, if the market claim is to be settled outside CREST, complete Box 6 of the Application Form and immediately deliver the Application Form, together with a letter stating the number of Application Forms required (being one for the Qualifying Non-CREST Shareholder in question and one for each of the purchasers or transferees), the total number of Existing Ordinary Shares to be included in each Application Form (the aggregate of which must equal the number shown in Box 1 of the Application Form) and the total number of Open Offer Entitlements to be included in each Application Form (the aggregate of which must equal the number shown in Box 2), to the broker, bank or other agent through whom the sale or transfer was effected or return it by post to Link Asset Services, Corporate Actions, The Registry, Beckenham Road, Beckenham BR3 4TU so as to be received by no later than 3:00 p.m. on 15 August 2018. The Receiving Agent will then create new Application Forms, mark the Application Forms 'Declaration of sale or transfer duly made' and send them by post to the person submitting the original Application Form. The Application Form should not, however, be forwarded to or transmitted in or into any Excluded Territory.

5.3 Application procedures

Qualifying Non-CREST Shareholders who wish to apply to subscribe for all or any of the Open Offer Shares in respect of their Open Offer Entitlement must complete, sign and return the Application Form in accordance with the instructions thereon. Completed Application Forms should be posted in the accompanying pre-paid envelope (in the UK only) or returned by post or by hand (during normal office hours only) to Link Asset Services, Corporate Actions, The Registry, Beckenham Road, Beckenham BR3 4TU so as to be received by the Receiving Agent as soon as possible and, in any event, not later than 11:00 a.m. on 17 August 2018, after which time (subject to the limited exceptions set out below) Application Forms will not be valid. Applications delivered by hand will not be checked upon delivery and no receipt will be provided. Qualifying Non-CREST Shareholders should note that applications, once made, will, subject to the very limited withdrawal rights set out in section 7 of this Part, be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery. Multiple applications will not be accepted.

Completed Application Forms should be returned together with payment in accordance with section 5.4 of this Part.

5.4 Payment

All payments must be made by cheque or banker's draft in pounds sterling payable to "Link Market Services Limited re: Countrywide plc – 2018 Open Offer" and crossed "A/C payee only". Cheques must be for the full amount payable on acceptance, and sent by post to Link Asset Services, Corporate Actions, The Registry, Beckenham Road, Beckenham BR3 4TU so as to be received as soon as possible and, in any event, not later than 11:00 a.m. on 17 August 2018. A pre-paid envelope for use within the UK only is enclosed with the Application Form.

Third party cheques may not be accepted except building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque or banker's draft to such effect. It is recommended that the account name should be the same as that shown on the application. Cheques or banker's drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which must be in the UK, the Channel Islands or the Isle of Man and which is either a settlement member of Cheque & Credit

Clearing Limited or the CHAPS Clearing Company Limited or which has otherwise arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Countrywide reserves the right to have cheques and banker's drafts presented for payment on receipt. No interest will be allowed on payments made before they are due and any interest on such payments will be paid to Countrywide. It is a term of the Open Offer that cheques must be honoured on first presentation and Countrywide may elect to treat as invalid any acceptances in respect of which cheques are not honoured. Return of the Application Form with a cheque will constitute a warranty that the cheque will be honoured on first presentation.

If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in an interest-bearing account retained for Countrywide until all conditions are met. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable, following the lapse of the Open Offer. The interest earned on such monies, if any, will be retained for the benefit of Countrywide.

If Open Offer Shares are allotted to a Qualifying Shareholder and a cheque for that allotment is subsequently not honoured, Countrywide may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of such Qualifying Shareholder and hold the proceeds of sale (net of Countrywide's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Shareholder pursuant to the provisions of this Part in respect of the acquisition of such shares) on behalf of such Qualifying Shareholder. Neither Countrywide nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any Qualifying Shareholder as a result.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renouncees (or their agents, as appropriate) will be posted at their own risk.

5.5 Discretion as to the validity of acceptances

If payment is not received in full by 11:00 a.m. on 17 August 2018, the offer to subscribe for Open Offer Shares will be deemed to have been declined and will lapse. However, Countrywide may (but shall not be obliged to) and the Joint Bookrunners (acting in good faith) may require Countrywide to treat as valid:

(i) Application Forms and accompanying remittances that are received through the post not later than 4:30 p.m. on 17 August 2018 (the cover bearing a legible postmark not later than 11:00 a.m. on 17 August 2018); and

(ii) acceptances in respect of which a remittance is received prior to 11:00 a.m. on 17 August 2018 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of Open Offer Shares to be acquired and undertaking to lodge the relevant Application Form, duly completed, by 4:30 p.m. on 17 August 2018 and such Application Form is lodged by that time.

Countrywide may also (in its absolute discretion) and the Joint Bookrunners (acting in good faith) may require Countrywide to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

Countrywide (acting in consultation with the Joint Bookrunners) reserves the right to treat as invalid any application or purported application for the Open Offer Shares pursuant to the Open Offer that appears to Countrywide to have been executed in, despatched from, or that provides an address for delivery of definitive share certificates for Open Offer Shares in, an Excluded Territory.

5.6 Effect of application

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form the applicant:

(i) represents and warrants to Countrywide and each of the Joint Bookrunners that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;

(ii) agrees with Countrywide and each of the Joint Bookrunners that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England and Wales;

(iii) confirms to Countrywide and each of the Joint Bookrunners that in making the application he is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document including any documentation incorporated by reference, he will be deemed to have had notice of all information contained in this document (including information incorporated by reference);

(iv) confirms that in making the application he is not relying and has not relied on the Joint Bookrunners or any other person affiliated with the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this document or his investment decision;

(v) represents and warrants to Countrywide and the Joint Bookrunners that if he has received some or all of his Open Offer Entitlements from a person other than Countrywide, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;

(vi) represents and warrants to Countrywide and each of the Joint Bookrunners that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he received such Open Offer Entitlements by virtue of a *bona fide* market claim;

(vii) represents and warrants to Countrywide and the Joint Bookrunners that:

   (a) he is not, nor is he applying on behalf of any person who is, located, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, in or of any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law; and

   (b) he is not applying with a view to re-offering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

(viii) represents and warrants to Countrywide and each of the Joint Bookrunners that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and

(ix) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the Articles of Association.

5.7 Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the "**verification of identity requirements**"). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, such agent should carry out the verification of identity requirements and the agent's stamp should be inserted on the Application Form.

Submission of an Application Form shall constitute a warranty to Countrywide and the Joint Bookrunners that the Money Laundering Regulations will not be breached by the acceptance of the remittance and an undertaking by the person lodging the Application Form (the "**applicant**"), including any person who appears to the Receiving Agent to be acting on behalf of some other person, to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations and agree for Link Asset Services to make a search using a credit reference agency for the purposes of confirming such identity; where deemed necessary a record of the search will be retained.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant Open Offer Shares (notwithstanding any other term of the Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, Countrywide or the Joint Bookrunners will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity (and in any event by 11:00 a.m. on 17 August 2018), the Receiving Agent has not received evidence satisfactory to it as aforesaid, Countrywide may, in its absolute discretion and with the prior written consent of the Joint Bookrunners, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

Where the verification of identity requirements apply, please note the following as this will assist in satisfying such requirements. Satisfaction of these requirements may be facilitated in the following ways:

(i) If payment is made by cheque or banker's draft in pounds sterling drawn on a branch of a bank or building society in the United Kingdom and bears a UK bank sort code number in the top right-hand corner, the following applies. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "Link Market Services Limited re: Countrywide plc — 2018 Open Offer" and crossed "A/C payee only". Third party cheques may not be accepted except for building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the building society cheque/ banker's draft to such effect. The account name should be the same as that shown on the application.

(ii) If the Application Form is lodged with payment by an agent which is an organisation required to comply with the EU Money Laundering Directive ((EU) 2015/849) as amended, or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, China, members of the Gulf Co-operation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, India, Japan, Mexico, New Zealand, Norway, the Republic of Korea, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the United States), the agent should provide written confirmation that it has that status with the Application Form(s) and that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority.

(iii) If an Application Form is lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

To confirm the acceptability of any written confirmation referred to in subsection (ii) above, or in any other case, the applicant should contact the Shareholder Helpline.

5.8 Issue of Open Offer Shares in certificated form

Definitive share certificates in respect of the Open Offer Shares to be held in certificated form are expected to be despatched by post on or around 6 September 2018, at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders or their agents or, in the case of joint holdings, to the first-named Shareholder, in each case at their registered address (unless lodging agent details have been completed on the Application Form).

6. ACTION TO BE TAKEN BY QUALIFYING CREST SHAREHOLDERS IN CONNECTION WITH THE OPEN OFFER

6.1 General

Save as provided in section 8 of this Part in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his Open Offer Entitlements equal to the maximum number of Open Offer Shares for which he is entitled to subscribe for under the Open Offer.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Ordinary Shares held at the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements have been allocated.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders by 3 August 2018 or such later time as Countrywide shall decide, Application Forms shall, unless Countrywide and the Joint Bookrunners determine otherwise, be sent out in substitution for the Open Offer Entitlements which have not been so credited and the expected timetable as set out in this document may, with the consent of the Joint Bookrunners, be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. Countrywide will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

Qualifying CREST Shareholders who wish to take up all or part of their entitlements in respect of Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement, as only your CREST sponsor will be able to take the necessary action to take up your entitlements in respect of Open Offer Shares.

6.2 *Bona fide* market claims

The Open Offer Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction.

6.3 Unmatched Stock Event (USE) Instructions

Qualifying CREST Shareholders who are CREST members and who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE Instruction to CREST which, on its settlement, will have the following effect:

(i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and

(ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above.

6.4 Content of USE Instructions in respect of Open Offer Entitlements

The USE Instruction must be properly authenticated in accordance with Euroclear UK's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

(i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);

(ii) the ISIN of the Open Offer Entitlement. This is GB00BFYYCW80;

(iii) the CREST participant ID of the CREST member;

(iv) the CREST member account ID of the CREST member from which the Open Offer Entitlements are to be debited;

(v) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 7RA33;

(vi) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 29769COU;

(vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;

(viii) the intended settlement date. This must be on or before 11:00 a.m. on 17 August 2018;

(ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;

(x) a contact name and telephone number (in the free format shared note field); and

(xi) a priority of at least 80.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11:00 a.m. on 17 August 2018. CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 17 August 2018 in order to be valid is 11:00 a.m. on that day.

If the conditions to the Open Offer are not fulfilled at or before 11:00 a.m. on 17 August 2018, or such other time and/or date as may be agreed between Countrywide and the Joint Bookrunners, the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest as soon as practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of Countrywide.

6.5 CREST procedures and timings

Qualifying CREST Shareholders who are CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear UK does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in connection with the Open Offer. It is the responsibility of the Qualifying CREST Shareholder concerned to take (or, if the Qualifying CREST Shareholder is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11:00 a.m. on 17 August 2018. Qualifying CREST Shareholders and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

6.6 Validity of application

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by not later than 11:00 a.m. on 17 August 2018 will constitute a valid application under the Open Offer.

6.7 Incorrect or incomplete applications

If a USE Instruction includes a CREST payment for an incorrect sum, Countrywide (acting in consultation with the Joint Bookrunners), through the Receiving Agent, reserves the right:

(i) to reject the application in full and refund the payment to the CREST member in question (without interest);

(ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without interest); or

(iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question (without interest).

6.8 Effect of application

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

(i) represents and warrants to Countrywide and each of the Joint Bookrunners that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;

(ii) agrees with Countrywide and each of the Joint Bookrunners that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England and Wales;

(iii) confirms to Countrywide and each of the Joint Bookrunners that in making the application he is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document including any documentation incorporated by reference, he will be deemed to have had notice of all information contained in this document (including information incorporated by reference);

(iv) confirms that in making the application he is not relying and has not relied on the Joint Bookrunners or any other person affiliated with the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this document or his investment decision;

(v) represents and warrants to Countrywide and the Joint Bookrunners that if he has received some or all of his Open Offer Entitlements from a person other than Countrywide, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;

(vi) represents and warrants to Countrywide and each of the Joint Bookrunners that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he received such Open Offer Entitlements by virtue of a *bona fide* market claim;

(vii) represents and warrants to Countrywide and the Joint Bookrunners that:

(a) he is not, nor is he applying on behalf of any person who is, located, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, in or of any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law; and

(b) he is not applying with a view to re-offering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

(viii) represents and warrants to Countrywide and each of the Joint Bookrunners that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986;

(ix) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the Articles of Association; and

(x) agrees with Countrywide and each of the Joint Bookrunners to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay the amount payable on application).

6.9 Discretion as to rejection and validity of acceptances

Countrywide (acting in consultation with the Joint Bookrunners) may:

(i) reject any acceptance constituted by a USE Instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in section 6.8 of this Part. Where an acceptance is made as described in this section 6 which is otherwise valid, and the USE Instruction concerned fails to settle by 11:00 a.m. on 17 August 2018 (or by such later time and date as Countrywide and the Joint Bookrunners may determine), Countrywide shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this section 6, that there has been a breach of the representations, warranties and undertakings set out or referred to in section 6.8 of this Part unless Countrywide is aware of any reason outside the control of the Qualifying CREST Shareholder or CREST sponsor (as appropriate) concerned for the failure of the USE Instruction to settle;

(ii) treat as valid (and binding on the Qualifying CREST Shareholder concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this section 6 of this Part;

(iii) accept an alternative properly authenticated dematerialised instruction from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, a USE Instruction and subject to such further terms and conditions as Countrywide may determine;

(iv) treat a properly authenticated dematerialised instruction (in this section 6, the 'first instruction') as not constituting a valid acceptance if, at the time at which Link Asset Services receives a properly authenticated dematerialised instruction giving details of the first instruction, either Countrywide or Link Asset Services has received actual notice from Euroclear UK of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

(v) accept an alternative instruction or notification from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of a USE Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any Qualifying CREST Shareholder or (where applicable) CREST sponsor a Qualifying CREST Shareholder is unable validly to take up all or part of his Open Offer Entitlement by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Link Asset Services in connection with CREST.

6.10 Money Laundering Regulations

If you hold your Existing Ordinary Shares in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (for example, a bank, a broker or another UK financial institution), then, irrespective of the value of the application, Link Asset Services is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Link Asset Services before sending any USE Instruction or other instruction so that appropriate measures may be taken.

Submission of an USE Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to Countrywide and the Joint Bookrunners to provide promptly to Link Asset Services any information Link Asset Services may specify as being required for the purposes of the verification of identity requirements in the Money Laundering Regulations or FSMA. Pending the provision of evidence satisfactory to Link Asset Services as to identity, Link Asset Services, having consulted with Countrywide and the Joint Bookrunners, may take, or omit to take, such action as it may determine to prevent or delay settlement of the USE Instruction. If such information and other satisfactory evidence of identity has not been provided within a reasonable time, Link Asset Services will not permit the USE Instruction concerned to proceed to settlement (without prejudice to the right of Countrywide and the Joint Bookrunners to take proceedings to recover any loss suffered by any of them as a result of failure by the applicant to provide satisfactory evidence).

6.11 Deposit of Open Offer Entitlements into, and withdrawal from, CREST

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, (in the case of a deposit into CREST) as set out in the Application Form.

A Qualifying Non-CREST Shareholder who wishes to make such a deposit should sign and complete Box 9 of their Application Form, entitled 'CREST Deposit Form' and then deposit their Application Form with the CREST courier and sorting service. In addition, the normal CREST stock deposit procedures will need to be carried out, except that: (i) it will not be necessary to complete and lodge a separate CREST transfer form (as prescribed under the Stock Transfer Act 1963) with the CREST courier and sorting service; and (i) only the Open Offer Entitlement shown in Box 2 of the Application Form may be deposited into CREST.

If you have received your Application Form by virtue of a *bona fide* market claim, the declaration in Box 6 must be completed or (in the case of an Application Form which has been split) marked 'Declaration of sale or transfer duly made'. If you wish to take up your Open Offer Entitlement, the CREST Deposit Form in Box 9 of your Application Form must be completed and deposited with the CREST courier and sorting service in accordance with the instructions above. A holder of more than one Application Form who wishes to deposit Open Offer Entitlements shown on those Application Forms into CREST must complete Box 9 of each Application Form.

In particular, having regard to normal processing times in CREST and on the part of Link Asset Services, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as an Open Offer in CREST, is 3:00 p.m. on 14 August 2018. CREST holders inputting the withdrawal of their Open Offer Entitlement from their CREST account must ensure that they withdraw their Open Offer Entitlement.

Delivery of an Application Form with the CREST deposit form duly completed, whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to Countrywide, the Joint Bookrunners and the Receiving Agent by the relevant CREST member(s) that it is/they are not in breach of the provisions of the notes under the paragraph headed 'Application Letter' in the Application Form, and a declaration to Countrywide and the Receiving Agent from the relevant CREST member(s) that it is/they are not located in, or citizen(s) or resident(s) of, any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law and, where such deposit is made by a beneficiary or a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

6.12 Right to allot and issue Open Offer Shares in certificated form

Despite any other provision of this document, Countrywide reserves the right to allot and to issue any Open Offer Shares under the Open Offer in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by Link Asset Services in connection with CREST.

7. WITHDRAWAL RIGHTS

Qualifying Shareholders who have the right to withdraw their acceptances under section 87Q(4) of FSMA after a supplementary prospectus (if any) has been published and who wish to exercise such right of withdrawal must send a written notice of withdrawal, which must include the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST member, the participant ID and the member account ID of such CREST member to Link Asset Services, Corporate Actions, The Registry, Beckenham Road, Beckenham BR3 4TU, no later than two Business Days after the date on which a supplementary prospectus is published. Notice of withdrawal given by any other means or which is sent after expiry of such period will not constitute a valid withdrawal. Countrywide will not permit the exercise of withdrawal rights after payment by the relevant person for Open Offer Shares in full and the allotment of such Open Offer Shares to such person becoming unconditional, save as required by statute. In such circumstances, Shareholders are advised to consult their professional advisers.

8. OVERSEAS SHAREHOLDERS

This document has been approved by the UKLA, being the competent authority in the UK.

The offer of New Ordinary Shares to persons resident in, or who are citizens of, or who have registered addresses in, a jurisdiction other than the UK may be affected by the laws of the relevant jurisdiction. The comments set out in this section 8 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to acquire New Ordinary Shares to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territory. The comments set out in this section 8 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his, her or its position should consult his, her or its professional adviser without delay.

8.1 General

The offer of New Ordinary Shares and the distribution of this document or any other document relating to the Issue (including an Application Form) to persons located or resident in, or who are citizens of, or who have a registered address in a jurisdiction other than the United Kingdom or which are corporations, partnerships or other entities organised under the laws of countries other than the United Kingdom, or to persons who are nominees of or custodians, trustees or guardians for any such persons or entities, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights. It is the responsibility of all persons outside the United Kingdom (including, without limitation, custodians, nominees and trustees) receiving this document and/or an Application Form and wishing to acquire New Ordinary Shares in connection with the Issue to satisfy themselves as to full observance of the laws of the relevant territory, including obtaining all necessary governmental or other consents which may be required, compliance with all other requisite formalities and the payment of any issue, transfer or other taxes due in such territory.

Application Forms will not be sent to, and Open Offer Entitlements will not be credited to stock accounts in CREST accounts of, Excluded Shareholders (except, however, where Countrywide and the Joint Bookrunners are satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirement in such jurisdiction).

No person receiving a copy of this document and/or an Application Form and/or any other document issued by Countrywide in connection with the Issue and/or Admission and/or receiving a credit of Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to such person, nor should such person in any event use any such Application Form and/or any other documents issued by Countrywide in connection with the Issue and/or Admission and/or credit of Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to such person and such Application Form and/or credit of Open Offer Entitlements to a stock account in CREST (as the case may be) could lawfully be used or dealt with, and any transaction resulting from such use or dealing could be effected, without contravention of any registration or other legal or regulatory requirements. In such circumstances, where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form and/or any other documents issued by Countrywide in connection with the Issue and/or Admission are to be treated as sent for information only and should not be copied or redistributed.

Accordingly, persons receiving a copy of this document and/or an Application Form and/or any other documents issued by Countrywide in connection with the Issue and/or Admission and/or whose stock account in CREST is credited with Open Offer Entitlements should not, in connection with the Open Offer, distribute or send the same to any person in the United States or any other Excluded Territory. If an Application Form or credit of Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the Open Offer Entitlements referred to in the Application Form or in this document unless Countrywide and the Joint Bookrunners determine that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this document or an Application Form into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section 8.

Countrywide and the Joint Bookrunners may (in their absolute discretion) treat as invalid, and Countrywide will not be bound to allot or issue any New Ordinary Shares in respect of any acceptance or purported acceptance of, application for New Ordinary Shares or take up of Open Offer Entitlements which appears to Countrywide, the Joint Bookrunners or their respective agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if it believes or they believe that the same may violate applicable legal or regulatory requirements or if, in the case of an Application Form, it provides for an address for delivery of the definitive share certificates for New Ordinary Shares or, in the case of a credit of Open Offer Entitlements to a stock account in CREST, the CREST member's or a CREST sponsored member's registered address is in any of the Excluded Territories or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit, unless Countrywide and the Joint Bookrunners are satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirements. The attention of Overseas Shareholders with registered addresses in or who are located in the United States is drawn to sections 8.2 and 8.3 of this Part.

Despite any other provision of this document or the Application Form, Countrywide and the Joint Bookrunners reserve the right to permit any Qualifying Shareholder to take up its Open Offer Entitlements and apply for New Ordinary Shares if Countrywide and the Joint Bookrunners in their absolute discretion are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restriction in question.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in this Part.

The economic and voting interests (as a percentage of the Enlarged Share Capital) of Overseas Shareholders who do not or are unable to take up their Open Offer Entitlements will be diluted as a result of the Issue. See section 7.4 of Part I (*Letter from the Executive Chairman of Countrywide*) for further information.

8.2 Offering restrictions relating to the United States

The New Ordinary Shares have not been and will not be registered under the US Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States absent registration or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable state securities laws. The New Ordinary Shares, have not been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The New Ordinary Shares are being offered or sold only: (a) outside the United States in offshore transactions within the meaning of, and in accordance with, the safe harbor from the registration requirements provided by Regulation S; and (b) in the United States to persons reasonably believed to be QIBs.

Accordingly, subject to certain exceptions, the Issue is not being made in the United States and neither this document nor the Application Form constitutes or will constitute an offer, or an invitation to apply for, or an offer or an invitation to subscribe for or acquire any New Ordinary Shares in the United States. Subject to certain limited exceptions, Application Forms have not been, and will not be, sent to, and Open Offer Entitlements have not been, and will not be, credited to the CREST account of, any Qualifying Shareholder with a registered address in or that is known to be located in the United States.

Subject to certain limited exceptions, envelopes containing Application Forms should not be postmarked in the United States or otherwise despatched from the United States, and all persons wishing to take up their Open Offer Entitlements or subscribe for or acquire New Ordinary Shares and wishing to hold such shares in certificated form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States. Subject to certain limited exceptions, any person who wishes to take up its Open Offer Entitlement or subscribes for or acquires New Ordinary Shares will be deemed to have declared, warranted and agreed, by accessing this document or accepting delivery of the Application Form and delivery of the New Ordinary Shares, that it is not, and that at the time of subscribing for or acquiring the New Ordinary Shares it will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States.

Countrywide and the Joint Bookrunners reserve the right to treat as invalid any Application Form: (i) that appears to Countrywide, the Joint Bookrunners or their respective agents to have been executed in or despatched from the United States or that provides an address in the United States for the receipt of the New Ordinary Shares; (ii) that does not include the relevant warranty set out in the Application Form headed “Overseas Shareholders” to the effect that the person accepting the Application Form does not have a registered address and is not otherwise located in the United States and is not subscribing for or acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares in the United States; or (iii) where Countrywide and the Joint Bookrunners believe acceptance of such Application

Form may infringe applicable legal or regulatory requirements, and Countrywide and the Joint Bookrunners shall not be bound to allot or issue any New Ordinary Shares in respect of any such Application Form. In addition, Countrywide and the Joint Bookrunners reserve the right to reject any USE Instruction in respect of Open Offer Entitlements sent by or on behalf of any CREST member with a registered address in or located in the United States.

A Qualifying Shareholder in the United States will be permitted to take up its Open Offer Entitlements only if it is a QIB and it executes a US Purchaser's Letter in the form provided by Countrywide and delivers it to Countrywide with a copy to the Joint Bookrunners. The US Purchaser's Letter will require each such QIB to represent and agree that, among other things: (i) it is a QIB; and (ii) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the New Ordinary Shares in transactions not subject to or in reliance on an exemption from the registration requirements of the US Securities Act and in compliance with applicable securities laws. The US Purchaser's Letter contains additional written representations, agreements and acknowledgements relating to the transfer restrictions applicable to the New Ordinary Shares.

Any person in the United States who obtains a copy of this document and/or an Application Form and who is not a QIB is required to disregard them.

In addition, until 40 days after the commencement of the Open Offer, any offer, sale or transfer of the New Ordinary Shares within the United States by a dealer (whether or not participating in the Issue) may violate the registration requirements of the US Securities Act if such offer or sale is made other than in accordance with an applicable exemption from registration under the US Securities Act.

8.3 US selling and transfer restrictions in respect of New Ordinary Shares (other than through the Open Offer)

Any person within the United States that subscribes for any New Ordinary Shares through the Placing or Firm Placing or otherwise other than through the Open Offer must meet certain requirements and will be deemed to have represented, acknowledged and agreed that it has received a copy of this document and such other information as it deems necessary to make an investment decision as follows (terms defined in Rule 144A or Regulation S shall have the same meaning in this section):

(i) It is a QIB and, if it is subscribing for or acquiring the New Ordinary Shares as a fiduciary or agent for one or more investor accounts: (a) each such account is a QIB; (b) it has investment discretion with respect to each such account; and (c) it has full power and authority to make the representations, warranties, agreements and acknowledgements in this document on behalf of each such account.

(ii) To the extent it is an existing shareholder of Countrywide, it is the beneficial holder of and/or exercises full investment discretion with respect to its ordinary shares of Countrywide, as applicable.

(iii) It is aware and understands that an investment in New Ordinary Shares involves a considerable degree of risk and no US federal or state or non-US agency has made any finding or determination as to the fairness for investment or any recommendation or endorsement of any such investment.

(iv) It will base its investment decision solely on this document, including the information incorporated by reference into this document. It acknowledges that none of Countrywide, any of its affiliates or any other person (including any of the Joint Bookrunners or any of their respective affiliates) has made any representations, express or implied, to it with respect to Countrywide, the Issue, the New Ordinary Shares or the accuracy, completeness or adequacy of any financial or other information concerning Countrywide, the Issue or the New Ordinary Shares, other than (in the case of Countrywide and its affiliates only) the information contained or incorporated by reference in this document. It acknowledges that it has not relied on any investigation that the Joint Bookrunners or any person acting on their behalf may or may not have conducted, nor any information contained in any research reports prepared by the Joint Bookrunners or any of their respective affiliates, and it has relied solely on its own judgement, examination and due diligence of Countrywide, and the terms of the transaction, including the merits and risks involved, and not upon any view expressed by or information provided by, or on behalf of, the Joint Bookrunners or any of their affiliates. It understands that this document has been prepared in accordance with the Prospectus Rules of the UKLA, which differ from US disclosure requirements. In particular, but without limitation, the financial information contained in or incorporated by reference into this document has been prepared in accordance with IFRS as adopted in the European Union, and thus may not be comparable with financial statements of US companies prepared in accordance with US GAAP. It agrees that it will not distribute, forward, transfer or otherwise transmit this document, or any other presentational or other materials concerning the Issue (including electronic copies thereof) to any person within the United States (other than a QIB on behalf of which it acts), and it has not distributed, forwarded, transferred or otherwise transmitted any such materials to any person (other than a QIB on behalf of which it acts). It acknowledges that it has read and agreed to the matters set forth under section 8.2 of this Part.

(v) It is aware and each beneficial owner of such New Ordinary Shares has been advised that the sale of New Ordinary Shares to them is being made in reliance on an exemption from the registration requirements of the US Securities Act and that the sellers of the New Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A.

(vi) It acknowledges that its purchase of any New Ordinary Shares is subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained in this document. It agrees that it: (a) has no need for liquidity with respect to its investment in the New Ordinary Shares; and (b) has no reason to anticipate any change in its circumstances, financial or otherwise, which may cause or require any sale or distribution by it of all or any part of the New Ordinary Shares.

(vii) It is an institution which: (a) invests in or purchases securities similar to the New Ordinary Shares in the normal course of business; (b) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment in the New Ordinary Shares; and (c) is, and any accounts for which it is acting are, able to bear the economic risk, and sustain a complete loss, of such investment in the New Ordinary Shares.

(viii) To the extent it deems necessary, it will make its own independent investigation and appraisal of the business, results, financial condition, prospects, creditworthiness, status and affairs of Countrywide, and it has made its own investment decision to subscribe for or acquire the New Ordinary Shares. It understands that there may be certain consequences under US and other laws, including applicable tax laws, resulting from an investment in the New Ordinary Shares, including that it must bear the economic risk of an investment in the New Ordinary Shares for an indefinite period of time, and it will make such investigation and consult such tax, legal, and/or other advisers as it deems appropriate.

(ix) Any New Ordinary Shares that it subscribes for or acquires will be for its own account (or for the account of a QIB as to which it exercises sole investment discretion and has authority to make these statements) for investment purposes, and not with a view to distribution within the meaning of the US securities laws, subject to the understanding that the disposition of its property shall at all times be and remain within its control.

(x) It acknowledges and agrees that it is not subscribing for or acquiring the New Ordinary Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D under the US Securities Act), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over the radio or television or as a result of a seminar or meeting whose attendees have been invited by general solicitation or general advertising or directed selling efforts (as that term is defined in Regulation S).

(xi) It acknowledges that the New Ordinary Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and agrees that for so long as such New Ordinary Shares are "restricted securities" (as so defined), they may not be deposited into any unrestricted depositary facility established or maintained by any depositary bank.

(xii) It, and each other QIB, if any, for whose account it is acquiring New Ordinary Shares has been advised, understands and has acknowledged that the New Ordinary Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the US Securities Act and that the New Ordinary Shares are not being and will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States.

(xiii) It will not offer, sell, pledge or otherwise transfer the New Ordinary Shares except: (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; (b) in a transaction meeting the requirements of Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of another QIB; (c) pursuant to Rule 144 of the US Securities Act (if available); or (d) pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States. It understands that no representation has been made as to the availability of Rule 144 under the US Securities Act or any other exemption under the US Securities Act or any state securities laws for the offer, resale, pledge or transfer of the Securities.

(xiv) It acknowledges that, to the extent the New Ordinary Shares are delivered in certificated form, the certificate delivered in respect of the New Ordinary Shares will bear a legend substantially to the following effect for so long as the securities are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "US SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, (B) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A TO A PERSON THAT IT AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB, (C) PURSUANT TO RULE 144 UNDER THE US SECURITIES ACT (IF AVAILABLE), OR (D) IN A TRANSACTION PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THESE SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

It will notify any person to whom it subsequently reoffers, resells, pledges or otherwise transfers the New Ordinary Shares of the foregoing restrictions on transfer.

(xv) It acknowledges and agrees that Countrywide shall not have any obligation to recognise any offer, resale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described in this section and that Countrywide may make notations on its records or give instructions to any transfer agent of the New Ordinary Shares in order to implement such restrictions.

(xvi) It confirms that, to the extent it is purchasing New Ordinary Shares for the account of one or more persons: (a) it has been duly authorised to make the confirmations, acknowledgements and agreements set forth herein on their behalf; and (b) these provisions constitute legal, valid and binding obligations of it and any other persons for whose account it is acting.

(xvii) It acknowledges and agrees that Countrywide, its affiliates, the Joint Bookrunners, their respective affiliates, the Registrar and others will rely upon the truth and accuracy of the foregoing warranties, acknowledgements, representations and agreements. It agrees that if any of the representations, warranties, agreements and acknowledgements deemed to be made cease to be accurate, it shall promptly notify Countrywide and the Joint Bookrunners.

(xviii) It represents and warrants that all necessary actions have been taken to authorise the purchase by it of the New Ordinary Shares.

(xix) It and any person acting on its behalf have all necessary consents and authorities to enable it to enter into the transactions contemplated hereby and to perform its obligations in relation thereto.

Prospective purchasers are hereby notified that sellers of the New Ordinary Shares may be relying on the exemption from the registration requirements of the US Securities Act provided by Rule 144A.

8.4 Other Excluded Territories

Due to restrictions under the securities laws of the other Excluded Territories (i.e. other than the United States), subject to certain exceptions, this document and the Application Form will not be sent to, and Open Offer Entitlements will not be credited to a stock account in CREST of, Qualifying Shareholders with registered addresses in any other Excluded Territories. The New Ordinary Shares have not been and will not be registered under the relevant laws of any other Excluded Territory or any state, province or territory thereof and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in or into any other Excluded Territory or to, or for the account or benefit of, any person with a registered address in, or who is resident or located in (as applicable), any other Excluded Territory except pursuant to an applicable exemption. Accordingly, subject to certain exceptions, the Issue is not being made in any other Excluded Territory and neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for, or an offer or an invitation to subscribe for or acquire, any New Ordinary Shares in any other Excluded Territory.

8.5 Overseas territories other than the Excluded Territories

Application Forms will be posted to Qualifying Non-CREST Shareholders (other than subject to certain limited exceptions, those Qualifying Non-CREST Shareholders who have registered addresses in the United States or any of the other Excluded Territories) and Open Offer Entitlements will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than, subject to certain limited exceptions, those Qualifying CREST Shareholders who have registered addresses in the United States or any of the other Excluded Territories) and Placees. Such Qualifying Shareholders and Placees may, subject to the laws of their relevant jurisdictions, accept their rights under the Open Offer in accordance with the instructions set out in this document and, if relevant, the Application Form.

If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares, you should contact your appropriate professional adviser immediately.

8.6 Representations and warranties relating to overseas territories other than the United States and the other Excluded Territories

(A) Qualifying Non-CREST Shareholders

Any person accepting an Application Form or requesting registration of interests in New Ordinary Shares comprised therein represents and warrants to Countrywide and each of the Joint Bookrunners that, except where proof has been provided to the satisfaction of Countrywide and the Joint Bookrunners, that such person's use of the Application Form will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting the Application Form from within the United States or any of the other Excluded Territories; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within the United States or any other Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept or renounce was given; and (iv) such person is not subscribing for or acquiring New Ordinary Shares with a view to the offer, sale, pledge, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any other Excluded Territory or any territory referred to in (ii) above.

Countrywide and the Joint Bookrunners may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, an Application Form if it: (i) appears to Countrywide and the Joint Bookrunners to have been executed in or despatched from the United States or any other Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if they believe the same may violate any applicable legal or regulatory requirement; (ii) provides an address in the United States or any other Excluded Territory for delivery of definitive share certificates for New Ordinary Shares (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates); or (iii) purports to exclude the warranty required by this section.

(B) Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedure set out in section 6 of this Part represents and warrants to Countrywide and the Joint Bookrunners that, except where proof has been provided to the satisfaction of Countrywide and the Joint Bookrunners that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not within the United States or any of the other Excluded Territories; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for or acquire New Ordinary Shares; (iii) such person is not acting on a non-discretionary basis for a person located within the United States or any other Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not subscribing for or acquiring New Ordinary Shares with a view to the offer, sale, pledge, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any other Excluded Territory or any territory referred to in (ii) above.

Countrywide and the Joint Bookrunners may treat as invalid any USE Instruction which appears to Countrywide and the Joint Bookrunners to have been despatched from the United States or any of the other Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if they or their agents believe the same may violate any applicable legal or regulatory requirement or purports to exclude the warranty required by this section.

9. TAXATION

Information on taxation in the United Kingdom and the United States with regard to the Issue is set out in Part IX (*Taxation*). The information contained in Part IX (*Taxation*) is intended only as a general guide to the current tax position in the United Kingdom and the United States and Placees and Qualifying Shareholders in the United Kingdom and the United States should consult their own tax advisers regarding the tax treatment of the Issue in light of their own circumstances. Placees and Qualifying Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

10. TIMES AND DATES

Countrywide shall in its discretion and after consultation with the Joint Bookrunners be entitled to amend the dates that Application Forms are despatched and amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall announce such amendment via a Regulatory Information Service and notify the UKLA and, if appropriate, the Placees and the Qualifying Shareholders.

11. SHARE PLANS

In accordance with the rules of the LTIP, the DSBP and the SAYE Plan, outstanding options and awards may be adjusted to take account of the Open Offer (but not of the Firm Placing or the Placing) to the extent and in such manner as the Board or the Remuneration Committee (depending on the Share Plan in question) may consider appropriate in the circumstances, subject (where required) to the requirements of relevant tax authorities. Any performance conditions attaching to outstanding LTIP awards may also be adjusted to take account of the Open Offer at the discretion of the Remuneration Committee, subject to the rules of the LTIP. Holders of options or awards under the Share Plans will be contacted separately in due course with further information on how (if at all) their awards will be affected by the Open Offer. Participants in the SIP will be contacted with regard to the impact of the

Open Offer on the Ordinary Shares held for them under the SIP and the actions (if any) that they may need to take. Further information relating to the Share Plans is available in section 9 of Part XII (*Additional Information*).

12. EMPLOYEE SHAREHOLDERS

To the extent that employees are also Shareholders, their Ordinary Shares will be treated in the same way in the Open Offer as Ordinary Shares held by any other Shareholder. Such treatment is detailed in this document but any further queries should be directed to the Shareholder Helpline.

If the employee Shareholder holds his Ordinary Shares through a nominee arrangement, the employee may need to instruct the nominee, for example, as to how to vote at the General Meeting and whether or not to accept the rights attaching to the employee's Ordinary Shares. Employee Shareholders will be contacted in due course in this regard.

13. GOVERNING LAW

The terms and conditions of the Issue as set out in this document and the Application Form shall be governed by, and construed in accordance with, the laws of England and Wales (including, without limitation, any non-contractual obligations arising out of or in connection with the Issue and, where appropriate, the Application Form).

14. JURISDICTION

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form (including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Application Form). By accepting rights under the Open Offer in accordance with the instructions set out in this document (and, in the case of Qualifying Non-CREST Shareholders only, the Application Form), Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales (including, without limitation, in relation to any disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Application Form) and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART VIII

HISTORICAL FINANCIAL INFORMATION

The 2015 Annual Financial Statements, the 2016 Annual Financial Statements, the 2017 Annual Financial Statements and the 2018 Unaudited Interim Financial Statements are incorporated by reference into this document as referred to in Part XIII (Information Incorporated by Reference).

PricewaterhouseCoopers LLP has issued unqualified audit opinions on the 2015 Annual Financial Statements, the 2016 Annual Financial Statements and the 2017 Annual Financial Statements, save that the audit report in respect of 2017 expressed a material uncertainty as to the ability of Countrywide and the Group to continue as a going concern. PricewaterhouseCoopers LLP has issued a review opinion on the 2018 Unaudited Interim Financial Statements which also expressed a material uncertainty as to the ability of Countrywide and the Group to continue as a going concern.

The audit opinions for 2017, 2016 and 2015 and the review opinion for H1 2018 are set out in the Financial Statements which have been incorporated by reference into this document as referred to in Part XIII (Information Incorporated by Reference).

PART IX

TAXATION

1. UNITED KINGDOM TAXATION

1.1 General

The following statements:

(i) do not constitute tax advice and are intended to apply only as a general guide to the position under current UK tax law and the published practice of HMRC as at the date of this document, either of which is subject to change at any time (possibly with retrospective effect);

(ii) relate only to certain limited aspects of the UK taxation treatment of Placees and Shareholders and are intended to apply only to Placees and Shareholders who:

- (a) are resident and (in the case of individuals) domiciled or deemed domiciled in (and only in) the UK for UK tax purposes (unless the context otherwise requires) and to whom split-year treatment does not apply;
- (b) hold their Ordinary Shares as investments (and not as securities to be realised in the course of a trade or which constitute carried interest);
- (c) do not hold their shares through an individual savings account or a self-invested personal pension; and
- (d) are the direct absolute beneficial owners of their Ordinary Shares; and

(iii) may not apply to certain classes of Placees or Shareholders, such as (for example) dealers in securities, insurance companies, collective investment schemes and Placees or Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of office or employment.

Any person who is in any doubt as to his or her tax position, or who may be subject to tax in any jurisdiction other than the United Kingdom, should consult an appropriate professional tax adviser without delay.

1.2 Taxation of chargeable gains

(A) The Firm Placing

The issue of Firm Placing Shares to Firm Placees pursuant to the Firm Placing will not constitute a reorganisation of Countrywide's share capital for the purposes of the UK taxation of chargeable gains. Accordingly, any acquisition of Firm Placing Shares by a Firm Placee pursuant to the Firm Placing will be treated as a separate acquisition of Ordinary Shares.

(B) The Placing

Similarly, the issue of Open Offer Shares to Conditional Placees pursuant to the Placing will not constitute a reorganisation of Countrywide's share capital for the purposes of the UK taxation of chargeable gains and, accordingly, any acquisition of Open Offer Shares by a Conditional Placee pursuant to the Placing will be treated as a separate acquisition of Ordinary Shares.

(C) The Open Offer

As a matter of UK tax law, the acquisition of Open Offer Shares pursuant to the Open Offer may not strictly speaking constitute a reorganisation of share capital for the purposes of the UK taxation of chargeable gains. The published practice of HMRC to date has been to treat any subscription of shares by an existing shareholder which is equal to or less than the shareholder's minimum entitlement pursuant to the terms of an open offer as a reorganisation, but it is not certain that HMRC will apply this practice in circumstances where an open offer is not made to all shareholders. HMRC's treatment of the Open Offer cannot therefore be guaranteed and specific confirmation has not been requested in relation to the Open Offer.

To the extent that the acquisition of the Open Offer Shares is regarded as a reorganisation of Countrywide's share capital for the purposes of the UK taxation of chargeable gains, a Qualifying Shareholder should not be treated as making a disposal of any part of that Qualifying Shareholder's Existing Holding by reason of taking up all or part of his Open Offer Entitlement. The Open Offer Shares issued to a Qualifying Shareholder will be treated as the same asset as, and having been acquired at the same time as, the Qualifying Shareholder's Existing Holding. The amount of subscription monies paid for the Open Offer Shares will be added to the base cost of the Qualifying Shareholder's Existing Holding.

If, or to the extent that, the acquisition of Open Offer Shares under the Open Offer is not regarded as a reorganisation of Countrywide's share capital, the Open Offer Shares acquired by each Qualifying Shareholder under the Open Offer will, for the purposes of the UK taxation of chargeable gains, be treated as a separate acquisition of Ordinary Shares and the price paid for those Open Offer Shares will constitute their base cost. For both corporate and individual shareholders, the Open Offer Shares should be pooled with the shareholder's Existing Holding and the share identification rules will apply on a future disposal. To the extent that the Open Offer Shares under the Open Offer are issued for less than their market value, there is a technical risk that Shareholders may be regarded as having made a part-disposal of their existing shareholding when they take up shares under the Open Offer. However, to date, we are not aware that HMRC have sought to tax a part-disposal under such circumstances.

(D) Subsequent disposals of New Ordinary Shares

(i) Individual Shareholders

A disposal or deemed disposal of New Ordinary Shares may, depending on the circumstances and subject to any available exemption or relief, give rise to a chargeable gain (or an allowable loss) for the purposes of UK capital gains tax.

An individual Shareholder who is resident in the UK for UK tax purposes and whose total taxable gains and income in a given tax year, including any gains made on the disposal or deemed disposal of his New Ordinary Shares, are less than or equal to the upper limit of the income tax basic rate band applicable in respect of that tax year (the "**Band Limit**") will generally be subject to capital gains tax at the flat rate of 10 *per cent.* (for the tax year 2018-2019) in respect of any gain arising on a disposal or deemed disposal of his New Ordinary Shares.

An individual Shareholder who is resident in the UK for UK tax purposes and whose total taxable gains and income in a given tax year, including any gains made on the disposal or deemed disposal of his New Ordinary Shares, are more than the Band Limit will generally be subject to capital gains tax at the flat rate of 10 *per cent.* (for the tax year 2018-2019) in respect of any gain arising on a disposal or deemed disposal of his New Ordinary Shares (to the extent that, when added to the Shareholder's other taxable gains and income in that tax year, the gain is less than or equal to the Band Limit) and at the flat rate of 20 *per cent.* (for the tax year 2018–2019) in respect of the remainder.

No indexation allowance will be available to an individual Shareholder in respect of any disposal or deemed disposal of New Ordinary Shares. However, each individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £11,700 for the tax year 2018–2019.

Individuals who are temporarily not resident in the UK may, in certain circumstances, be subject to tax in respect of gains realised while they are not resident in the UK.

(ii) Corporate Shareholders

Where a Shareholder falls within the charge to UK corporation tax, a disposal or deemed disposal of New Ordinary Shares may, depending on the circumstances and subject to any available exemption or relief, give rise to a chargeable gain (or an allowable loss) for the purposes of corporation tax. Corporation tax is charged on chargeable gains at the rate of corporation tax applicable to that Shareholder. It should be noted for the purposes of calculating an indexation allowance available on a disposal of New Ordinary Shares that generally the expenditure incurred in acquiring the New Ordinary Shares will be treated as incurred only when the Shareholder made, or became liable to make, payment, and not at the time those shares are otherwise deemed to have been acquired. For disposals on or after 1 January 2018, the government has frozen indexation allowance such that it will be calculated only up to and including December 2017, irrespective of the date of disposal of New Ordinary Shares.

1.3 Taxation of dividends

Countrywide is not required to withhold tax at source from dividend payments that it makes.

(A) Individual Shareholders

The general tax treatment of dividends paid by Countrywide to Shareholders who are individuals resident in the UK for UK tax purposes is as follows:

(i) Dividends paid by Countrywide do not carry a tax credit.

(ii) All dividends received by an individual Shareholder from Countrywide (or from other sources) will, except to the extent that they are earned through an individual savings account (ISA), self-invested pension plan (SIPP) or other regime which exempts the dividends from tax, form part of the Shareholder's total income for income tax purposes and will represent the highest part of that income.

(iii) A nil rate of income applies to the first £2,000 of taxable dividend income received by an individual Shareholder in a tax year (the "Nil Rate Amount"), regardless of what tax rate would otherwise apply to that dividend income.

(iv) Any taxable dividend income received by an individual shareholder in a tax year in excess of the Nil Rate Amount is taxed at a special rate, as set out below.

Where a Shareholder's taxable dividend income for a tax year exceeds the Nil Rate Amount, the excess amount (the "**Relevant Dividend Income**") will be subject to income tax:

(i) at the rate of 7.5 per cent. to the extent that the Relevant Dividend Income falls below the threshold for the higher rate of income tax;

(ii) at the rate of 32.5 per cent. to the extent that the Relevant Dividend Income falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and

(iii) at the rate of 38.1 per cent. to the extent that the Relevant Dividend Income falls above the threshold for the additional rate of income tax.

In determining whether and, if so, to what extend the Relevant Dividend Income falls above or below the threshold for the higher rate of income tax or, as the case may be, the additional rate of income tax, the Shareholder's total taxable dividend income for the tax year in question (including the part within the Nil Rate Amount) will, as noted above, be treated as the highest part of the Shareholder's total income for income tax purposes.

(B) Corporate Shareholders

A Shareholder within the charge to UK corporation tax which is a "small company" (for the purposes of UK taxation of dividends) will not generally be subject to tax on dividends from Countrywide, provided certain conditions are met, including an anti-avoidance condition.

Other Shareholders within the charge to UK corporation tax will not be subject to tax on dividends from Countrywide so long as the dividends fall within an exempt class and certain conditions are met. Examples of dividends that are within an exempt class include: (i) dividends paid on shares that are "ordinary shares" (that is, shares that do not carry any present or future preferential right to dividends or to the payer's assets on its winding up) and which are not redeemable, and (ii) dividends paid to a person holding less than 10 *per cent.* of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made) and who is entitled to less than 10 *per cent.* of the profits available for distribution and would be entitled to less than 10 *per cent*. of the assets available for distribution on a winding-up. These exemptions are subject to anti-avoidance rules.

Each Shareholder should obtain professional advice on its own position as it will depend on its own individual circumstances.

1.4 Stamp duty and SDRT

The following statements are intended as a general and non-exhaustive guide to the current UK stamp duty and SDRT position and apply regardless of whether or not a Shareholder is resident in the UK for UK tax purposes.

(i) Issue of New Ordinary Shares

No stamp duty or SDRT will generally be payable on the issue of New Ordinary Shares. Similarly, where New Ordinary Shares are credited in uncertificated form to an account in CREST, no liability to stamp duty or SDRT will generally arise.

Following the decision of the European Court of Justice in *HSBC Holdings and Vidacos Nominees* (Case 569/07) and the First-tier Tax Tribunal decision in *HSBC Holdings and The Bank of New York Mellon*, HMRC has confirmed that it will no longer seek to impose SDRT when new shares are issued into a clearance service or depositary receipt service.

(ii) Subsequent dealings in New Ordinary Shares

Except in relation to depositary receipt systems and clearance services (to which the special rules outlined below apply), any subsequent dealings in New Ordinary Shares will be subject to stamp duty or SDRT in the normal way. Subject to an exemption for certain low value transactions, the transfer on sale of New Ordinary Shares effected outside CREST will generally be liable to stamp duty at the rate of 0.5 *per cent.* of the amount or value of the consideration payable (rounded up to the nearest multiple of £5) or, if an unconditional agreement to transfer the New Ordinary Shares is not completed by a duly stamped transfer within 6 years of the date of the agreement becoming unconditional, or where the transfer is effected in CREST, SDRT at the rate of 0.5 *per cent.* of the amount or value of the consideration payable. Stamp duty and SDRT are normally payable by the purchaser.

Where New Ordinary Shares are transferred: (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services; or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5 *per cent.* of the amount or value of the consideration given or, in certain circumstances, the value of the New Ordinary Shares. There is an exception from the 1.5 *per cent.* charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, SDRT at the rate of 0.5 *per cent.* of the amount or value of the consideration payable for the transfer will arise on any transfer of shares in Countrywide into such an account and on subsequent agreements to transfer such shares within such account. Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise will strictly be accountable by the clearance service or depositary receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt system.

2. UNITED STATES TAXATION

The following is a discussion of certain material US federal income tax consequences of the receipt of an Open Offer Entitlement and the acquisition, ownership and disposition of the New Ordinary Shares received pursuant to the Issue that are applicable to you if you are a US Holder, as defined below, that receives an Open Offer Entitlement and acquires New Ordinary Shares pursuant to the Issue. This discussion is not a complete analysis or listing of all of the possible tax consequences of such transactions and does not address all tax considerations that might be relevant to particular holders in light of their personal circumstances or to persons that are subject to special tax rules. In particular, the information set forth below deals only with US Holders that will hold New Ordinary Shares as capital assets for US federal income tax purposes (generally, property held for investment) and that do not own, and are not treated as owning, at any time, 10 *per cent*. or more of the total combined voting power of all classes of Countrywide stock entitled to vote, or 10 *per cent*. of the total value of all classes of Countrywide stock. In addition, this description of the material US federal income tax consequences does not address the tax treatment of special classes of US Holders, such as:

(i) financial institutions;

(ii) regulated investment companies;

(iii) real estate investment trusts;

(iv) tax-exempt entities;

(v) insurance companies;

(vi) persons holding the shares as part of a hedging, integrated or conversion transaction, constructive sale or "straddle";

(vii) persons who acquired Ordinary Shares through the exercise or cancellation of employee stock options or otherwise as compensation for their services;

(viii) US expatriates;

(ix) persons subject to the alternative minimum tax;

(x) dealers or traders in securities or currencies; and

(xi) holders whose functional currency is not the US dollar.

This summary does not address estate and gift tax consequences, the "net investment income" tax or tax consequences under any state, local or foreign laws.

For purposes of this section, you are a "US Holder" if you are: (1) an individual citizen of the United States or a resident alien of the United States; (2) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or organised under the laws of the United States or any state thereof or the District of Columbia; (3) an estate the income of which is subject to US federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over its administration and one or more US persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury regulations to be treated as a US person as determined for US federal income tax purposes.

If a partnership or other pass-through entity is a beneficial owner of Ordinary Shares, the tax treatment of a partner or other owner will generally depend upon the status of the partner (or other owner) and the activities of the entity. If you are a partner (or other owner) of a pass-through entity that acquires Ordinary Shares, you should consult your tax adviser regarding the tax consequences of acquiring, owning and disposing of Ordinary Shares.

The following discussion is based upon the Internal Revenue Code of 1986, as amended, US judicial decisions, administrative pronouncements, and existing and proposed Treasury regulations, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in US federal income tax consequences different from those discussed below. Countrywide has not requested, and will not request, a ruling from the US Internal Revenue Service (the "**IRS**") with respect to any of the US federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions Countrywide has reached and describe herein.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of New Ordinary Shares, and no opinion or representation with respect to the US federal income tax consequences to any such holder or prospective holder is made. Prospective purchasers are urged to consult their tax advisers as to the particular consequences to them under US federal, state and local, and applicable foreign, tax laws of the acquisition, ownership and disposition of New Ordinary Shares.

2.1 Open Offer

It is unclear whether a Qualifying Shareholder's Open Offer Entitlement should be treated as an item of property for US federal income tax purposes. If a Qualifying Shareholder's Open Offer Entitlement is not treated as property, then there should be no US federal income tax consequences upon receipt of the Open Offer Entitlement.

If the Open Offer Entitlement is treated as a separate item of property for US federal income tax purposes, the receipt of the Open Offer Entitlement generally should not be treated as a taxable distribution. However, in such event, a shareholder who receives an Open Offer Entitlement will be treated as having received a taxable distribution in an amount equal to the value of the Open Offer Entitlement if the shareholder's proportionate interest in the earnings and profits or assets of Countrywide is increased and any other shareholder receives a distribution of cash or other property. The application of this rule in the present situation is subject to some uncertainty in light of Countrywide's existing Ordinary Shares and the Capital Refinancing Plan. Although the issue is not free from doubt, Countrywide believes that receipt of the Open Offer Entitlement, if treated as a separate item of property for US federal income tax purposes, should be treated as a non-taxable stock distribution and Countrywide and its agents intend to treat the Open Offer Entitlement consistent with this belief. This position is not binding on the IRS, or the courts, however. If this position is finally determined by the IRS or a court to be incorrect, the fair market value of the Open Offer Entitlement would be taxable to a US Holder of Ordinary Shares as a dividend to the extent of the holder's pro rata share of Countrywide's current and accumulated earnings and profits, if any, with any excess being treated as a return of capital to the extent thereof and then as capital gain. The remaining discussion assumes that US Holders of Ordinary Shares who receive an Open Offer Entitlement will not be subject to US federal income tax on the receipt.

The determination of a US Holder's tax basis in the Open Offer Entitlement, if it is treated as a separate item of property for US federal income tax purposes, is also unclear. In general, in such event, if the fair market value of an Open Offer Entitlement received by the US Holder is less than 15 *per cent*. of the fair market value of the US Holder's Ordinary Shares at the time of the distribution, the tax basis of the Open Offer Entitlement received by a US Holder will be zero unless such holder elects to allocate a portion of its tax basis of previously owned Ordinary Shares to the Open Offer Entitlement. If the fair market value of the Open Offer Entitlement at the time of the Open Offer is 15 *per cent*. or more of the fair market value of the Ordinary Shares at such time, or if a US Holder elects to allocate a portion of its tax basis of previously owned Ordinary Shares to the Open Offer Entitlement, then such holder's tax basis in previously owned Ordinary Shares will be allocated between such Ordinary Shares and the Open Offer Entitlement, based upon their relative fair market values as of the date of the distribution. Thus, if such an allocation is made and the Open Offer Entitlement is later taken up, the tax basis in the Ordinary Shares originally owned will be reduced by an amount equal to the tax basis allocated to the Open Offer Entitlement and the basis in the New Ordinary Shares will be increased by the tax basis allocated to the Open Offer Entitlement. This election is irrevocable if made and would apply to the entire Open Offer Entitlement received. The election must be made in a statement attached to a US Holder's federal income tax return for the taxable year in which the receipt of the Open Offer Entitlement occurs.

A US Holder generally will not recognise gain or loss on the taking up of their Open Offer Entitlement and related receipt of New Ordinary Shares. A US Holder's initial tax basis in the New Ordinary Shares received upon the taking up of their Open Offer Entitlement should be equal to the sum of: (i) such US Holder's tax basis in the Open Offer Entitlement, if any; plus (ii) the Issue Price paid by such US Holder. A US Holder's holding period for the New Ordinary Shares received on the taking up of the Open Offer Entitlement should begin on the day that the Open Offer Entitlement was taken up by such US Holder.

2.2 US Holders who do not participate in the Open Offer

If a US Holder does not participate in the Open Offer, such US Holder would have no US federal income tax consequences. Notwithstanding the discussion in section 2.1 of this Part, basis will be allocated to an Open Offer Entitlement only if it is exercised. If a holder allows an Open Offer Entitlement to lapse unexercised, no basis will be treated as having been allocated to such Open Offer Entitlement.

2.3 Distribution of New Ordinary Shares pursuant to the Firm Placing or the Placing

The distribution of New Ordinary Shares pursuant to the Firm Placing or the Placing to US Holders generally should not be treated as a taxable distribution.

The consequences of holding New Ordinary Shares are discussed in section 2.5 of this Part.

2.4 Distributions on the New Ordinary Shares and Existing Ordinary Shares

Subject to the discussion under "Passive Foreign Investment Company (PFIC) Considerations" below, the gross amount of any distribution paid on the New Ordinary Shares and Existing Ordinary Shares (collectively referred to as Ordinary Shares for the remainder of this discussion) will generally be subject to US federal income tax as dividend income to the extent paid out of Countrywide's current or accumulated earnings and profits, as determined under US federal income tax principles. Such amount will be includable in gross income by a US Holder as ordinary income on the date such US Holder actually or constructively receives the distribution.

To the extent that a distribution exceeds the amount of Countrywide's current or accumulated earnings and profits, as determined under US federal income tax principles, it will be treated first as a tax-free return of capital, causing a reduction in the US Holder's adjusted basis in the Ordinary Shares held by such US Holder (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognised by such US Holder upon a subsequent disposition of the Ordinary Shares), with any amount that exceeds the adjusted basis being taxed as a capital gain recognised on a sale or exchange (as discussed under "Sale, Exchange, or Other Taxable Disposition of Common Shares" below). However, Countrywide does not intend to maintain calculations of earnings and profits in accordance with US federal income tax principles, and each US Holder should therefore assume that any distribution by Countrywide with respect to Ordinary Shares will constitute ordinary dividend income.

The gross amount of distributions paid in any foreign currency will be included by each US Holder in gross income in a US dollar amount calculated by reference to the exchange rate in effect on the day the distributions are actually or constructively received, regardless of whether the payment is in fact converted into US dollars. If the foreign currency is converted into US dollars on the date of receipt, the US Holder should not be required to recognise any foreign currency gain or loss with respect to the receipt of the foreign currency distributions. If the foreign currency received is not converted into US dollars on the date of receipt, a US Holder will have a tax basis in the foreign currency equal to the US dollar value on the date of receipt. Any foreign currency gain or loss realised on a subsequent conversion or other disposition of the foreign currency will be treated as US source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Subject to certain holding period and other requirements, dividends received by non-corporate US Holders from a "qualified foreign corporation" may be eligible for reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that the US Treasury Department determines to be satisfactory for these purposes and that includes an exchange of information provision. The US Treasury has determined that the UK-US Tax Convention meets these requirements, and Countrywide believes that it is eligible for the benefits of the UK-US Tax Convention. If Countrywide is classified as a PFIC (as defined below) in the taxable year of distribution or in the preceding taxable year, then dividends received by US Holders will not be qualified dividends. The dividend rules are complex, and each US Holder should consult its own tax advisor regarding the application of such rules.

2.5 Sale, Exchange, or Other Taxable Disposition of Ordinary Shares

Subject to the discussion below under "Passive Foreign Investment Company (PFIC) Considerations," a US Holder generally will recognise US source capital gain or loss on the sale, taxable exchange or other taxable disposition of Ordinary Shares in an amount equal to the difference between the amount realised on the disposition and the US Holder's adjusted tax basis in the Ordinary Shares. Such gain or loss would be long-term capital gain or loss if the US Holder held the Ordinary Shares for more than one year as of the date of the sale, exchange or other disposition. Long-term capital gain recognised by certain non-corporate US Holders generally is subject to a reduced tax rate. The deductibility of capital losses is subject to limitations.

With respect to the sale, taxable exchange or other taxable disposition of Ordinary Shares, the amount realised generally will be the US dollar value of the payment received determined on (1) the date of receipt of payment in the case of a cash basis US Holder and (2) the date of disposition in the case of an accrual basis US Holder. If the Common Shares are treated as traded on an "established securities market," a cash basis taxpayer, or, if it elects, an accrual basis taxpayer, will determine the US dollar value of the amount realised by translating the amount received at the spot rate of exchange on the settlement date of the sale. In addition, if a US Holder receives any foreign currency on the sale of Common Shares, such US Holder may recognise ordinary income or loss as a result of currency fluctuations between the date of the sale of Common Shares and the date the sale proceeds are converted into US dollars.

2.6 Passive Foreign Investment Company (PFIC) Considerations

Special US federal income tax rules may apply to a US Holder owning stock of a passive foreign investment company (a "**PFIC**"). A foreign corporation will be considered a PFIC for any taxable year in which: (i) 75 *per cent.* or more of its gross income is passive income; or (ii) 50 *per cent.* or more of the average value (or, if elected, the adjusted tax basis) of its assets are considered "passive assets" (generally, assets that generate passive income).

Countrywide believes it is not currently a PFIC for US federal income tax purposes. However, the determination of PFIC status for any year is very fact specific, and there can be no assurance in this regard. Accordingly, it is possible that Countrywide may become a PFIC in the current taxable year or in future years. If Countrywide is classified as a PFIC in any year during which a US Holder holds Ordinary Shares, it generally will continue to be treated as a PFIC as to such shareholder in all succeeding years, regardless of whether it continues to meet the income or asset test discussed above.

If Countrywide is classified as a PFIC for any taxable year during which you hold Ordinary Shares, you would be subject to increased tax liability (generally including an interest charge) upon the sale or other disposition of the Ordinary Shares or upon the receipt of certain distributions treated as "excess distributions," unless you elect to be taxed currently (as discussed below) on your *pro rata* portion of Countrywide's income, regardless of whether such income was actually distributed. An excess distribution generally would be any distribution to you with respect to Ordinary Shares during a single taxable year that is greater than 125 *per cent.* of the average annual distributions received by you with respect to Ordinary Shares during the three preceding taxable years or, if shorter, during your holding period for the Ordinary Shares. Gain on dispositions may also be treated as excess distributions.

In general, US persons that hold shares of a PFIC may be able to make either a "mark-to-market" election or "qualified electing fund" ("**QEF**") election to mitigate certain of the adverse tax consequences of holding shares in a PFIC. The "mark-to-market" election (to include gain or loss on the Ordinary Shares as ordinary income under a mark-to-market method of accounting) is available to a US person holding shares in a PFIC only if such shares constitute "marketable stock" for the purposes of the PFIC rules. Countrywide believes that the Ordinary Shares are marketable stock and that so long as they are regularly traded on the London Stock Exchange, a US Holder should be able to make a mark-to-market election with respect to the Shares if Countrywide were classified as a PFIC. The QEF election will not be available to US Holders if Countrywide does not provide the information necessary to make such an election. It is not expected that a US Holder will be able to make a QEF election because Countrywide does not intend to provide US Holders with the information necessary to make a QEF election.

Each US Holder is urged to consult its own tax adviser regarding Countrywide's PFIC classification, the consequences to such US Holder of Countrywide's PFIC classification, and the availability and the consequences of making a mark-to-market or QEF election.

2.7 US Information Reporting and Backup Withholding Tax

Dividends on Ordinary Shares and proceeds from the sale or other disposition of Ordinary Shares that are paid in the United States or by a US-related financial intermediary will be subject to US information reporting rules, unless a US Holder is a corporation or other exempt recipient. In addition, payments that are subject to information reporting may be subject to backup withholding (currently at a 24 *per cent.* rate) if a US Holder fails to provide its taxpayer identification number, fails to certify that such number is correct, fails to certify that such US Holder is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a US Holder's US federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is provided to the IRS in a timely manner.

PART X

INFORMATION CONCERNING THE NEW ORDINARY SHARES

1. DESCRIPTION OF THE TYPE AND CLASS OF SECURITIES BEING OFFERED

The New Ordinary Shares will have a nominal value of £0.01 each. The rights of the Ordinary Shares are set out in the Articles of Association, a summary of which is set out in section 15 of Part XII (*Additional Information*).

The ISIN for the New Ordinary Shares, when issued, will be GB00B9NWP991, being the same ISIN as for the Existing Ordinary Shares. The ISIN of the Open Offer Entitlements is GB00BFYYCW80.

2. LEGISLATION UNDER WHICH THE NEW ORDINARY SHARES WILL BE CREATED

The New Ordinary Shares will be created under the Companies Act 2006.

3. LISTING

An application will be made to the UKLA for the New Ordinary Shares to be admitted to the premium segment of the Official List and an application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8:00 a.m. on 30 August 2018.

Listing of the New Ordinary Shares is not being sought on any stock exchange other than the London Stock Exchange, on which the Existing Ordinary Shares are listed.

4. FORM AND CURRENCY OF THE NEW ORDINARY SHARES

The New Ordinary Shares will, when issued, be in registered form and will be capable of being held in certificated and uncertificated form.

Title to certificated New Ordinary Shares will be evidenced by entry in the register of members of Countrywide and title to uncertificated New Ordinary Shares will be evidenced by entry in the operator register maintained by Euroclear UK (which forms part of the register of members of Countrywide).

No share certificates will be issued in respect of New Ordinary Shares held in uncertificated form. If any such Ordinary Shares are converted to be held in certificated form, share certificates will be issued in respect of those Ordinary Shares in accordance with applicable legislation.

The New Ordinary Shares will be denominated in pounds sterling.

5. RIGHTS ATTACHED TO THE NEW ORDINARY SHARES

Each New Ordinary Share will rank, when issued and fully paid, *pari passu* in all respects with each Existing Ordinary Share and will have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as each Existing Ordinary Share, as set out in the Articles of Association.

All registered holders of Ordinary Shares have the right to attend and vote at general meetings of Countrywide or to appoint a proxy to attend and vote at such meetings on their behalf. The Capital Refinancing Resolutions in respect of the Issue will be taken on a poll rather than a show of hands. On a poll, every Shareholder present in person or by proxy will have one vote for every share that he holds.

Subject to the Companies Act 2006, any equity securities issued by Countrywide for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The Companies Act 2006 and the Listing Rules allow for the disapplication of pre-emption rights, which may be waived by a special resolution of the Shareholders, either generally or specifically for a maximum period not exceeding five years.

Except in relation to dividends which have been declared and rights on a liquidation of Countrywide, the Shareholders have no rights to share in the profits of Countrywide.

The New Ordinary Shares are not redeemable. Countrywide may purchase or contract to purchase any of the Ordinary Shares on or off market, subject to the Companies Act 2006 and the requirements of the Listing Rules. Countrywide may purchase Ordinary Shares only out of distributable reserves or the proceeds of a new issue of shares made to fund the repurchase.

Further details of the rights attached to the New Ordinary Shares in relation to attendance and voting at general meetings, entitlements on a winding up of Countrywide and transferability of shares are set out in section 15 of Part XII (*Additional Information*).

6. DESCRIPTION OF RESTRICTIONS ON FREE TRANSFERABILITY

Save as set out below and in section 15 of Part XII (*Additional Information*), the New Ordinary Shares will be freely transferable.

Countrywide may, under the Companies Act 2006, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, Countrywide can apply to the court for an order directing, among other things, that any transfer of shares, which are the subject of the statutory notice, is void.

7. MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES RELATING TO THE NEW ORDINARY SHARES

Please see section 16 of Part XII (*Additional Information*) for information relating to mandatory bids, squeeze-out and sell-out rules which are relevant to holders of Ordinary Shares.

PART XI

PROFIT FORECAST

SECTION A: PROFIT FORECAST

1. Background

On 25 June 2018, Countrywide issued an announcement containing the following profit forecast for 2018 (the "**Profit Forecast**"):

"Following a recently completed review, Adjusted EBITDA is now expected to be around £20 million lower in the first half [of 2018] compared with the same period last year and we do not expect this shortfall to be recovered in the second half."

The Profit Forecast represents a profit forecast under the Prospectus Rules. The Board has considered and confirms that the Profit Forecast continues to be valid at the date of this document.

The Profit Forecast has been made in respect of Adjusted EBITDA rather than in respect of profit before tax. Adjusted EBITDA is a non-IFRS financial measure and is defined in section 2 of Part II (*Important Information*).

The Directors consider Adjusted EBITDA to be a more accurate reflection of the underlying business performance of Countrywide and believe that this measure provides additional useful information for Shareholders on Countrywide's performance, enhances comparability from period to period and with other companies, and is consistent with how business performance is measured internally. Countrywide's internal and external financial information separately identifies Adjusted EBITDA as a key performance indicator.

2. Basis of preparation

The Directors' Profit Forecast for the year ending 31 December 2018 has been properly compiled on the basis of the assumptions stated below and on a basis consistent with the accounting policies of Countrywide, which are in accordance with IFRS as adopted by the European Union. The Profit Forecast is based on the unaudited consolidated interim financial statements for the Group for the six months ended 30 June 2018 and an internal forecast for the six months ending 31 December 2018. In making the Profit Forecast statement, the Directors have compared Adjusted EBITDA in the internal forecast for the six months ending 31 December 2018 with the Adjusted EBITDA achieved for the same period in 2017.

3. Assumptions

The Profit Forecast has been prepared on the basis of the following assumptions during the forecast period:

Factors outside the influence or control of the Directors:

(i) there will be no material change in the political and/or economic environment that would materially affect the Group;

(ii) there will be no material change in market conditions in relation to: customer demand; the competitive environment; the availability of mortgages; or interest rates;

(iii) there will be no material change in legislation or regulatory requirements affecting the Group's operations or its accounting policies;

(iv) there will be no business disruptions that materially affect the Group, its customers or operations, including natural disasters, acts of terrorism, cyber-attack and/or technological issues;

(v) there will be no material fluctuation in the level of the IAS 19 accounting pension deficit and associated income statement charge; and

(vi) there will be no material change in the management or control of the Group.

Factors within the influence or control of the Directors:

(i) there will be no material acquisitions or disposals;

(ii) there will be no material change in the existing operational strategy of the Group; and

(iii) there are no material strategic investments over and above those currently planned.

pwc

The Directors
Countrywide plc
County House Ground Floor
100 New London Road
Chelmsford, Essex
CM2 0RG

Jefferies International Limited
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

2 August 2018

Dear Sirs

Countrywide plc

We report on the profit forecast comprising the statement by Countrywide plc (the "**Company**") and its subsidiaries (together the "**Group**") for the year ending 31 December 2018 (the "**Profit Forecast**"). The Profit Forecast and the material assumptions upon which it is based, are set out in Section A of Part XI of the prospectus issued by the Company dated 2 August 2018 (the "**Prospectus**").

This report is required by item 13.2 of Annex I to the PD Regulation and is given for the purpose of complying with that Regulation and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Profit Forecast in accordance with the requirements of items 13.1 and 13.3 of Annex I to the PD Regulation.

It is our responsibility to form an opinion as required by item 13.2 of Annex I to the PD Regulation as to the proper compilation of the Profit Forecast and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
T: +44 (0) 2075 835 000, F: +44 (0) 2072 124 652, www.pwc.co.uk

Basis of Preparation of the Profit Forecast

The Profit Forecast has been prepared on the basis stated in Section A of Part XI of the Prospectus and is based on the unaudited interim financial results for the 6 months ended 30 June 2018 and a forecast to 31 December 2018. The Profit Forecast is required to be presented on a basis consistent with the accounting policies of the Group.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information included in the Profit Forecast has been prepared and considering whether the Profit Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group. Whilst the assumptions upon which the Profit Forecast are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Profit Forecast have not been disclosed or if any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Forecast has been properly compiled on the basis stated.

Since the Profit Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Profit Forecast and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Profit Forecast has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART XII

ADDITIONAL INFORMATION

1. RESPONSIBILITY

Countrywide and the Directors, whose names are set out in section 4 of this Part, accept responsibility for the information contained in this document. To the best of the knowledge and belief of Countrywide and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. BACKGROUND INFORMATION

The Group was formed in 1986 when Bairstow Eves and Mann & Co. were acquired by Hambros Plc and merged to form Hambro Countrywide. After a period of growth, including through a number of acquisitions, the Group undertook an initial public offering in 2013 and Countrywide's shares were admitted to trading on the London Stock Exchange, with ticker number CWD:LSE. Countrywide's registered office is County House, Ground Floor, 100 New London Road, Chelmsford CM2 0RG. Countrywide was incorporated on 21 December 2012 with registered number 08340090. The telephone number of Countrywide's registered office is 01245 294 000.

3. INFORMATION ON COUNTRYWIDE'S SHARE CAPITAL

Issues of Ordinary Shares

As at 1 January 2015, being the first day covered by the Financial Statements incorporated by reference into this document, Countrywide's issued and fully paid share capital comprised 219,444,961 Ordinary Shares.

The following paragraphs provide information on the movements in issued share capital of Countrywide between 1 January 2015 and the Reference Date:

(i) Between 1 January 2015 and 31 December 2015, 196,873 Ordinary Shares were issued. As at 31 December 2015, Countrywide's issued and fully paid share capital comprised 219,641,834 Ordinary Shares.

(ii) Between 1 January 2016 and 31 December 2016, 51,138 Ordinary Shares were issued. As at 31 December 2016, Countrywide's issued and fully paid share capital comprised 219,692,972 Ordinary Shares.

(iii) Between 1 January 2017 and 31 December 2017, 21,610,467 Ordinary Shares were issued. As at 31 December 2017, Countrywide's issued and fully paid share capital comprised 241,303,439 Ordinary Shares.

(iv) Between 1 January 2018 and the Reference Date, no Ordinary Shares were issued.

Other than these issues of Ordinary Shares, there have been no changes to the issued share capital of Countrywide between 1 January 2015 and the Reference Date. As of the Reference Date, the issued share capital of Countrywide was:

	Issued and fully paid	
	Number	Nominal value
Ordinary Shares of £0.01 each	241,303,439	£2,413,034.39

The issued and fully paid share capital of Countrywide immediately following the Issue (disregarding any Ordinary Shares which may be issued after the Reference Date as a result of the vesting or exercise of any awards under the Share Plans) is expected to be:

	Issued and fully paid	
	Number	Nominal value
Ordinary Shares of £0.01 each	1,641,303,439	£16,413,034.39

As at 30 June 2018 there was a treasury share reserve of £17,952,000 representing the cost of shares in Countrywide purchased in the market and held by Countrywide. As at the Reference Date, the total shareholding of treasury shares was 3,319,746 with a market value of £1,659,873 (based on the Closing Price on the Reference Date).

The Existing Ordinary Shares are admitted to the premium segment of the Official List and are admitted to trading on the London Stock Exchange's main market for listed securities.

Save as disclosed in this section 3, since 1 January 2015, no Ordinary Shares have been issued by Countrywide, fully or partly paid, either in cash or for other consideration and (other than in connection with the Issue and the vesting or exercise of awards under the Share Plans) no such issues are proposed. Other than in connection with the Share Plans, no share capital of Countrywide or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option. Countrywide has not issued any convertible securities, exchangeable securities or securities with warrants, and there are no acquisition rights and/or obligations over unissued share capital or any undertakings to increase the share capital of Countrywide.

The number of Ordinary Shares outstanding as at 1 January 2017, being the first day of Countrywide's last complete financial year, and as at 31 December 2017, being the last day of Countrywide's last complete financial year, was:

	Issued and fully paid
1 January 2017	219,692,972
31 December 2017	241,303,439

At the annual general meeting held on 25 April 2018:

(i) an ordinary resolution was passed by the members of Countrywide that the Board be generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to exercise all the powers of Countrywide to allot shares (as defined in Section 540 of the Act) in Countrywide and to grant rights to subscribe for or to convert any security into shares in Countrywide:

(a) up to an aggregate nominal amount of £793,104.89; and

(b) comprising equity securities (as defined in Section 560 of the Companies Act 2006) up to an aggregate nominal amount of £1,586,209.78 (such amount to be reduced by any allotments or grants made under part (a) of the resolution) in connection with an offer by way of a rights issue:

(I) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(II) to holders of other equity securities (as defined in Section 560 of the Companies Act 2006) as required by the rights of those securities, or subject to such rights, as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authority to apply until the end of next year's annual general meeting or, if earlier, until the close of business on 30 June 2019 but, in each case, during this period Countrywide may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not expired;

(ii) an ordinary resolution was passed by the members of Countrywide that the Board be given the power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by the resolution described at (i) above and/or to sell Ordinary Shares held by

Countrywide as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:

(a) to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of the resolution described at (i) above, by way of a rights issue only):

(I) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(II) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(b) in the case of the authority granted under paragraph (a) of the resolution described at (i) above and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) of the resolution) up to a nominal amount of £118,965.73;

such power to apply until the end of next year's annual general meeting or, if earlier, until the close of business on 30 June 2019 but, in each case, during this period Countrywide may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended; and

(iii) a special resolution was passed by the members of Countrywide that the Board be given the power (in addition to the power granted under the resolution described at (ii) above) to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by the resolution described at (i) above and/or to sell Ordinary Shares held by Countrywide as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be:

(a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £118,965.73; and

(b) used only for the purposes of financing a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group or for the purposes of refinancing such a transaction within six months of its taking place,

such power to apply until the end of next year's annual general meeting or, if earlier, until the close of business on 30 June 2019 but, in each case, during this period Countrywide may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

4. DIRECTORS AND SENIOR MANAGERS OF COUNTRYWIDE

4.1 Board of Directors

The Board provides leadership to Countrywide and is collectively responsible for the Group's long-term success, with the exception of those matters that are designated by law or by Countrywide's Articles of Association as being the exclusive responsibility of the shareholders. The Board sets the strategy and oversees its implementation, ensuring that the Group takes acceptable risks and has appropriate governance structures and controls in place. It ensures the right personnel and resources are in place for the Group to meet its objectives, review management performance and deliver long-term value to shareholders and other stakeholders.

Countrywide's Articles of Association require the number of directors to be not less than two nor more than 15. Appointments to the Board are made by ordinary resolutions of the shareholders or by the Board (in the latter case, the appointed director shall retire at the next annual general meeting and be eligible for reappointment at such meeting). In addition to any power of removal conferred by the Companies Acts, the shareholders may by special resolution remove any director before the expiration of his/her period of office and may (subject to the Articles of Association) by ordinary resolution appoint another person who is willing to act to be a director in his/her place.

The following table sets forth the name, year of appointment and position of each director of the Board:

Name	Position	Year of appointment
Peter Long	Executive Chairman of the Board	2016
David Watson	Deputy Chairman and Senior Independent Non-Executive Director	2013
Paul Creffield	Group Managing Director	2018
Himanshu Raja	Chief Financial Officer	2017
Cathy Turner	Independent Non-Executive Director	2013
Jane Lighting	Independent Non-Executive Director	2014
Rupert Gavin	Independent Non-Executive Director	2014
Natalie Ceeney	Independent Non-Executive Director	2017
Caleb Kramer	Non-Executive Director	2013

The business address of the Directors is that of Countrywide's registered office: County House, Ground Floor, 100 New London Road, Chelmsford CM2 0RG.

Biographies

Peter Long was appointed non-executive director of Countrywide in February 2016 and took over as non-executive chairman at Countrywide's annual general meeting on 27 April 2016. On 24 January 2018 he became executive chairman of Countrywide. He is also chairman of Royal Mail plc. A respected business leader, Peter had a long and successful executive career in the travel industry. This included transforming a small UK tour operator, First Choice, into Europe's largest leisure travel group, TUI Group. In February 2016 after a planned succession transition period Peter stepped down as chief executive of TUI AG joining its Supervisory Board and where on 13 February 2018 he was appointed vice chairman. He was formerly senior independent non-executive director of RAC plc (2001-2005) and Rentokil Initial plc (2006-2014). He was also a non-executive director of Debenhams plc (2006-2009).

David Watson joined the Group in September 2013 as non-executive director of Countrywide and is Deputy Chairman and the Senior Independent Non-Executive Director. David is currently a non-executive director of Hermes Fund Managers Limited, Kames Capital plc and T R Property Investment Trust plc, where he chairs the audit committees. He has extensive industry and accounting experience. David has had a distinguished career as a finance director. Most recently he was finance director of the general insurance division of Aviva. Before that he held various other senior financial roles at Aviva and at Prudential and M&G Group. David is a chartered accountant and a graduate of City University Business School.

Paul Creffield rejoined the Group in October 2006 (having worked for Countrywide previously), and was today promoted to the Board as Group Managing Director. With over 35 years of industry experience, Paul has a deep understanding of the market and operations. Since joining the Group, Paul has led the B2B Business Unit, was Commercial Development Managing Director (responsible for the Lambert Smith Hampton and Commercial Property Fund), and led the London and high value market brands for Sales and Lettings. Paul was formerly Operational Managing Director at Rightmove plc, and held senior roles within Nationwide Building Society.

Himanshu Raja joined the Board in June 2017 and assumed the Chief Financial Officer role from 1 August 2017. Himanshu brings strong turnaround experience and a proven track record of value creation. He has over 25 years' experience in large multinational organisations in the business and IT services, software and telecommunications sectors. He was previously chief financial officer of G4S plc for three years where he was responsible for finance, treasury, tax, IR and M&A and IT and procurement. Over the three years, Himanshu strengthened the controls and governance across the Group, delivered significant cost transformation and oversaw a significant improvement in profitability and cash flow. Himanshu was chief financial officer of Misys plc, under PE ownership; and before that, was chief financial officer of Logica plc, where he was responsible for the sale of the group to CGI in a £2.1 billion transaction. Himanshu graduated in law from the University of Wales, and qualified as a chartered accountant in 1989.

Cathy Turner was appointed non-executive director of Countrywide and chairman of the Remuneration Committee on 31 July 2013. Cathy is also a non-executive director and chair of the remuneration committee for Aldermore, part of FirstRand and Quilter PLC. She is a partner at the senior advisory firm Manchester Square Partners LLP, an honorary fellow of UNICEF UK and a member of the board of the Gurkha Welfare Trust. Cathy is a former council member of the Royal College of Art and has extensive industry experience working with Deloitte & Touche, Ernst & Young and Towers Watson in her early career. She subsequently joined Barclays PLC, where she was a member of the group executive committee with responsibility for human resources, corporate affairs, strategy and brand and marketing. During her time with Barclays, she was also director of investor relations for four years and had extensive experience in remuneration in her many roles. She was chief administrative officer of Lloyds Banking Group PLC. Cathy is a graduate of the University of Lancaster.

Jane Lighting was appointed non-executive director in June 2014. She has spent her career in broadcast media, including chief executive officer of Channel 5 Broadcasting, CEO of Flextech plc and founder and CEO of Minotaur International. She was formerly non-executive director at Paddy Power plc, a senior independent director at Trinity Mirror, a trustee of the Royal Television Society, governor of the National Film and Television School and a member of the British Screen Advisory Council.

Rupert Gavin was appointed non-executive director in June 2014. He is chairman of the board of trustees of Historic Royal Palaces and also chairs the Honours Committee for Arts and Media. Rupert has a range of other board positions, at both chairman and director level in a variety of businesses, with a strong consumer bias. Most recently, he was chief executive officer of Odeon and UCI Cinemas Group between 2005 and 2014. Rupert was previously at the BBC where he was chairman and chief executive of BBC Worldwide and also at BT where he was managing director of the consumer division, before which he was at the Dixons Stores Group latterly as deputy managing director.

Natalie Ceeney CBE was appointed as a non-executive director on 28 April 2017. Natalie chairs the board of Innovate Finance, is a non-executive director of Anglian Water and Sports England, and leads an independent strategy consultancy practice. After training as a strategy consultant at McKinsey & Company, Natalie's executive career has included chief executive officer roles at HM Courts and Tribunals Service, The Financial Ombudsman Service, and The National Archives, and as a member of HSBC's UK executive team, leading digitally enabled, customer focused change. Natalie is a graduate of the University of Cambridge.

Caleb Kramer joined the Group in May 2009 and was subsequently appointed as a director. He is a managing director and portfolio manager (Europe) at Oaktree Capital Management (UK) LLP. Before joining Oaktree in 2000, Caleb co-founded Seneca Capital Partners LLC, a private equity investment firm. From 1994 to 1996, he was employed by Archon Capital Partners, an investment firm. Before 1994, Caleb was an associate in mergers and acquisitions at Dillon Read and Co. Inc. and an analyst at Merrill Lynch and Co. Inc. He graduated with a BA degree in economics from the University of Virginia.

Board practices

Under Countrywide's Articles of Association, the Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee, provided the majority of persons on any committee or sub-committee are directors. To assist the Board to discharge its duties and in line with legislative and regulatory compliance requirements, the Board has constituted the following committees:

(i) **Nomination Committee**, which comprises Peter Long (chairman), David Watson, Cathy Turner, Jane Lighting and Rupert Gavin, is responsible for ensuring the composition of the Board and its Committees is appropriate and enables the Board to function effectively, as well as for agreeing the annual Board effectiveness review process and monitoring any actions arising therefrom;

(ii) **Audit and Risk Committee**, which comprises David Watson (chairman), Cathy Turner and Jane Lighting, is responsible for monitoring the integrity of the financial statements of Countrywide, including its annual and half-yearly reports, interim management statements, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor; and

(iii) **Remuneration Committee**, which comprises Cathy Turner (chairman), David Watson, Jane Lighting, Natalie Ceeney and Rupert Gavin, is responsible for: (i) determining and agreeing with the Board the framework or broad policy for the remuneration of the senior executives; (ii) determining the policy for and scope of service agreements, termination payments and compensation commitments for the senior executives, and ensuring that contractual terms on termination are observed, that failure is not rewarded and the duty to mitigate loss is fully recognised; and (iii) agreeing the policy for authorising claims for expenses from the directors.

The chairman of each committee reports to the Board on its activities at each Board meeting.

Countrywide considers that it has complied with the relevant provisions set out in the UK Corporate Governance Code published by the Financial Reporting Counsel in 2016, having applied the main and supporting principles set out in sections A to E of the UK Corporate Governance Code.

Conflicts of Interest

As at 31 December 2017, no potential conflicts of interest were reported. Countrywide believes that there are no conflicts of interests between the duties owed by members of the Board to Countrywide and their private interests.

Countrywide's conflict of interest procedures are reflected in the Articles of Association. In line with the Companies Act 2006, the Articles of Association allow the Board to authorise conflicts and potential conflicts of interest, where appropriate, so long as the decision to authorise a conflict can only be made by non-conflicted directors.

The Board may: (i) require that the relevant director is excluded from the receipt of information, the participation in discussion, and the making of decisions related to the conflict of interest; and (ii) impose upon the relevant director such other terms as the Board may determine for the purpose of dealing with the conflict of interests. The relevant director will be obliged to conduct himself in accordance with any terms imposed by the Board.

Internal Control Systems

The Group's risk management process is designed to improve the likelihood of delivering the Group's business objectives, protect the interests of its key stakeholders, enhance the quality of its decision-making, and assist in the safeguarding of its assets, including personnel, finances, property and reputation.

The Board is responsible for the identification of the Group's key strategic and emerging risks, and for the review and approval of the risk management framework. The Audit and Risk Committee, following delegation from the Board, is responsible for the independent review of the effectiveness of risk management, the system of internal control, and the monitoring of the quality of consolidated financial statements and consideration of any findings reported by the auditors in relation to the Group's control environment and financial reporting procedures.

The internal control system contributes to ensuring protection of the Group's assets (including information assets), effectiveness and efficiency of the Group's operations, reliability of financial information and compliance with laws and regulations. The Group believes that adequate segregation of duties and control responsibilities has been established and maintained in all functional areas of the Group. In general, custodial, processing, operating and accounting responsibilities are separated to promote independent review and evaluation of the Group's operations. The key features of the Group's system of internal control and risk management, including those relating to the financial reporting process, are:

(i) holding regular Board meetings to consider the matters reserved for its consideration;

(ii) receiving regular management reports which provide an assessment of key risks and controls;

(iii) scheduling annual Board reviews of strategy, including reviews of the material risks and uncertainties facing the business;

(iv) ensuring there is a clear organisational structure with defined responsibilities and levels of authority;

(v) ensuring there are documented policies and procedures in place; and

(vi) scheduling regular Board reviews of financial budgets, forecasts and covenants with performance reported to the Board monthly.

4.2 Senior Management

The Senior Managers are responsible for Countrywide's day to day management in accordance with the strategy, instructions, policies and guidelines set by the Board.

The Senior Managers of Countrywide are:

Name	Position	Year joined the Group
Peter Long	Executive Chairman of the Board	2016
Paul Creffield	Group Managing Director	2006
Himanshu Raja	Chief Financial Officer	2017
Peter Curran	Managing Director, Financial Services	2015
Paul Chapman	Chief Operating Officer	2011
Paul Wareham	Managing Director, B2B	2013
Dan Thompson	Group People Director	2016
Gareth Williams	Head of Legal and Company Secretary	2000

The business address of the Senior Managers is that of Countrywide's registered office: County House, Ground Floor, 100 New London Road, Chelmsford CM2 0RG.

Biographies

Peter Curran joined Countrywide's executive team in September 2015, in the role of Managing Director, Financial Services. Peter brings with him a wealth of experience from the banking sector having spent eight years in the intermediary mortgage sector as director of Strategic Partnerships, Lloyds, where he played a key role in the Intermediary team as the business doubled between 2010 and 2014. Previously he held roles at Capital Bank and HBOS. Peter is responsible for the Group's dedicated network of over 650 consultants and Mortgage Intelligence, one of the most successful networks in the UK with over 400 advisers.

Paul Chapman joined Countrywide's executive team in July 2017 as Managing Director, B2B and, along with the rest of the B2B leadership team, is tasked with maximising value to Group through delivering integrated solutions to the Group's corporate business partners, many of whom have relationships with the Group extending over many years. Paul joined Countrywide in December 2011 from Lloyds Banking Group, bringing with him over 20 years' experience in the banking sector, including senior management posts at Halifax Intermediaries and Colleys Surveyors. Paul is a Fellow of RICS and holds an MA in Business & Management from Durham Business School.

Paul Wareham joined the Group in 2013 and has today been appointed to the Executive Committee as Managing Director, B2B. Paul has 17 years' experience in the surveying industry, having moved to Colleys (now part of the Lloyds Banking Group) in 2001 following an 18 year career with the Halifax. Paul has served as Countrywide's Managing Director of Surveying since 2015, as well as Managing Director of Conveyancing since 2016.

Dan Thompson joined the Group in January 2016 and is Group People Director for Countrywide, having moved into the role after two years as People Director for B2B and Group Functions as well as leading Talent Acquisition and People Services. Before joining Countrywide, Dan spent 12 years covering a broad spectrum of volume and specialist HR roles in Marks and Spencer plc, followed by a period in Employee Policy in the Civil Service where he learned the workings of Whitehall and obtained an understanding of the public sector.

Gareth Williams, solicitor, ACIS, is Countrywide's Company Secretary and also heads the Group's Legal function. Appointed to the role in November 2000, Gareth brings 18 years' experience in the property sector.

4.3 Directorships and Partnerships

The details of those companies and partnerships outside the Group of which the Directors and Senior Managers are, or have been at any time during the five years before the date of this document, members of the administrative, management or supervisory bodies or partners are as follows.

	Current positions	Former positions
Directors		
Peter Long	Beaumont Film Partnership LLP LPL Finance Limited NRL Properties LLP Royal Mail plc The Close Film Sale and Leaseback (2003/4) No 2 LLP Tui AG	Parques Reunidos Servicios Centrales SA Rentokil Initial plc Royal Mail Group Limited Tui Travel Limited
David Watson	Hermes Fund Managers Limited Kames Capital plc TR Property Investment Trust plc	Ageas Insurance Limited Ageas Retail Limited Ageas Services (UK) Limited Charles Taylor plc Kames Capital Management Limited
Paul Creffield	TM Group (UK) Limited TM Ventures Limited	—
Himanshu Raja	—	Armorgroup Limited First Select Holdings Limited G4S (March 2008) Limited G4S Americas (UK) Limited G4S Aviation (France) Limited G4S Corporate Services Limited G4S Defence Systems Eurasia Limited G4S Defence Systems International Limited G4S DSL Holdings Limited

	Current positions	Former positions
....		G4S Finance (Brazil) Limited G4S Finance 122 (UK) Limited G4S Finance Limited G4S Finance Management (AG) Limited G4S Financing Limited G4S Global Holdings Limited G4S Holdings 102 (UK) Limited G4S Holdings 103 (UK) Limited G4S Holdings 3 (UK) Limited G4S Holdings 38 (UK) Limited G4S Holdings International (AG) Limited G4S Holdings UK (AG) Limited G4S International 105 (UK) Limited G4S International Finance plc G4S International Holdings Limited G4S Investment London (Sub) Limited G4S Investment London Limited G4S Investments 4 (UK) Limited G4S Management Services 127 (UK) Limited G4S Manroyal Investments Limited G4S MP (UK) Limited G4S Nominees Limited G4S plc G4S Property Holdings (Heathrow) Limited G4S Property Holdings (Oxford) Limited G4S Property Holdings (Swindon) Limited G4S US Holdings Limited G4S US Investments Limited G4S Worldwide Holdings Limited Group 4 Limited IBG Holdings (UK) Limited Property (Venezuela) Limited Securicor Limited
Cathy Turner	Aldermore Bank plc Aldermore Group plc GWT Trading Limited Manchester Square Partners LLP Quilter Investors Limited Quilter plc (previously Old Mutual Wealth plc)	—
Jane Lighting	—	Reach plc (previously Trinity Mirror plc)

	Current positions	Former positions
Rupert Gavin	Incidental Colman Entertainment Limited Incidental Colman Limited Theatre Co-Productions (Sales and Marketing) Limited The Living Room Cinema Limited Trellis Acquisitions Limited	ABC Cinemas Limited AMC (UK) Acquisition Limited Associated British Cinemas Limited Bookit Limited Cicero Acquisitions Limited Cicero Holdings Limited Cicero Investments Limited Cinema International Corporation (UK) Limited Curzon Cinema (Loughborough) Limited Hollywood Express Limited LMP Chelmsford Holdings Limited LMP Chelmsford Limited LMP Derby Holdings Limited LMP Derby Limited LMP Dudley Holdings Limited LMP Dudley Limited LMP Huddersfield Holdings Limited LMP Huddersfield Limited LMP Lee Valley Holdings Limited LMP Lee Valley Limited LMP Preston Holdings Limited LMP Preston Limited LMP Tamworth Holdings Limited LMP Tamworth Limited LMP Taunton Holdings Limited LMP Taunton Limited LMP Telford Holdings Limited LMP Telford Limited LMP Warrington Holdings Limited LMP Warrington Limited Lucius Holdings Limited Multiscreen Holdings (UK) Limited Odeon & UCI Bond Holdco Limited Odeon & UCI Bond Midco Limited Odeon & UCI Cinemas Digital Limited Odeon & UCI Digital Operations Limited Odeon & UCI Finco Limited Odeon and Sky Filmworks Limited Odeon and UCI Cinemas Group Limited Odeon and UCI Cinemas Holdings Limited Odeon Banbury Holdings Limited

	Current positions	Former positions
. . . .		Odeon Banbury Limited Odeon Barnet Holdings Limited Odeon Barnet Limited Odeon Beckenham Holdings Limited Odeon Beckenham Limited Odeon Birmingham Holdings Limited Odeon Birmingham Limited Odeon Bournemouth (ABC) Holdings Limited Odeon Bournemouth (ABC) Limited Odeon Bournemouth (Odeon) Holdings Limited Odeon Bournemouth (Odeon) Limited Odeon Bridge Co Limited Odeon Canterbury Holdings Limited Odeon Canterbury Limited Odeon Cinemas Holdings Limited Odeon Cinemas Limited Odeon Cinemas (RL) Limited Odeon DDB Co Limited Odeon Esher Holdings Limited Odeon Esher Limited Odeon Equity Co Limited Odeon Gerrards Cross Holdings Limited Odeon Gerrards Cross Limited Odeon Harrogate Holdings Limited Odeon Harrogate Limited Odeon Hastings Holdings Limited Odeon Hastings Limited Odeon Holloway Holdings Limited Odeon Holloway Limited Odeon Leicester Square Holdings Limited Odeon Leicester Square Limited Odeon Limited Odeon Muswell Hill Holdings Limited Odeon Muswell Hill Limited Odeon Putney Holdings Limited Odeon Putney Limited Odeon Richmond Hill Street Holdings Limited Odeon Richmond Hill Street Limited Odeon Richmond Red Lion Street Holdings Limited

	Current positions	Former positions
....		Odeon Richmond Red Lion Street Limited Odeon Streatham Holdings Limited Odeon Streatham Limited Odeon Swiss Cottage Holdings Limited Odeon Swiss Cottage Limited Odeon Weston-Super-Mare Holdings Limited Odeon Weston-Super-Mare Limited Odeon Worcester Holdings Limited Odeon Worcester Limited The Plaza Theatre Company UCI Developments Limited UCI Exhibition (UK) Limited United Cinemas International Acquisitions Limited United Cinemas International (China) Limited United Cinemas International (UK) Limited
Natalie Ceeney	Anglian Water Services Financing plc Anglian Water Services Holdings Limited Anglian Water Services Limited Anglian Water Services UK Parent Co Limited Iceni Associates LLP Innovate Finance Limited	—
Caleb Kramer	Glenveagh Properties plc Lulworth Coastal Properties LLP Oaktree Capital Management (UK) LLP	DO Deutsche Office AG Froneri International plc Ruby Acquisitions Limited
Senior Managers		
Peter Curran	—	—
Paul Chapman	—	—
Paul Wareham	—	—
Dan Thompson	Widdyfields Limited	—
Gareth Williams	—	—

This table only includes references to commercial, profit-making companies and partnerships. It does not include positions held in charitable, non-profit or voluntary initiatives, industry associations, professional bodies, educational institutions or interest groups.

4.4 Confirmations

Within the period of five years preceding the date of this document, the Directors and Senior Managers:

(i) have no convictions in relation to fraudulent offences;

(ii) have not been: (a) directors of any company; or (b) partners of any partnership, which has been the subject of any bankruptcy, receivership or liquidation; and

(iii) have not received any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

The Directors and Senior Managers have no actual or potential conflicts of interest between any duties to Countrywide and their private interests and/or other duties.

There are no family relationships between any of the Directors or any of the Senior Managers.

4.5 Directors' and Senior Managers' interests in shares

Save as disclosed in sections (A) and (B) below, none of the Directors or Senior Managers has any interests, beneficial or non-beneficial, in the share capital of Countrywide or any of its subsidiaries.

(A) Issued Share Capital

Set out below are the interests (all of which are beneficial unless otherwise stated), as at the Reference Date, of the Directors and the Senior Managers (as well as their immediate families) in the share capital of Countrywide or (so far as is known or could with reasonable due diligence be ascertained by the relevant Director) interests of any person connected (within the meaning of section 346 of the Companies Act 2006) with a Director or Senior Manager and the existence of which was known to or could, with reasonable due diligence, be ascertained by the relevant Director or Senior Manager as at the Reference Date. The table also sets out the interests of the Directors and Senior Managers in the Enlarged Share Capital of Countrywide, assuming that each Director and Senior Manager participates in the Issue and subscribes for a number of New Ordinary Shares that is equal to their respective Open Offer Entitlements or, where a Director or Senior Manager intends to subscribe for more New Ordinary Shares than their Open Offer Entitlement, such higher number of New Ordinary Shares. Each of the Directors who is a Shareholder has irrevocably committed to participate in the Issue and subscribe for a number of New Ordinary Shares that is equal to or in excess of their Open Offer Entitlement.

	Ordinary Shares as at the Reference Date		Ordinary Shares immediately following the Issue	
	Number	% of issued share capital at the Reference Date	Number	% of Enlarged Share Capital
Directors				
Peter Long	571,429	0.237	3,933,006	0.239
David Watson	22,070	0.009	172,070	0.010
Paul Creffield	460,239	0.191	2,877,629	0.175
Himanshu Raja	322,841	0.133	1,572,841	0.096
Cathy Turner	10,722	0.004	64,582	0.004
Jane Lighting	10,629	0.004	80,629	0.005
Rupert Gavin	9,500	0.004	20,900	0.001
Natalie Ceeney	23,067	0.010	143,067	0.009
Caleb Kramer	0	0.000	0	0.000
Senior Managers				
Peter Curran	3,357	0.001	203,357	0.012
Paul Chapman	11,559	0.005	111,559	0.007
Paul Wareham	4,771	0.002	104,771	0.006
Dan Thompson	3,145	0.001	33,145	0.002
Gareth Williams	80,120	0.033	280,120	0.017
TOTAL	**1,533,449**	**0.635**	**9,597,676**	**0.585**

Notes:

(1) The figures specified above: (i) disregard any Ordinary Shares which may be issued after the Reference Date as a result of the vesting or exercise of any awards under the Share Plans; and (ii) assume that each Director and Senior Manager will participate in the Issue and subscribe for a number of New Ordinary Shares that is equal to their respective Open Offer Entitlements or, where a Director or Senior Manager intends to subscribe for more New Ordinary Shares than their Open Offer Entitlement, such higher number of New Ordinary Shares. Each of the Directors who is a Shareholder has irrevocably committed to participate in the Issue and subscribe for a number of New Ordinary Shares that is equal to or in excess of their Open Offer Entitlement.

(2) The figures specified above include Ordinary Shares held in the SIP Trust (as that term is defined in section 9.3 of this Part) on behalf of Directors and Senior Managers.

(B) Directors' and Senior Managers' share awards

The following tables set out details of the options and awards held by the Directors and Senior Managers under the Share Plans as at the Reference Date. Further details of the Share Plans are set out in section 9 of this Part.

(i) LTIP

As at the Reference Date, participation by Directors and Senior Managers in the LTIP was as follows:

	Award date	Vesting date(1)	Maximum number of Ordinary Shares under option
Directors			
Paul Creffield	22 March 2016	22 March 2019	81,148
	2 May 2017	2 May 2020	73,638
	2 May 2017	2 May 2020	36,819
	26 March 2018	26 March 2021	708,661
Himanshu Raja	14 June 2017	14 June 2020	344,984
	26 March 2018	26 March 2021	922,385
Senior Managers			
Paul Chapman	22 March 2016	22 March 2019	38,951
	2 May 2017	2 May 2020	26,510
	2 May 2017	2 May 2020	26,510
	26 March 2018	26 March 2021	501,687
Peter Curran	21 September 2015	21 September 2018	17,682
	22 March 2016	22 March 2019	58,426
	2 May 2017	2 May 2020	73,638
	2 May 2017	2 May 2020	36,819
	26 March 2018	26 March 2021	577,024
Paul Wareham	22 March 2016	22 March 2019	17,041
	2 May 2017	2 May 2020	18,778
	26 March 2018	26 March 2021	84,280
	26 March 2018	26 March 2021	42,140
Dan Thompson	22 March 2016	22 March 2019	7,709
	2 May 2017	2 May 2020	18,409
	26 March 2018	26 March 2021	168,729
Gareth Williams	22 March 2016	22 March 2019	7,141
	2 May 2017	2 May 2020	6,610
	26 March 2018	26 March 2021	50,484

Notes:

(1) If performance conditions are met. The LTIP awards held by Directors and Senior Managers are in the form of nil-cost options which will be exercisable (subject to the rules of the LTIP) from the vesting date until the tenth anniversary of the award date.

(2) Dividend equivalents arising over the period between the grant date and the vesting date will be paid in cash unless the Remuneration Committee decides that they will be paid in shares.

(ii) DBSP

As at the Reference Date, participation by Directors and Senior Managers in the DSBP was as follows:

	Award date	Vesting date(1)	Maximum number of Ordinary Shares under option
Directors			
Paul Creffield	22 May 2015	22 May 2018	10,880
	5 May 2016	5 May 2019	11,450
Senior Managers			
Peter Curran	5 May 2016	5 May 2019	11,274

Notes:

(1) The DSBP awards held by Directors and Senior Managers are in the form of nil-cost options which will be exercisable (subject to the rules of the DSBP) from the vesting date until the tenth anniversary of the award date.

(2) Dividend equivalents arising over the period between the grant date and the vesting date will be paid in cash.

(iii) SAYE Plan

As at the Reference Date, participation by Directors and Senior Managers in the SAYE Plan was as follows:

	Award date	Vesting date	Exercise price (pence per Ordinary Share)(1)	Maximum number of Ordinary Shares under option
Directors				
Paul Creffield	1 June 2018	1 June 2021	76.91	5,148
Himanshu Raja	1 June 2018	1 June 2021	76.91	5,148
Senior Managers				
Paul Chapman	1 June 2018	1 June 2021	76.91	5,148
Peter Curran	1 June 2018	1 June 2021	76.91	5,148
Paul Wareham	1 June 2018	1 June 2021	76.91	5,148
Dan Thompson	1 June 2018	1 June 2021	76.91	5,148

Notes:

(1) The SAYE options will be exercisable (subject to the rules of the SAYE Plan) for a six-month period commencing on the vesting date.

5. EXECUTIVE DIRECTORS' SERVICE CONTRACTS, EMOLUMENTS AND PENSIONS

5.1 Termination provisions

The following table sets out details relating to the term and notice periods of the service contracts for the Executive Directors:

Name	Position	Date of appointment	Unexpired term (months)	Notice period by Countrywide (months)	Notice period by Director (months)
Peter Long	Executive Chairman	Appointed to board as Non-Executive Director becoming Non-Executive Chairman on 11 February 2016 and Executive Chairman on 24 January 2018	N/A	Six	Six
Paul Creffield	Group Managing Director	Appointed to the board as Group Managing Director on 2 August 2018	N/A	Twelve	Twelve
Himanshu Raja	Chief Financial Officer	Appointed to board on 12 June 2017, becoming Chief Financial Officer on 1 August 2017	N/A	Twelve	Twelve

Each of the Executive Directors' service contracts will continue until terminated by either him or Countrywide.

Countrywide may put each of the Executive Directors on garden leave during his notice period. During this period, they remain employed by Countrywide and subject to certain restrictions.

Where either party has served notice to terminate the employment of either the Chief Financial Officer or the Group Managing Director, Countrywide may elect to terminate employment immediately by making a payment in lieu of notice equivalent to the relevant Executive Director's base salary, pension cash allowance, an amount equal to the cost to Countrywide of providing life assurance, private medical insurance and permanent health for such individual and, in the case of the Chief Financial Officer, car allowance, in each case for the notice period either in a lump sum or in monthly payments which will continue until the expiry of the notice period or the date on which the relevant Executive Director obtains an alternative remunerated position, in which case the monthly payments will be reduced by the amount of the remuneration received each month pursuant to the alternative remunerated position.

In addition, the employment of each of the Executive Directors is terminable with immediate effect in certain circumstances, including where: (i) over a period of at least six months he fails or neglects efficiently or diligently to perform his duties; (ii) he is guilty of any material or persistent breach of his service contract; (iii) he is guilty of gross misconduct or other conduct which the Board reasonably believes is calculated or likely to affect prejudicially the interests of Countrywide or the Group; (iv) he is convicted of a criminal offence (other than a road traffic offence for which he is not sentenced to any term of imprisonment); (v) he is made the subject of a bankruptcy or administration order or enters into any voluntary arrangement with creditors; or (vi) he fails to receive or maintain approval by, or becomes disqualified or receives of an intention to revoke or vary individual registration with or approval by, the FCA or the PRA to carry out the relevant controlled function.

5.2 Remuneration

In accordance with Countrywide's remuneration policy, the base salary of Executive Directors is intended to reflect their experience and importance to the business. As at the Reference Date, the annual base salary of each of the Executive Directors was as follows:

Name	Position	Annual base salary (£)
Peter Long	Executive Chairman	£360,000[1]
Paul Creffield	Group Managing Director	£450,000
Himanshu Raja	Chief Financial Officer	£410,000

1. Peter Long's salary includes both the fee of £180,000 per annum which he is entitled to as Chairman of Countrywide and an additional £180,000 per annum for performance of his executive function.

The Remuneration Committee believes that Countrywide's Executive Directors should be provided with competitive pension arrangements. Paul Creffield and Himanshu Raja are each paid an amount equivalent to 15 *per cent.* of base salary as a salary supplement in respect of pension.

The Remuneration Committee believes that it is important to incentivise the Executive Directors, by ensuring that a portion of their total remuneration is conditional upon achievement of business objectives across both annual and longer term periods. An annual cash bonus may be earned by the Executive Directors (excluding the Executive Chairman) for the attainment of stretching performance targets. These targets are set by the Remuneration Committee at the start of each financial year or upon appointment. The maximum annual bonus is 120 *per cent.* of base salary and is determined by the Remuneration Committee, taking account of the internal and external business and market context. Two-thirds of any bonus earned will normally be paid following the end of the relevant financial year, in accordance with the performance achieved, and the remaining one-third will normally be delivered in the form of Ordinary Shares, the vesting of which will be deferred for a period of three years from the payment date and will be subject to malus and clawback provisions. The Remuneration Committee determines the extent to which it considers the objectives have been met and the annual bonus payable.

Details of Countrywide's Share Plans are set out in section 9 of this Part. Benefits received by the Group Managing Director and the Chief Financial Officer include car allowance, cash allowance in lieu of pension entitlement, life insurance, private medical insurance and permanent health insurance.

Save as disclosed in this section 5, there are no existing service contracts between any Executive Director and any member of the Group which provide for benefits upon termination of employment.

6. NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

The Non-Executive Directors do not have service contracts; they are appointed by letters of appointment. Save for Caleb Kramer, Countrywide may terminate each Director's appointment either by giving at least six months' notice to expire on or after an initial two-year term of appointment or immediately for cause. The initial two-year term has expired for all Non-Executive Directors save for Natalie Ceeney, whose initial term expires on 27 April 2019. Caleb Kramer is a Representative Director for Oaktree Affiliates. His appointment may be terminated immediately in accordance with his appointment letter and the Relationship Agreement (see section 17.1 of this Part for further details).

Name	Role	Date of appointment	Date of letter of appointment/ amendment letter	Notice period by Countrywide (months)	Notice period by Director (months)
David Watson	Deputy Chairman and senior independent Non-Executive Director	1 September 2013	23 August 2013; 23 May 2014; 2 July 2018	Six	N/A
Cathy Turner	Independent Non-Executive Director	31 July 2013	10 July 2013	Six	N/A
Jane Lighting	Independent Non-Executive Director	9 June 2014	9 June 2014	Six	N/A
Rupert Gavin	Independent Non-Executive Director	23 June 2014	19 June 2014	Six	N/A
Natalie Ceeney[1]	Independent Non-Executive Director	28 April 2017	24 April 2017	Six	N/A
Caleb Kramer	Non-Executive Director	19 February 2013	18 March 2013; 14 March 2017	N/A	N/A

1. Natalie Ceeney was also appointed as a Non-Executive Director of Countrywide Principal Services Limited with effect from 1 June 2017 pursuant to a letter of appointment dated 2 June 2017. Her appointment is for an initial period of two years and will continue until terminated by the board of Countrywide Principal Services Limited giving not less than six months' notice to expire on or after expiry of the initial period.

Save as disclosed in this section 6, there are no existing letters of appointment or other contracts between any Non-Executive Director and any member of the Group which provide for benefits upon termination of appointment.

7. AGGREGATE REMUNERATION AND PENSION BENEFITS GRANTED TO THE DIRECTORS AND SENIOR MANAGERS

The aggregate value of the remuneration paid (including contingent or deferred compensation), and benefits granted, by the Group to the Directors and the Senior Managers in 2017 was £2,308,603.67, comprising £2,017,729.07 of salaries and fees, £182,744,60 of retirement benefits or cash in lieu of pension, £20,000 of annual variable remuneration and £88,100 of taxable benefits.

Details of the remuneration paid to the Directors in 2017 is as set out below:

Director	Salary and Fees (£)	Retirement benefits or cash in lieu of pension (£)	Annual variable remuneration (£)	Taxable benefits (£)	Share-based payments (£)	Total (£)
Peter Long	180,000[2]	—	—	—	—	180,000
David Watson	95,000	—	—	—	—	95,000
Paul Creffield[3]	250,000	37,500	—	15,000[1]	—	302,500
Himanshu Raja[4]	229,000	34,000	—	8,000	—	271,000
Cathy Turner	55,000	—	—	—	—	55,000
Jane Lighting	45,000	—	—	—	—	45,000
Rupert Gavin	45,000	—	—	—	—	45,000
Natalie Ceeney[5]	36,000	—	—	—	—	36,000
Caleb Kramer	40,000	—	—	—	—	40,000
Total	**975,000**	**71,500**	**—**	**23,000**	**—**	**1,069,500**

1. Taxable benefits include a car allowance of £13,200 *per annum*, private medical insurance and life assurance.
2. This figure reflects the fee payable to Peter Long as Non-Executive Chairman. He is also entitled to additional fees of £180,000 *per annum pro rata* during the period for which he serves as Executive Chairman of Countrywide (beginning on 24 January 2018).
3. Paul Creffied joined the Board on 2 August 2018, taking up the Group Managing Director post on the same day. His remuneration during 2017 was not received in relation to his role as a Director.
4. Himanshu Raja joined the Board on 12 June 2017 and took up the Chief Financial Officer post on 1 August 2017. He joined on a package consistent with the approved remuneration policy, comprising a base salary of £410,000, a 15 *per cent*. salary supplement in respect of pension, annual bonus potential of up to 120 *per cent*. of base salary (with a third deferment into shares) and a 130 *per cent*. of salary LTIP award. Himanshu Raja received pro-rata remuneration during 2017 reflecting his start date of 12 June 2017.
5. Natalie Ceeney received pro-rata remuneration during 2017 reflecting her start date of 28 April 2017.

8. PENSIONS

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

8.1 Defined benefit

In the past, the Group offered membership of the DB Section of the Scheme to eligible employees. However, the DB Section was closed to new entrants in 1988 and subsequently closed to further service accrual at the end of 2003. Members of the DB Section earned benefits linked to final pensionable salary and service at the date of retirement or date of leaving the scheme, if earlier. As at 31 December 2017, the DB Section had a deficit of £5.6 million on an IAS19 basis.

The regulatory framework requires the Scheme to undergo an actuarial funding valuation at least every three years and for there to be put in place an appropriate schedule of contributions and, where necessary, a deficit recovery plan. The most recent actuarial funding valuation was carried out as at 5 April 2015, showing a deficit on the "technical provisions" basis (as defined in the applicable UK legislation) of £10.6 million. In November 2016, the Group agreed a pension funding plan with the trustees of the Scheme to fund the DB Section deficit. In 2015, 2016, 2017, H1 2017 and H1 2018, the Group paid a £1.9 million, £1.9 million, £2.0 million, £2.0 million and £2.0 million contribution respectively to the DB Section. The funding plan commits the Group to a contribution of £2.0 million per year in the years 2017 to 2020. The significant actuarial assumptions used in the valuation of the DB Section of the Group's Scheme as at 31 December 2017 have been reviewed. The movements in the discount and inflation rates used to value the pension liabilities, as well as the updated asset valuations and the net pension liabilities, have moved materially since 31 December 2017 and an actuarial gain before taxation of £0.6 million (30 June 2017: actuarial gain £0.9 million) has been recognised in the Group's consolidated statement of comprehensive income. The net pension liability stands at £3.3 million at 30 June 2018 (30 June 2017: £0.8 million).

A pensioner buy-in of all remaining non-insured pensioners was concluded during December 2017 which allowed transformation of the Scheme's risk profile, without requiring any additional funding from Countrywide, thus maintaining the current payment profile for company contributions.

The funding level of the DB Section is dependent on the market value of the assets of the section and on the value placed on its liabilities. A variety of factors, including factors outside the Group's control, may adversely affect the value of the DB Section's assets or liabilities, including interest rates, inflation rates, investment performance, exchange rates, life expectancy assumptions, actuarial data and adjustments and regulatory changes. The Group may in the future be required to increase its level of contribution due to changes to these or other internal or external factors. Any requirement to contribute additional funds into the Scheme could have a material adverse effect on the Group's financial condition.

8.2 Defined contribution

The Group operates a defined contribution pension arrangement for eligible employees and pays fixed contributions to separately administered pension insurance plans. The Group has no further obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

The Group's defined contribution pension costs were £6.7 million in 2015, £8.6 million in 2016, £8.2 million in 2017 and £4.7 million in H1 2018 (£4.1 million in H1 2017).

For further details about the Group's Scheme arrangements, including a sensitivity analysis for 2015 to 2017, please refer to note 25 to the Annual Financial Statements and note 22 to the 2018 Unaudited Interim Financial Statements.

9. SHARE PLANS

Countrywide currently operates two discretionary executive share plans: a long-term incentive plan (the LTIP) and a deferred share bonus plan (the DSBP). It also operates two all-employee share ownership plans: a share incentive plan (the SIP) and a sharesave plan (the SAYE Plan).

Subject to the approval of the Remuneration Resolutions at the General Meeting, Countrywide intends to operate a new discretionary executive share plan, called the Countrywide Absolute Growth Plan (the AGP).

The LTIP, DSBP, SIP, SAYE Plan and AGP are, together, the Share Plans.

References in this section 9 to the Board include any designated committee of the Board.

The principal features of the Share Plans are summarised below.

9.1 LTIP

The LTIP was adopted by the Board on 18 March 2013.

Status

The LTIP is a discretionary executive share plan.

Under the LTIP, the Remuneration Committee may, within certain limits and subject to any applicable performance conditions, grant to eligible employees:

(i) nil cost options over Ordinary Shares ("**LTIP Options**"); and/or

(ii) conditional awards (i.e. a right to receive free Ordinary Shares) ("**LTIP Conditional Awards**" and, together with LTIP Options, "**LTIP Awards**").

No payment is required for the grant of an LTIP Award.

Eligibility

All employees (including Executive Directors) are eligible for selection to participate in the LTIP at the discretion of the Remuneration Committee.

Limits

The LTIP may operate over new issue Ordinary Shares, treasury Ordinary Shares or Ordinary Shares purchased in the market.

The rules of the LTIP provide that, in any period of 10 calendar years, not more than 10 *per cent*. of Countrywide's issued ordinary share capital may be issued under the LTIP and under any other employees' share scheme adopted by Countrywide.

In addition, the rules of the LTIP provide that, in any period of 10 calendar years, not more than 5 *per cent*. of Countrywide's issued ordinary share capital may be issued under the LTIP and under any other executive share scheme adopted by Countrywide.

Ordinary Shares issued out of treasury under the LTIP will count towards these limits for so long as this is required under institutional shareholder guidelines. Ordinary Shares issued or to be issued pursuant to awards granted before Countrywide was listed on the London Stock Exchange and Ordinary Shares issued to any employee benefit trust before Countrywide was listed on the London Stock Exchange will not count towards these limits.

Grant of LTIP Awards

The Remuneration Committee may grant LTIP Awards with a maximum total market value of up to 200 *per cent*. of annual base salary. In exceptional circumstances, the Remuneration Committee may grant LTIP Awards with a maximum total market value of up to 300 *per cent*. of annual base salary.

LTIP Awards may be granted within 42 days of the announcement by Countrywide of its results for any period or at any other time that the Remuneration Committee, at its discretion, may deem there are exceptional circumstances which justify the granting of LTIP Awards.

However, no LTIP Awards may be granted more than 10 years after the date when the LTIP was adopted. LTIP Awards are not transferable other than to the participant's personal representatives in the event of his death. The benefits received under the LTIP are not pensionable.

Holding period

At its discretion, the Remuneration Committee may grant LTIP Awards subject to a holding period following vesting.

Performance and other conditions

The Remuneration Committee will impose performance conditions on the vesting of LTIP Awards which are granted to Executive Directors. The Remuneration Committee may also, at its discretion, decide to impose performance conditions on the vesting of LTIP Awards which are granted to employees other than Executive Directors. In exceptional circumstances, any performance conditions applying to LTIP Awards may be varied if the Remuneration Committee considers that it would be appropriate to amend such performance conditions provided the Remuneration Committee considers that the new performance conditions are fair and reasonable and are not materially less or more challenging than the original conditions would have been had these circumstances not arisen.

Where performance conditions are specified for LTIP Awards, the underlying measurement period for such conditions will ordinarily comprise at least three years. Performance conditions may be financial or non-financial. Performance conditions are typically based on financial performance targets, which for Executive Directors must be linked to the performance of Countrywide, such as earnings per share growth and/or a measure of relative total shareholder return performance, and strategic objectives. For Executive Directors, under the current Remuneration Policy, no more than 25 *per cent*. of awards vest for attaining the threshold level of performance conditions.

The Remuneration Committee may also impose other conditions on the vesting of LTIP Awards.

Malus

The Remuneration Committee may decide, at any time before the vesting of LTIP Awards, that the number of Ordinary Shares subject to an LTIP Award shall be reduced (including to nil) on such basis that the Remuneration Committee in its discretion considers to be fair, reasonable and proportionate where, in its opinion, there are exceptional circumstances. Such exceptional circumstances may include a material misstatement in the published results of the Group, misconduct on the part of the participant or where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the participant has caused wholly or in part a material loss for the Group as a result of: (i) reckless, negligent or wilful actions; or (ii) inappropriate values or behaviour.

Vesting and exercise

LTIP Options will normally become exercisable, and LTIP Conditional Awards will normally vest, on the third anniversary of the date of granting the LTIP Award to the extent that any applicable performance conditions have been satisfied and to the extent permitted under any operation of malus or clawback. LTIP Options will normally remain exercisable until the tenth anniversary (or a shorter period at the discretion of the Remuneration Committee) of the date of granting the LTIP Option.

Cessation of employment

As a general rule, an unvested LTIP Award (and, where a participant is dismissed for cause, any vested LTIP Options) will lapse immediately upon a participant ceasing to be employed by or hold office with the Group. However, if a participant so ceases because of his ill-health, injury or disability (in each case, evidenced to the satisfaction of the Remuneration Committee), retirement with the agreement of Countrywide, or his employing company or the business for which he works being transferred out of the Group, or in other circumstances at the discretion of the Remuneration Committee (each an "**LTIP Good Leaver Reason**"), his LTIP Award will ordinarily vest on the date when it would have vested if he had not so ceased to be a Group employee or director, subject to: (i) the satisfaction of any applicable performance conditions measured over the original performance period, (ii) the operation of malus or clawback, and (iii) (unless the Remuneration Committee decides that pro-rating would be inappropriate in the particular circumstances) pro-rating to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.

If a participant ceases to be a Group employee or director for an LTIP Good Leaver Reason, the Remuneration Committee can alternatively decide that his LTIP Award will vest early when he leaves, in which case performance is measured to the date of cessation of employment. If a participant dies, his LTIP Award will vest on the date of his death (unless the Remuneration Committee decides, in exceptional circumstances, that his LTIP Award will vest on the date when it would have vested if he had not died, in which case the normal vesting provisions for leavers (above) will apply). The extent to which an LTIP Award will vest in these situations will depend upon: (i) the extent to which any applicable performance conditions have been satisfied at the date of cessation, (ii) the operation of malus or clawback, and (iii) (unless the Remuneration Committee decides that pro-rating would be inappropriate in the particular circumstances) pro-rating by reference to the proportion of the vesting period that has then elapsed.

To the extent that LTIP Options vest in accordance with the above provisions, they may be exercised for a period of 12 months following vesting and will otherwise lapse at the end of that period. To the extent that a participant who leaves in circumstances other than dismissal for cause or dies held vested LTIP Options, they may be exercised for a period of 12 months following the date of cessation and will otherwise lapse at the end of that period.

Corporate events

In the event of a takeover (by way of general offer or a Court sanctioned scheme of arrangement or compromise) or winding up of Countrywide (other than an internal reorganisation), LTIP Awards will vest early subject to: (i) the extent that any applicable performance conditions have been satisfied at that time (which may include regard to projected performance over the full period), (ii) the operation of malus or clawback, and (iii) (unless the Remuneration Committee decides that pro-rating would be inappropriate in the particular circumstances) pro-rating to reflect the reduced period of time between grant and early vesting as a proportion of the vesting period that has then elapsed.

In the event of an internal corporate reorganisation, LTIP Awards may (with the consent of the acquiring company) be replaced by equivalent new LTIP Awards over shares in the acquiring company unless the Remuneration Committee decides that LTIP Awards should vest as in the case of a takeover.

If a variation of share capital of Countrywide, demerger, special dividend, distribution or other corporate event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Ordinary Shares to a material extent and it is not appropriate or practicable to adjust the number or class of Ordinary Shares under LTIP Awards as detailed below, the Remuneration Committee may decide that LTIP Awards will vest as in the case of a takeover.

To the extent that LTIP Options vest in accordance with the above provisions, they may be exercised for a period of one month and will otherwise lapse at the end of that period. To the extent that a participant already held vested LTIP Options, they may be exercised for a period of one month from the relevant event and will otherwise lapse at the end of that period.

Variation of capital

If there is a variation of share capital of Countrywide or, in the event of a demerger, payment of a special dividend, distribution or other corporate event which materially affects the market price of the Ordinary Shares, then the Remuneration Committee may make such adjustments as it considers appropriate to the number or class of Ordinary Shares under LTIP Awards.

Clawback

The Remuneration Committee may decide, within three years of the relevant vesting date, that the LTIP Award will be subject to clawback where, in its opinion, there are exceptional circumstances. Such exceptional circumstances may include a material misstatement in published results of the Group, an error in assessing any applicable performance condition, misconduct on the part of the participant or where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the participant has caused wholly or in part a material loss for the Group as a result of: (i) reckless, negligent or wilful actions; or (ii) inappropriate values or behaviour. The clawback may be satisfied by way of a reduction in the amount of any future bonus, the vesting of any subsisting or future share awards and/or a requirement to make a cash payment.

Dividend equivalents

The Remuneration Committee may decide that participants will receive a payment in cash (unless the Remuneration Committee decided it shall be payable partly or entirely in Ordinary Shares) equal in value to any dividends that would have been paid on the Ordinary Shares which vest under their LTIP Awards by reference to dividend record dates falling between the time when the LTIP Awards were granted and the time when the LTIP Awards vested or, if the Remuneration Committee so decides, such later time which shall not be later than the time when Ordinary Shares are issued or transferred to participants. This amount may assume the re-investment of dividends and may exclude or include special dividends.

Rights attaching to Ordinary Shares

LTIP Awards will not confer any rights on any employee holding such LTIP Awards until the relevant LTIP Conditional Award has vested or the relevant LTIP Option has been exercised and the employee in question has received the underlying Ordinary Shares. Any Ordinary Shares allotted when an LTIP Option is exercised or an LTIP Conditional Award vests will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date before their allotment).

Alternative settlement

At its discretion, the Remuneration Committee may decide to satisfy LTIP Awards with a cash payment equal to any gain that a participant would have made had the LTIP Awards been satisfied with Ordinary Shares in the usual manner.

Amendments

The Remuneration Committee may, at any time, amend the provisions of the LTIP in any respect, except that:

(i) the prior approval of Shareholders at a general meeting of Countrywide must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining an employee's entitlement to, and the terms of, Ordinary Shares or cash provided under the LTIP, the adjustments that may be made in the event of any variation to the share capital of Countrywide and/or the rule relating to such prior approval, save that there are exceptions for (a) any minor amendment to benefit the administration of the LTIP, to take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for employees, Countrywide and/or its subsidiaries, or (b) any permitted alteration to the performance conditions or any other conditions; and

(ii) amendments to the material disadvantage of participants (other than a permitted alteration to the performance conditions or any other conditions) may only be made in respect of subsisting rights if such disadvantaged participants are invited to agree such amendment and the majority of those who respond consent to such amendment.

Overseas plans

The Remuneration Committee may, at any time, establish further plans for overseas territories, any such plan to be similar to the LTIP but modified to take account of local tax, exchange control or securities laws. Any Ordinary Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation in the LTIP.

9.2 DSBP

The DSBP was adopted by the Board on 18 March 2013.

Status

The DSBP is a discretionary executive share plan.

Under the DSBP, the Remuneration Committee may, within certain limits and on a discretionary basis, grant to eligible employees:

(i) nil cost options over Ordinary Shares ("**DSBP Options**"); and/or

(ii) conditional awards (i.e. a right to receive free Ordinary Shares) ("**DSBP Conditional Awards**" and, together with DSBP Options, "**DSBP Awards**").

No payment is required for the grant of a DSBP Award.

Eligibility

All employees (including Executive Directors) are eligible for selection to participate in the DSBP at the discretion of the Remuneration Committee.

Limits

The DSBP may operate over new issue Ordinary Shares, treasury Ordinary Shares or Ordinary Shares purchased in the market.

The rules of the DSBP provide that, in any period of 10 calendar years, not more than 10 *per cent*. of Countrywide's issued ordinary share capital may be issued under the DSBP and under any other employees' share scheme adopted by Countrywide.

In addition, the rules of the DSBP provide that, in any period of 10 calendar years, not more than 5 *per cent*. of Countrywide's issued ordinary share capital may be issued under the DSBP and under any other executive share scheme adopted by Countrywide.

Ordinary Shares issued out of treasury under the DSBP will count towards these limits for so long as this is required under institutional shareholder guidelines. Ordinary Shares issued or to be issued pursuant to awards granted before Countrywide was listed on the London Stock Exchange and Ordinary Shares issued to any employee benefit trust before Countrywide was listed on the London Stock Exchange will not count towards these limits.

Grant of DSBP Awards

The Remuneration Committee may determine that a proportion of a participant's annual bonus will be deferred into Ordinary Shares. If the Remuneration Committee makes such a determination, a DSBP Award will be granted to the participant over Ordinary Shares with a total market value not exceeding the amount of the bonus being deferred.

DSBP Options may be granted within 42 days of the announcement by Countrywide of its results for any period or at any other time that the Remuneration Committee, at its discretion, may deem there are exceptional circumstances which justify the granting of DSBP Awards. However, no DSBP Awards may be granted more than 10 years after the date when the DSBP was adopted. DSBP Awards are not transferable other than to the participant's personal representatives in the event of his death. The benefits received under the DSBP are not pensionable.

Malus

The Remuneration Committee may decide, at any time before the vesting of DSBP Awards, that the number of Ordinary Shares subject to a DSBP Award shall be reduced (including to nil) on such basis that the Remuneration Committee in its discretion considers to be fair, reasonable and proportionate where, in its opinion, there are exceptional circumstances. Such exceptional circumstances may include a material misstatement in the published results of the Group, misconduct on the part of the participant or where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the participant has caused wholly or in part a material loss for the Group as a result of: (i) reckless, negligent or wilful actions; or (ii) inappropriate values or behaviour.

Vesting and exercise

DSBP Options will normally become exercisable, and DSBP Conditional Awards will normally vest, on the third anniversary of the date of granting the DSBP Award to the extent permitted under any operation of malus or clawback. DSBP Options will normally remain exercisable until the tenth anniversary (or a shorter period at the discretion of the Remuneration Committee) of the date of granting the DSBP Option.

Cessation of employment

As a general rule, a DSBP Award will not lapse upon a participant ceasing to be employed by or hold office with the Group. However, if a participant so ceases because of dismissal for gross misconduct, voluntary resignation or a similar "bad leaver" reason, his unvested DSBP Awards (and, where a participant is dismissed for cause, any vested DSBP Options) will lapse immediately upon that participant ceasing to be employed by or hold office with the Group (unless the Remuneration Committee decides that the lapsing of his DSBP Awards would be inappropriate in the particular circumstances).

If a participant so ceases in circumstances in which his unvested DSBP Award does not lapse (each a "**DSBP Good Leaver Reason**"), his DSBP Award will ordinarily vest on the date when it would have vested if he had not so ceased to be a Group employee or director, subject to the operation of malus or clawback. If a participant ceases to be a Group employee or director for a DSBP Good Leaver Reason, in exceptional circumstances the Remuneration Committee may alternatively decide that his DSBP Award will vest early when he leaves. In either case, the Remuneration Committee may decide in exceptional circumstances that his DSBP Award will be subject to pro-rating to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.

If a participant dies, his DSBP Award will vest on the date of his death (unless the Remuneration Committee decides, in exceptional circumstances, that his DSBP Award will vest on the date when it would have vested if he had not died, in which case the normal vesting provisions for leavers (above) will apply). The extent to which a DSBP Award will vest in these situations will depend upon: (i) the operation of malus or clawback, and (ii) (if, in exceptional circumstances, the Remuneration Committee decides that pro-rating would be appropriate) pro-rating by reference to the proportion of the vesting period that has then elapsed.

To the extent that DSBP Options vest in accordance with the above provisions, they may be exercised for a period of 12 months following vesting and will otherwise lapse at the end of that period. To the extent that a participant who leaves in circumstances other than dismissal for cause or dies held vested DSBP Options, they may be exercised for a period of 12 months following the date of cessation and will otherwise lapse at the end of that period.

Corporate events

In the event of a takeover or winding up of Countrywide (other than an internal reorganisation), DSBP Awards will vest early subject to the operation of malus or clawback.

In the event of an internal corporate reorganisation, DSBP Awards may (with the consent of the acquiring company) be replaced by equivalent new DSBP Awards over shares in the acquiring company unless the Remuneration Committee decides that DSBP Awards should vest as in the case of a takeover.

If a variation of share capital of Countrywide, demerger, special dividend, distribution or other corporate event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Ordinary Shares to a material extent, and it is not practicable or appropriate to adjust the number or class of Ordinary Shares under DSBP Awards as detailed below, the Remuneration Committee may decide that DSBP Awards will vest as in the case of a takeover.

To the extent that DSBP Options vest in accordance with the above provisions, they may be exercised for a period of one month and will otherwise lapse at the end of that period. To the extent that a participant already held vested DSBP Options, they may be exercised for a period of one month from the relevant event and will otherwise lapse at the end of that period.

Variation of capital

If there is a variation of share capital of Countrywide or, in the event of a demerger, payment of a special dividend, distribution or other corporate event which materially affects the market price of the Ordinary Shares, then the Remuneration Committee may make such adjustments as it considers appropriate to the number or class of Ordinary Shares under DSBP Awards.

Clawback

The Remuneration Committee may decide, within three years of the relevant DSBP Award vesting, that the DSBP Award will be subject to clawback, in its opinion, where there are exceptional circumstances. Such exceptional circumstances may include a material misstatement in the published results of the Group, misconduct on the part of the participant or where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the participant has caused wholly or in part a material loss for the Group as a result of: (i) reckless, negligent or wilful actions; or (ii) inappropriate values or behaviour. The clawback may be satisfied by way of a reduction in the amount of any future bonus, the vesting of any subsisting or future share awards and/or a requirement to make a cash payment.

Dividend equivalents

The Remuneration Committee may decide that participants will receive a payment (in cash and/or additional Ordinary Shares) equal in value to any dividends that would have been paid on the Ordinary Shares which vest under their DSBP Awards by reference to dividend record dates falling between the time when the DSBP Awards were granted and the time when the DSBP Awards vested or, if the Remuneration Committee so decides, such later time which shall not be later than the time when Ordinary Shares are issued or transferred to participants. This amount may assume the re-investment of dividends and may exclude or include special dividends.

Rights attaching to Ordinary Shares

DSBP Awards will not confer any rights on any employee holding such DSBP Awards until the relevant DSBP Conditional Award has vested or the relevant DSBP Option has been exercised and the employee in question has received the underlying Ordinary Shares. Any Ordinary Shares allotted when a DSBP Option is exercised or a DSBP Conditional Award vests will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date before their allotment).

Alternative settlement

At its discretion, the Remuneration Committee may decide to satisfy DSBP Awards with a cash payment equal to any gain that a participant would have made had the DSBP Awards been satisfied with Ordinary Shares in the usual manner.

Amendments

The Remuneration Committee may, at any time, amend the provisions of the DSBP in any respect, except that:

(i) the prior approval of Shareholders at a general meeting of Countrywide must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining an employee's entitlement to, and the terms of, Ordinary Shares provided under the DSBP, the adjustments that may be made in the event of any variation to the share capital of Countrywide and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the DSBP, to take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for employees, Countrywide and/or its subsidiaries; and

(ii) amendments to the material disadvantage of participants may only be made in respect of subsisting rights if such disadvantaged participants are invited to agree such amendment and the majority of those who respond consent to such amendment.

Overseas plans

The Remuneration Committee may, at any time, establish further plans for overseas territories, any such plan to be similar to the DSBP but modified to take account of local tax, exchange control or securities laws. Any Ordinary Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation in the DSBP.

9.3 SIP

The SIP was adopted by the Board on 18 March 2013 and approved by HMRC on 2 September 2013.

The SIP has been operated in the past but the Board does not currently intend to make further awards under it.

Status

The SIP is an all-employee share ownership plan. The SIP has been designed to comply with the relevant legislation and HMRC requirements in order to provide Ordinary Shares to UK employees under the SIP in a tax-efficient manner.

Under the SIP, eligible employees may be:

(i) awarded up to £3,600 worth of free Ordinary Shares ("**Free Shares**") each year;

(ii) offered the opportunity to buy Ordinary Shares with a value of up to the lower of £1,800 and 10 *per cent*. of the employee's pre-tax salary a year ("**Partnership Shares**");

(iii) given up to two free Ordinary Shares ("**Matching Shares**") for each Partnership Share bought; and/or

(iv) allowed or required to purchase Ordinary Shares using any dividends received on Ordinary Shares held in the SIP ("**Dividend Shares**").

The limits set out above are the current limits under the applicable SIP legislation. The Board may determine that different limits shall apply in the future should the relevant legislation change in this respect.

SIP Trust

The SIP operates through a UK-resident trust (the "**SIP Trust**"). The SIP Trust purchases or subscribes for shares that are awarded to or purchased on behalf of employees under the SIP.

An employee will be the beneficial owner of any Ordinary Shares held on his behalf by the trustee of the SIP Trust. Any Ordinary Shares held in the SIP Trust will rank equally with Ordinary Shares then in issue. If an employee ceases to be employed by the Group, he will be required to withdraw his Free, Partnership, Matching and Dividend Shares from the SIP Trust (or the Free Shares or Matching Shares may be forfeited as described below).

Eligibility

Each time that the Board decides to operate the SIP, all UK resident tax-paying employees (including Executive Directors) must be offered the opportunity to participate. Other employees may be permitted to participate. Employees invited to participate must have completed a minimum qualifying period of employment before they can participate. That period must not exceed 18 months or, in certain circumstances, six months.

Limits

The SIP may operate over new issue Ordinary Shares, treasury Ordinary Shares or Ordinary Shares purchased in the market.

The rules of the SIP provide that, in any period of 10 calendar years, not more than 10 *per cent*. of Countrywide's issued ordinary share capital may be issued under the SIP and under any other employees' share scheme adopted by Countrywide. Ordinary Shares issued out of treasury for the SIP will count towards this limit for so long as this is required under institutional shareholder guidelines. Ordinary Shares issued or to be issued pursuant to awards granted before Countrywide was listed on the London Stock Exchange and Ordinary Shares issued to any employee benefit trust before Countrywide was listed on the London Stock Exchange will not count towards this limit.

No awards of any Free, Partnership, Matching or Dividend Shares may be granted more than 10 years after the date the SIP was adopted.

Free Shares

Up to £3,600 worth of Free Shares may be awarded to each employee in a tax year. Free Shares must be awarded on the same terms to each employee, but the number of Free Shares awarded can be determined by reference to the employee's remuneration, length of service, number of hours worked and/or objective performance criteria. The award of Free Shares can, if Countrywide so chooses, be subject to the satisfaction of a pre-award performance target which measures the objective success of the individual, team, division or business.

There is a holding period of between three and five years (the precise duration to be determined by the Board) during which the employee cannot withdraw the Free Shares from the SIP Trust (or otherwise dispose of the Free Shares) unless the employee leaves employment with the Group.

At its discretion, the Board may provide that some or all of the Free Shares will be forfeited if the employee leaves employment with the Group other than in the circumstances of injury, disability, redundancy, transfer of the employing business or company out of the Group, on retiring, on death or based on such other reason as Countrywide may specify (each a "**SIP Good Leaver Reason**"). Forfeiture can only take place within three years of the Free Shares being awarded.

Partnership Shares

The Board may allow an employee to use pre-tax salary to buy Partnership Shares. The maximum limit is the lower of £1,800 or 10 *per cent*. of pre-tax salary in any tax year. If a minimum amount of deductions is set, it shall not be greater than £10. The salary allocated to Partnership Shares can be accumulated for a period of up to 12 months (the "**Accumulation Period**") or Partnership Shares can be purchased out of deductions from the employee's pre-tax salary when those deductions are made. In either case, Partnership Shares must be bought within 30 days of, as appropriate, the end of the Accumulation Period or the deduction from pay. If there is an Accumulation Period, the number of Ordinary Shares purchased shall be determined by reference to: (i) the market value of the Ordinary Shares at the start of the Accumulation Period; (ii) the market value of the Ordinary Shares at the acquisition date set by the trustee of the SIP Trust; or (iii) the lower of the two.

An employee may stop and start (or, with the agreement of Countrywide, vary) deductions at any time. Once acquired, Partnership Shares may be withdrawn from the SIP by the employee at any time (subject to the deduction of income tax and National Insurance contributions) and will not be capable of forfeiture.

Matching Shares

The Board may offer Matching Shares free to an employee who has purchased Partnership Shares. If awarded, Matching Shares must be awarded on the same basis to all employees up to a maximum of two Matching Shares for every Partnership Share purchased.

There is a holding period of between three and five years (the precise duration to be determined by the Board) during which the employee cannot withdraw the Matching Shares from the SIP Trust unless the employee leaves employment with the Group.

The Board can, at its discretion, provide that the Matching Shares will be forfeited if the associated Partnership Shares are withdrawn by the employee (other than on a corporate event or where the employee leaves employment with the Group for a SIP Good Leaver Reason) or if the employee leaves employment with the Group other than for a SIP Good Leaver Reason. Forfeiture can only take place within three years of the Matching Shares being awarded.

Re-investment of dividends

The Board may allow or require an employee to re-invest the whole or part of any dividends paid on Ordinary Shares held in the SIP. Dividend Shares must be held in the SIP Trust for three years, unless the employee leaves employment with the Group. Once acquired, Dividend Shares are not capable of forfeiture.

Corporate events

In the event of a general offer being made to Shareholders — or a similar takeover event taking place – during a holding period, employees will be able to direct the trustee of the SIP Trust as to how to act in relation to their Ordinary Shares held in the SIP. In the event of a corporate re-organisation, any Ordinary Shares held by employees may be replaced by equivalent shares in a new holding company.

Rights issue

Ordinary Shares acquired on a rights issue of Countrywide will usually be treated in the same way as the Ordinary Shares acquired or awarded under the SIP in respect of which the rights were conferred and as if they were acquired or awarded at the same time. In the event of a rights issue during a holding period, participants will be able to direct the trustee of the SIP Trust as to how to act in respect of their Ordinary Shares held in the SIP.

Rights attaching to Ordinary Shares

Any Ordinary Shares allotted under the SIP will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date before their allotment).

Amendments

The Board (with the consent of the trustees of the SIP Trust) may at any time amend the rules of the SIP.

The prior approval of Shareholders at a general meeting of Countrywide must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining an employee's entitlement to, and the terms of, Ordinary Shares provided under the SIP, the adjustments that may be made in the event of any variation to the share capital of Countrywide and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the SIP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for employees, Countrywide and/or its subsidiaries or the trustees of the SIP Trust.

Awards under the SIP are not pensionable.

Overseas plans

The Board may, at any time, establish further plans for overseas territories, any such plan to be similar to the SIP but modified to take account of local tax, exchange control or securities laws. Any Ordinary Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation in the SIP.

9.4 SAYE Plan

The SAYE Plan was adopted by the Board on 18 March 2013 and amended by the Board on 20 March 2018.

Status

The SAYE Plan is an all-employee share ownership plan. The SAYE Plan has been designed to comply with the relevant legislation and HMRC requirements in order to provide Ordinary Shares to UK employees under the SAYE Plan in a tax-efficient manner.

Under the SAYE Plan, the Board may within certain limits:

(i) grant UK tax-favoured options over Ordinary Shares to UK tax-resident eligible employees; and

(ii) at its discretion, grant options over Ordinary Shares to other eligible employees (the "**SAYE Options**"). No payment is required for the grant of an SAYE Option.

Eligibility

Each time that the Board decides to operate the SAYE Plan, all UK resident tax-paying employees (including Executive Directors) must be offered the opportunity to participate. Other employees may be permitted to participate at the discretion of the Board. The Board may require employees to have completed a qualifying period of employment of up to five years before granting SAYE Options.

Limits

The SAYE Plan may operate over new issue Ordinary Shares, treasury Ordinary Shares or Ordinary Shares purchased in the market.

The rules of the SAYE Plan provide that, in any period of 10 calendar years, not more than 10 *per cent.* of Countrywide's issued ordinary share capital may be issued under the SAYE Plan and under any other employees' share scheme adopted by Countrywide. Ordinary Shares issued out of treasury for the SAYE Plan will count towards these limits for so long as this is required under institutional shareholder guidelines. Ordinary Shares issued or to be issued pursuant to awards granted before Countrywide was listed on the London Stock Exchange and Ordinary Shares issued to any employee benefit trust before Countrywide was listed on the London Stock Exchange will not count towards these limits.

Grant of SAYE Options

The Board may, in its absolute discretion, issue invitations to eligible employees to apply for the grant of SAYE Options. Invitations may be issued during the period of 42 days following:

(i) the announcement of Countrywide's interim or final results for any period;

(ii) the announcement of a new prospectus for certified sharesave savings arrangements certified by HMRC; or

(iii) the announcement of amendments to be made to applicable sharesave legislation or the coming into force of such amendments.

Invitations may also be issued following a determination by the Board that exceptional circumstances have arisen which justify the issue of invitations outside the usual invitation periods. However, no invitation may be issued at any time if it would be unlawful or in breach of Regulation (EU) No.596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse as it is in force at the relevant time or any other regulation or guidance with which Countrywide complies.

If the Board receives applications for the grant of SAYE Options over Ordinary Shares which in aggregate exceed the number of Ordinary Shares which has been made available for the purpose of that issue of invitations, the applications will be scaled down accordingly.

No SAYE Options may be granted more than 10 years after the date when the SAYE Plan was adopted. SAYE Options are not transferable other than to the participant's personal representatives in the event of his death. The benefits received under the SAYE Plan are not pensionable.

It is a condition of participation in the SAYE Plan that an eligible employee enters into a savings contract under a "certified contractual savings scheme" (as defined in the relevant legislation) maturing after three or five years.

Ordinary Shares subject to an SAYE Option granted under the SAYE Plan may be acquired only out of the proceeds (including any interest or bonus) due under the related savings contract. The number of Ordinary Shares subject to an SAYE Option is that number which, at the exercise price per Ordinary Share under the SAYE Option, may be acquired out of the expected proceeds of the related savings contract (including any interest or bonus).

The minimum amount which an employee may save under a savings contract is currently £10 per month and the maximum amount is £500 per month pursuant to the applicable sharesave legislation. The Board may determine that different limits shall apply in the future subject to the relevant legislation.

Exercise price

An SAYE Option will entitle the holder to acquire Ordinary Shares at a price determined by the Board, which may not be less than the higher of:

(i) 80 *per cent*. of the price which an Ordinary Share might reasonably be expected to fetch on a sale in the open market; and

(ii) the nominal value of an Ordinary Share.

Exercise of SAYE Options

Options may normally only be exercised during the six-month period following the bonus date (being the third or fifth anniversary of the commencement of the related savings contract).

Cessation of employment

As a general rule, an SAYE Option will lapse immediately upon a participant ceasing to be employed by the Group. However, if a participant so ceases because of his injury, disability, redundancy, retirement, or his employing company or the business for which he works being transferred out of the Group, his SAYE Option will be exercisable for six months from the date of cessation to the extent of any savings made up to the point of exercise.

If a participant dies, his SAYE Option will be exercisable for 12 months from the extent of any savings made up to the point of exercise.

If SAYE Options are not so exercised, they will lapse at the end of the relevant period.

Corporate events

In the event of a change of control (by way of general offer) or an arrangement or compromise sanctioned by the Court, employees will be able to exercise their SAYE Options for six months from the date of the relevant event occurring. Alternatively, if, as a result of the change of control (by way of general offer) or an arrangement or compromise sanctioned by the Court, Ordinary Shares will no longer satisfy the relevant legislative requirements, SAYE Options may be exercised within 20 days following the change of control provided that they may not be exercised later than this date. If the Board reasonably expects a change of control event to occur, it may make arrangements permitting SAYE Options to be exercised during a period of 20 days ending with the date of such event.

If a resolution for voluntary winding up of Countrywide is passed, options may be exercised for 60 days following such resolution. If there is a compulsory acquisition to acquire the Shares, options remain exercisable at any time when a person is bound to acquire such Shares.

In the event of a corporate reorganisation, any SAYE Options held by employees over Ordinary Shares in Countrywide may be exchanged for equivalent options over shares in the new holding company provided certain conditions are met which ensure that such exchange is a “qualifying exchange” for the purposes of the applicable sharesave legislation.

Variation of capital

If there is a variation of share capital of Countrywide, or in the event of any capitalisation, rights issue, consolidation, subdivision or reduction, then the Board may make such adjustments as it considers appropriate to the number of Ordinary Shares under SAYE Option and the exercise price may be varied in such manner as the Board considers appropriate, provided that following any adjustment the Ordinary Shares shall continue to satisfy the conditions set out in the applicable sharesave legislation.

Rights attaching to Ordinary Shares

SAYE Options will not confer any rights on any employee holding such SAYE Options until the relevant SAYE Option has been exercised and the employee in question has received the underlying Ordinary Shares. Any Ordinary Shares allotted when an SAYE Option is exercised will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date before their allotment).

Amendments

The Board may at any time amend the rules of the SAYE Plan.

The prior approval of Shareholders at a general meeting of Countrywide must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining an employee’s entitlement to, and the terms of, Ordinary Shares provided under the SAYE Plan, the adjustments that may be made in the event of any variation to the share capital of Countrywide and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the SAYE Plan, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for employees, Countrywide and/or its subsidiaries.

Options are not pensionable.

Overseas plans

The Board may, at any time, establish further plans for overseas territories, any such plan to be similar to the SAYE Plan but modified to take account of local tax, exchange control or securities laws. Any Ordinary Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation in the SAYE Plan.

9.5 AGP

Subject to shareholders' approval of the Remuneration Resolutions at the General Meeting, the Remuneration Committee intends to implement the AGP, a new one-off long-term share plan. The intention is that a group of approximately 15 members of senior management including the Executive Directors, who will be critical to the performance of the business over the next three to four years, will be invited to participate in the AGP with the aim that they will share in any significant value created for shareholders in the form of market capitalisation growth above a pre-set threshold. This threshold hurdle is a compound annual growth in the market capitalisation of Countrywide of 15 *per cent*. a year over the performance period from the day on which dealings in New Ordinary Shares commence on the London Stock Exchange to 31 December 2021. The senior management team will share among them 10 *per cent*. of any value created above this hurdle, which will be paid in the form of shares at the end of the performance period which must then be held for a further two years. Countrywide's existing Executive Directors and senior management will participate in the AGP instead of the LTIP and hence will not receive new awards under the LTIP for 2019, 2020 or 2021.

Payments under the AGP will be capped by reference to no more than 5 *per cent*. of the total growth generated over the performance period, and by reference to an individual cap and the individual "sharing rate". All the Executive Directors will receive a maximum initial allocation of 15 *per cent*. of the absolute growth pool.

The Remuneration Committee will review and if necessary reduce any payments that vest at its discretion and each of the Executive Directors will be asked to acquire a shareholding of 200 *per cent*. of base salary before the end of the vesting period. Base salary for these purposes will be the annual base salary at the start of the performance period. Assessment of the relevant Executive Director's compliance with the shareholding requirement will be assessed at the end of the performance period using the share price at that time. Awards will vest at the end of the performance period and must be retained for up to two years post vesting even if employment ceases and will be subject to potential malus and clawback, the triggers for which include misstatement of the accounts or any other statement to shareholders, misconduct, any errors in calculation, serious reputational damage and liquidation/administration of the business in the three-year period following the vesting of the awards.

Type of award

The intention is that the payments from the pool will ultimately be settled in shares. Awards will be structured as nil-cost share options awarded after the end of the performance period (i.e. in early 2022).

The intention is that awards would be settled through the employee benefit trust in due course, although they could alternatively be settled with newly issued or market purchased shares.

Eligibility

All Countrywide employees will be eligible to receive awards under the AGP. In practice though, participation will be limited to Countrywide's most senior executives as approved by the Remuneration Committee.

Timing of invitations and awards

The invitations to participate are expected to be made:

- within six weeks following the General Meeting; or
- when exceptional circumstances exist (e.g. for a new joiner or senior promotee).

No invitations may be granted more than two years after the establishment of the AGP without Shareholder approval.

Awards of shares will be made after the end of the performance period.

Aggregate limits

The incentive pool value will be limited to no more than 5 *per cent*. of the total value created, calculated as the growth in market capitalisation from the start to the end of the performance period.

Individual limits

The incentive pool value will be allocated to individuals at the discretion of the Remuneration Committee. The intention is that no individual will initially be allocated more than 15 *per cent*. of the total incentive pool. Any unallocated incentive pool (either as a result of under allocation at the outset of the plan or following a lapse from an existing participant) may be reallocated at the Remuneration Committee's discretion.

The overall individual award level will be limited to a multiple of base salary per individual. Base salary for these purposes will be the annual base salary at the start of the performance period. For Executive Directors the maximum value of the plan will be no more than 18 times annual base salary. For those individuals who are not Executive Directors the maximum value of the plan will be no more than 12 times annual base salary. For these purposes, annual base salary used to determine this individual cap will be the annual base salary at the start of the performance period. This individual cap will be calculated when awards vest (and not when they are exercised).

Dilution limits

Awards may be granted over unissued or existing shares.

In respect of awards granted over unissued shares, a dilution limit of 10 *per cent*. of Countrywide's issued ordinary share capital in any 10-year period would apply to the AGP and any other employees' share plan operated by Countrywide.

A further 5 *per cent*. in 10 years dilution limit will operate for discretionary share plans.

Awards which lapse will cease to count towards the limit. Awards over existing/market purchase shares will not count towards the limit. Shares issued pursuant to awards granted before Countrywide was listed on the London Stock Exchange will not count towards these limits. Treasury shares will count as new issue shares for the purpose of these dilution limits in line with the current Investment Association guidelines.

Vesting of awards

Awards will vest following the end of the performance period, subject to satisfaction of the performance conditions and continued service.

Awards may be made on the basis that participants are obliged to meet the employer's liability to pay National Insurance contributions.

Exercise of awards

Awards are expected to be structured as nil-cost options and will be exercisable to the extent that they have vested for up to 10 years from the date of award. A shorter 12-month exercise window will apply for good leavers.

Holding period

Awards will be subject to a two-year post vesting holding period, during which the participants will not be permitted to sell their shares, irrespective of their employment status.

Performance period

The period commencing with the day on which dealings in New Ordinary Shares commence on the London Stock Exchange and ending on 31 December 2021.

Performance Condition: Calculation of Absolute Growth Pool

The value of the "incentive pool" is calculated as a fixed percentage of the value created above a pre-determined hurdle value.

The incentive pool will not begin to accrue until the market capitalisation of Countrywide has increased by a compound annual growth rate (CAGR) of 15 *per cent.* over the performance period. Thereafter the incentive pool is created by 10 *per cent*. of any additional value created, subject to the aggregate cap of no more than 5 *per cent*. of the total value created (being the difference between the end market capitalisation and the starting market capitalisation).

For the purposes of calculating the end market capitalisation to be used to determine the incentive pool, the value of the incentive pool itself is deducted and any dividends paid to Shareholders during the performance period will be added.

To reduce the impact of short-term volatility the market capitalisation at the start and end of the performance period will be calculated using a three month average. For the starting market capitalisation this will be the three month period starting on the day on which dealings in New Ordinary Shares commences on the London Stock Exchange. For the end market capitalisation this will be the three month period ending on the last day of the performance period (e.g. 1 October 2021 to 31 December 2021). For these purposes, the average will be calculated over all dealing days in the respective averaging period.

The Remuneration Committee will have discretion to vary performance conditions within the performance period for corporate activity to keep measures relevant and fair.

The Remuneration Committee will have the discretion to review and if necessary reduce any formulaic payments for individuals which it feels are not reflective of the underlying financial performance of the business over the performance period. In practice, this would involve a broad review of performance, to ensure that the market capitalisation of the business at the end of the performance period is supported by financial and operational achievements.

Leaver provisions

Normally if a participant leaves the Group or is under notice at the end of the performance period, his or her participation in the AGP will cease.

In normal circumstances, if a participant leaves employment, for any reason, within the first 24 months of the performance period, he or she will receive no payment under the plan.

After the first 24 months, in “good leaver” situations (such as death, injury, ill-health, disability, statutory redundancy or otherwise in the Remuneration Committee’s discretion) participation in the AGP will continue and the award will vest at the normal vesting date subject to Countrywide’s performance but with a *pro rata* reduction in value to reflect the shortened length of service. The Remuneration Committee may also decide to accelerate the delivery of value in the event of death, subject to performance and time pro-rating.

The rules allow the Remuneration Committee to waive time pro-rating for a “good leaver” in its discretion where appropriate.

In exceptional circumstances, if a participant leaves employment in one of the “good leaver” situations after the first 12 months of the performance period, the Remuneration Committee may, in its discretion, determine that participation in the AGP will continue and the award will vest in accordance with the good leaver provisions summarised above.

Corporate events

In the event of a takeover or winding up of Countrywide, awards will be granted and will vest immediately, subject to time pro-rating and measurement of performance conditions at the time of the event (rather than at 31 December 2021). The Remuneration Committee will retain a discretion, to vary or waive time pro-rating on a takeover if considered appropriate. There is no discretion to waive performance conditions. For an internal reconstruction it is expected that awards will be granted and will roll-over into awards over shares in the new entity.

If a demerger, special dividend or other corporate event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Ordinary Shares to a material extent and it is not appropriate or practicable to adjust the number or class of Ordinary Shares under AGP awards, the Remuneration Committee may decide that awards will vest as in the case of a takeover.

In other cases of a change in the capital structure (e.g. a rights issue or placing) the Remuneration Committee will have the normal ability to make necessary amendments to awards and to the plan, including the performance condition, to ensure they remain appropriate and are no less challenging than those originally set but for the event in question.

Malus and clawback and overarching discretion

Malus and clawback provisions will be included for withholding or recovery of value from awardholders in specific circumstances. The triggers for malus and clawback will be:

- individual misconduct;
- material restatement of accounts or any other statements to shareholders;
- error in calculating award levels, achievement of performance conditions and/or vesting of awards;
- material reputational damage to Countrywide; and
- corporate failure (e.g. administration, insolvency or liquidation of Countrywide).

Malus may be effected by reducing the amount which will be subject to an AGP award (or the number of shares subject to an unvested AGP award). Clawback may be satisfied by way of a reduction in the amount of future salary and/or bonuses, the vesting of any subsisting or future share awards and/or a requirement to make a cash payment.

The period for application of clawback will be up to three years from the date of vesting.

Dividend equivalents

The Remuneration Committee may decide that participants will receive a payment (in cash and/or additional Ordinary Shares) equal in value to any dividends that would have been paid on the Ordinary Shares which vest under their AGP awards by reference to dividend record dates falling between the time when the AGP awards vested and the time when they were exercised. This amount may assume the re-investment of dividends and may exclude or include special dividends.

Rights

Share awards issued under the AGP will, on exercise, rank equally in all respects with other shares in issue. A participant shall not be entitled to vote, receive any dividends or have any other rights until shares are issued or transferred to the participant.

General

Awards are not pensionable.

The Remuneration Committee will retain standard powers to vary performance conditions within the performance period for corporate activity to keep measures relevant and fair.

Any change to the AGP which is to the advantage of participants would require Shareholder approval at a general meeting. The Remuneration Committee can change the plan without shareholder approval in relation to administrative changes, to comply with tax, regulatory, legislative or exchange control changes.

10. INTERESTS OF PERSONS INVOLVED IN THE ISSUE

The interests of the Directors in the issued share capital of Countrywide are set out in section 4.5 of this Part.

No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by any member of the Group during the current or immediately preceding financial year or which was effected during any earlier financial year and remains in any respect outstanding or unperformed.

11. MAJOR HOLDERS OF INTERESTS IN COUNTRYWIDE'S SHARE CAPITAL

As at the Reference Date, and so far as is known to Countrywide by virtue of the notifications made to it pursuant to the Companies Acts and/or the Disclosure Guidance and Transparency Rules, the name of each person (other than any Director) who, directly or indirectly, is interested in 3 *per cent.* or more of Countrywide's share capital, is set out below:

Name	Ordinary Shares	% of voting rights
Oaktree Capital Management	71,696,855	30.13
Brandes Investment Partners	37,264,920	15.66
Investec Asset Management	22,214,579	9.33
Jupiter Asset Management	16,293,401	6.85
Harris Associates LP	11,462,622	4.82
Hosking Partners LLP	7,936,725	3.33

The number of Ordinary Shares and/or the percentage of voting rights held by each of the above may change as a result of the Issue.

None of the major Shareholders in Countrywide has different voting rights.

Oaktree Capital Management is a controlling shareholder within the definition set out in the Listing Rules. Countrywide has entered into the Relationship Agreement with the Oaktree Affiliates under which it has agreed to comply with certain independence provisions.

12. RELATED PARTY TRANSACTIONS

There are no material related party transactions other than as discussed elsewhere in this document.

13. PRINCIPAL SUBSIDIARIES

The following is a list of Countrywide's significant subsidiaries as at the Reference Date. Each of the significant subsidiaries listed below is incorporated in England and Wales, except where otherwise indicated.

Subsidiary	Nature of business	% of ordinary shares held by the Group
Countrywide Group plc	Holding company	100
Balanus Limited	Holding company	100
Countrywide Estate Agents	**UK** / Estate agency and lettings	100
Hamptons Group Limited	**London** / Holding company	100
Lambert Smith Hampton Limited	**B2B** / Holding company	100
Lambert Smith Hampton (NIreland) Limited	**B2B** / Property consultancy	100
Lambert Smith Hampton Limited (*incorporated in the Republic of Ireland*)	**B2B** / Property consultancy	100
Lambert Smith Hampton Group Limited	**B2B** / Property consultancy	100
Countrywide Surveyors Limited	**B2B** / Surveying services	100
Countrywide Property Lawyers Limited	**B2B** / Conveyancing services	100
TitleAbsolute Limited	**B2B** / Conveyancing services	100
Countrywide Principal Services Limited	**FS** / Financial services	100
The Buy To Let Business Limited	**FS** / Financial services	51
JAM Advisors Limited (trading as "Mortgage Bureau")	**FS** / Financial services	100
Slater Hogg Mortgages Limited	**FS** / Financial services	100
Mortgage Intelligence Limited	**FS** / Financial services	100
Mortgage Next Limited	**FS** / Financial services	100
Capital Private Finance Limited	**FS** / Financial services	100
Life and Easy Limited	**FS** / Financial services	100

14. INTERESTS IN JOINT VENTURE

At 30 June 2018, the Group had a 33 *per cent.* interest in the ordinary share capital of TMG, a UK company. TMG has share capital consisting of ordinary shares and deferred shares and is a private company with no quoted market price available for its shares. TMG provides 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 supplies IT applications and products to UK mortgage lenders.

At 30 June 2018, the Group had a 49 *per cent.* interest in the ordinary share capital of Dynamo Mortgages Limited, trading as Dynamo, a UK company. Dynamo is a private company with no quoted market price available for its shares. Dynamo is a direct to consumer digital mortgage offering that the Group recently developed and launched with its joint venture partner Blenheim Chalcott. The first few mortgages have been written by Dynamo in H1 2018.

15. ARTICLES OF ASSOCIATION

The Articles of Association, which were adopted on 19 March 2013, contain (among others) provisions to the following effect:

15.1 Unrestricted objects

The objects of Countrywide are unrestricted.

15.2 Limited liability

The liability of Countrywide's members is limited to any unpaid amount on the shares in Countrywide held by them.

15.3 Change of name

The Articles of Association allow Countrywide to change its name by resolution of the Directors. This is in addition to Countrywide's statutory ability to change its name by special resolution under the Companies Acts.

15.4 Share rights

Subject to the Companies Acts, any resolution passed by Countrywide under the Companies Acts and any rights attaching to existing shares, shares may be issued with such rights and restrictions as Countrywide may by ordinary resolution decide, or (if there is no such resolution or no specific provisions are made) as the Board may decide. These rights and restrictions will apply as if they were set out in the Articles of Association. Redeemable shares may be issued. The Directors can decide on the terms and conditions and the manner of redemption of any redeemable shares. These terms and conditions will apply as if they were set out in the Articles of Association. Subject to the Articles of Association, the Companies Acts, any resolution passed by Countrywide and rights attaching to existing shares, the shares in Countrywide are at the disposal of the Board.

15.5 Voting rights

Shareholders will be entitled to vote at a general meeting or class meeting, whether on a show of hands or a poll, as provided in the Companies Acts. The Companies Act 2006 provides that:

(i) on a show of hands every member present in person has one vote and every proxy present who has been duly appointed by one or more members will have one vote, except that a proxy has one vote for and one vote against if the proxy has been duly appointed by more than one member and the proxy has been instructed by one or more members to vote for and by one or more other members to vote against. For this purpose, the Articles of Association provide that, where a proxy is given discretion as to how to vote on a show of hands, this will be treated as an instruction by the relevant shareholder to vote in the way that the proxy decides to exercise that discretion; and

(ii) on a poll every member has one vote per share held by him and he may vote in person or by one or more proxies. Where he appoints more than one proxy, the proxies appointed by him taken together shall not have more extensive voting rights than he could exercise in person.

This is subject to the Articles of Association and any rights or restrictions which are given to any shares or on which shares are held.

If more than one joint shareholder votes (including voting by proxy), the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the share.

15.6 Restrictions

Unless the Board decides otherwise, no member shall be entitled to attend or vote at any general meeting, or to exercise any other right conferred by membership in relation to general meetings or polls in respect of any share held by him, if any call or other sum then payable by him in respect of that share remains unpaid or if a member has been served with a restriction notice (as defined in the Articles of Association) which restricts such voting or other rights after failure to provide Countrywide with information concerning interests in those shares required to be provided under the Companies Acts.

15.7 Dividends and other distributions

Countrywide may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Acts, the Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of Countrywide, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable to holders of shares with preferred or *pari passu* rights for losses arising from the payment of interim or fixed dividends on other shares.

The Board may withhold payment of all or any part of any dividends or other monies payable in respect of Countrywide's shares from a person with a 0.25 *per cent.* interest (as defined in the Articles of Association) if such a person has been served with a restriction notice (as defined in the Articles of Association) which restricts such voting or other rights after failure to provide Countrywide with information concerning interests in those shares required to be provided under the Companies Acts.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the share during any portion of the period in respect of which the dividend is paid. Except as set out above, dividends may be declared or paid in any currency.

The Board may, if authorised by an ordinary resolution of Countrywide, offer shareholders (excluding any member holding shares as treasury shares) in respect of any dividend the right to elect to receive Ordinary Shares by way of scrip dividend instead of cash.

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and revert to Countrywide.

Countrywide may stop sending cheques, warrants or similar financial instruments in payment of dividends by post in respect of any shares, or may cease to employ any other means of payment, including payment by means of a relevant system, for dividends if: (i) at least two consecutive payments have remained uncashed or are returned undelivered or the given means of payment has failed; or (ii) one payment remains uncashed or is returned undelivered or the given means of payment has failed and reasonable enquiries have failed to establish any new postal address or account of the holder. Countrywide must resume sending dividend cheques, warrants or similar financial instruments or employing that means of payment if the holder requests such resumption in writing.

15.8 Variation of rights

Subject to the Companies Acts, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting (except an adjourned meeting), the quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares).

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

15.9 Transfer of shares

The shares are in registered form. Any shares in Countrywide may be held in uncertificated form and, subject to the Articles of Association, title to uncertificated shares may be transferred by means of a relevant system. Provisions of the Articles of Association do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form or with the transfer of shares by means of a relevant system.

Any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer must be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee.

The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register.

The Board can decline to register any transfer of any share which is not a fully paid share. The Board may also decline to register a transfer of a certificated share, unless the instrument of transfer:

(i) is duly stamped or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;

(ii) is in respect of only one class of share; and

(iii) if to joint transferees, is in favour of not more than four such transferees.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles of Association) which restricts such transfer where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may decline to register a transfer of any of Countrywide's certificated shares by a person with a 0.25 *per cent.* interest (as defined in the Articles of Association) if such a person has been served with a restriction notice (as defined in the Articles of Association) after failure to provide Countrywide with information concerning interests in those shares required to be provided under the Companies Acts, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles of Association).

15.10 Sub-division of share capital

Any resolution authorising Countrywide to sub-divide any of its shares can provide that, as between the shares resulting from the sub-division, any of them may have any preference, advantage or deferred or other right, or be subject to any restriction, as compared with the others.

15.11 General meetings

The Articles of Association rely on the provisions dealing with the calling of general meetings in the Companies Acts. The Companies Act 2006 provides that a general meeting (other than an adjourned meeting) must be called by notice of at least 21 clear days in the case of an annual general meeting and at least 14 clear days in any other case. Notice of a general meeting must be given in hard copy form, in electronic form, or by means of a website and must be sent to every member and every Director. It must state the time and date and the place of the meeting and the general nature of the business to be dealt with at the meeting. A notice calling an annual general meeting must state that the meeting is an annual general meeting.

Each Director shall be entitled to attend and speak at any general meeting. The chairman of the meeting may invite any person to attend and speak at any general meeting where he considers that this will assist in the deliberations of the meeting.

15.12 Directors

(A) Number of Directors

The Directors shall be not less than two and not more than 15 in number. Countrywide may by ordinary resolution vary the minimum and/or maximum number of Directors.

(B) Directors' shareholding qualification

A Director shall not be required to hold any shares in Countrywide.

(C) Appointment of Directors

Directors may be appointed by Countrywide by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next following annual general meeting of Countrywide and is then eligible for reappointment.

The Board or any committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

(D) Retirement of Directors

At every annual general meeting of Countrywide any Director who has been appointed by the Board since the last annual general meeting, or who held office at the time of the two preceding annual general meetings and who did not retire at either of them, or who has held office with Countrywide, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer himself for reappointment by the members.

(E) Removal of Directors by special resolution

Countrywide may by special resolution remove any Director before the expiration of his period of office.

(F) Vacation of office

The office of a Director shall be vacated if:

(i) he resigns or offers to resign and the Board resolves to accept such offer;

(ii) his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number;

(iii) he is or has been suffering from mental or physical ill-health and the Board resolves that his office be vacated;

(iv) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated;

(v) he becomes bankrupt or compounds with his creditors generally;

(vi) he is prohibited by law from being a Director;

(vii) he ceases to be a Director by virtue of the Companies Acts; or

(viii) he is removed from office pursuant to the Articles of Association.

If the office of a Director is vacated for any reason, he must cease to be a member of any committee or sub-committee of the Board.

(G) Alternate Directors

Any Director may appoint any person to be his alternate and may at his discretion remove such an alternate Director. If the alternate Director is not already a Director, the appointment, unless previously approved by the Board, shall have effect only upon and subject to being so approved.

(H) Proceedings of the Board

Subject to the provisions of the Articles of Association, the Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be two. A meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions vested in or exercisable by the Board.

The Board may appoint a Director to be the chairman or a deputy chairman and may at any time remove him from that office. Questions arising at any meeting of the Board shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

All or any of the members of the Board may participate in a meeting of the Board by means of a conference telephone or any communications equipment which allows all persons participating in the meeting to speak to and hear each other. A person so participating shall be deemed to be present at the meeting and shall be entitled to vote and to be counted in the quorum.

The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee, consisting of such person or persons as it thinks fit, provided that the majority of persons on any committee or sub-committee must be Directors. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in the Articles of Association for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board.

(I) Remuneration of Directors

Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board, but the aggregate of all such fees so paid to the Directors shall not exceed £2,000,000 *per annum* or such higher amount as may from time to time be decided by ordinary resolution of Countrywide. Any Director who is appointed to any executive office shall be entitled to receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may decide, either in addition to or in lieu of his remuneration as a Director. In addition, any Director who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a Director, may be paid such extra remuneration as the Board or any committee authorised by the Board may determine. Each Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board, or committees of the Board or of Countrywide or any other meeting which as a Director he is entitled to attend, and shall be paid all other costs and expenses properly and reasonably incurred by him in the conduct of Countrywide's business or in the discharge of his duties as a Director. Countrywide may also fund a Director's or former Director's expenditure and that of a Director or former Director of any holding company of Countrywide for the purposes permitted under the Companies Acts and may do anything to enable a Director or former Director, or a Director or former Director of any holding company of Countrywide, to avoid incurring such expenditure, as provided in the Companies Acts.

(J) Pensions and gratuities for Directors

The Board or any committee authorised by the Board may exercise the powers of Countrywide to provide benefits either by the payment of gratuities or pensions or by insurance or in any other manner for any Director or former Director or his relations, dependants or persons connected to him, but no benefits (except those provided for by the Articles of Association) may be granted to or in respect of a Director or former Director who has not been employed by, or held an executive office or place of profit under, Countrywide or any of its subsidiary undertakings or their respective predecessors in business without the approval of an ordinary resolution of Countrywide.

(K) Directors' interests

The Board may, subject to the provisions of the Articles of Association, authorise any matter which would otherwise involve a Director breaching his duty under the Companies Acts to avoid conflicts of interest. Where the Board gives authority in relation to a conflict of interest, or where any of the situations described in (i) to (v) below applies in relation to a director, the Board may: (a) require the relevant Director to be excluded from the receipt of information, the participation in discussion and/or the making of decisions related to the conflict of interest or situation; (b) impose upon the relevant Director such other terms for the purpose of dealing with the conflict of interest or situation as it may determine; and (c) may provide that the relevant Director will not be obliged to disclose information obtained otherwise than through his position as a Director and that is confidential to a third party or to use or apply the information in relation to Countrywide's affairs, where to do so would amount to a breach of that confidence. The Board may revoke or vary such authority at any time.

Subject to the provisions of the Companies Acts, and provided he has declared the nature and extent of his interest to the Board as required by the Companies Acts, a Director may:

(i) be party to, or otherwise interested in, any contract with Countrywide or in which Countrywide has a direct or indirect interest;

(ii) hold any other office or place of profit with Countrywide (except that of auditor) in conjunction with his office of Director for such period and upon such terms, including remuneration, as the Board may decide;

(iii) act by himself or through a firm with which he is associated in a professional capacity for Countrywide or any other company in which Countrywide may be interested (otherwise than as auditor);

(iv) be or become a Director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of Countrywide or any other company in which Countrywide may be interested; and

(v) be or become a Director of any other company in which Countrywide does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a Director of that other company.

A Director shall not, by reason of his office, be liable to account to Countrywide or its members for any benefit realised by reason of having an interest permitted as described above or by reason of having a conflict of interest authorised by the Board, and no contract shall be liable to be avoided on the grounds of a Director having any such interest.

(L) Restrictions on voting

No Director may vote on or be counted in the quorum in relation to any resolution of the Board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with Countrywide or any other company in which Countrywide is interested save to the extent permitted specifically in the Articles of Association.

Subject to certain exceptions set out in the Articles of Association, no Director may vote on, or be counted in a quorum in relation to, any resolution of the Board in respect of any contract in which he has an interest and, if he does so, his vote shall not be counted.

Subject to the Companies Acts, Countrywide may by ordinary resolution suspend or relax to any extent the provisions relating to Directors' interests or the restrictions on voting, or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(M) Borrowing and other powers

Subject to the Articles of Association, the Companies Acts and any directions given by Countrywide by special resolution, the business of Countrywide will be managed by the Board who may exercise all the powers of Countrywide, whether relating to the management of the business of Countrywide or not. In particular, the Board may exercise all the powers of Countrywide to borrow money, to guarantee, to indemnify, to mortgage or charge any of its undertakings, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of Countrywide or of any third party. The Board must restrict the borrowings of Countrywide and exercise all voting and other rights or powers of control exercisable by Countrywide in relation to its subsidiary undertakings so as to secure that no money is borrowed if the total amount of the group's borrowings (as defined in the Articles of Association) then exceeds or would as a result of such borrowing exceed three times Countrywide's adjusted capital and reserves (as defined in the Articles of Association). However, the shareholders may pass an ordinary resolution allowing borrowings to exceed such limit.

(N) Indemnity of Directors

To the extent permitted by the Companies Acts, Countrywide may indemnify any Director or former Director of Countrywide or any associated company against any liability and may purchase and maintain for any Director or former Director of Countrywide or any associated company insurance against any liability.

15.13 Methods of service and communications with Shareholders

Any notice, document (including a share certificate) or other information may be served on or sent or supplied to any Shareholder by Countrywide personally, by post, by means of a relevant system, by sending or supplying it in electronic form to an address notified by the Shareholder to Countrywide for that purpose, where appropriate, by making it available on its website and notifying the Shareholder of its availability, or by any other means authorised in writing by the Shareholder.

Countrywide has served notice on its existing Shareholders of its intention to communicate with them via its website and has sought their acceptance to communicate with them by way of other electronic means.

16. TAKEOVER BIDS

16.1 Mandatory bids

The City Code applies to Countrywide. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of an acquirer and its concert parties to an interest in Ordinary Shares carrying 30 *per cent.* or more of the voting rights in Countrywide, the acquirer and, depending upon the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding Ordinary Shares in Countrywide at a price not less than the highest price paid for the Ordinary Shares in Countrywide by the acquirer or its concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30 *per cent.* to 50 *per cent.* of the voting rights in Countrywide if the effect of such acquisition were to increase that person's percentage of the voting rights.

16.2 Squeeze-out

Under the Companies Act 2006, if an offeror were to acquire, or unconditionally contract to acquire, 90 *per cent.* of the shares in Countrywide to which the offer relates and 90 *per cent.* of the voting rights attached to those shares, within three months of the last day on which its offer can be accepted, it could compulsorily acquire the remaining 10 *per cent.* of the shares in Countrywide. The offeror would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to Countrywide, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.

16.3 Sell-out

The Companies Act 2006 would also give minority Shareholders in Countrywide a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 *per cent.* of the Ordinary Shares to which the offer related, any holder of shares to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

16.4 Takeover bids

No public takeover bid has been made in relation to Countrywide during the last financial year or the current financial year.

17. MATERIAL CONTRACTS

17.1 Relationship Agreement

Countrywide entered into the Relationship Agreement on 19 March 2013 with (among others) the Oaktree Affiliates which regulates (in part) the degree of control that the Oaktree Affiliates and their associates may exercise over the management of Countrywide. The principal purpose of the Relationship Agreement is to ensure that Countrywide is capable at all times of carrying on its business independently of the Oaktree Affiliates.

The Relationship Agreement will continue, in respect of each Oaktree Affiliate, until: (i) it ceases to be a significant shareholder in Countrywide; or (ii) the Oaktree Affiliate is in material breach of the Relationship Agreement and Countrywide serves a notice to terminate the Relationship Agreement. For these purposes, a "significant shareholder" is any person who holds an interest, either directly or indirectly, in 10 *per cent*. or more of the aggregate voting rights in Countrywide.

The Relationship Agreement regulates the continuing relationship between each of the Oaktree Affiliates and Countrywide. In particular:

(i) the Oaktree Affiliates have the right to nominate one person to be their Representative Director on the Board of Countrywide, and such Representative Director may be paid (either directly or via a management or services company) reasonable fees and expenses in respect of the performance of that Representative Director's duties as a Director;

(ii) a Representative Director shall not be entitled to participate in any meeting of the Board or discussions of the Board where the matter being considered presents a conflict between the interests of Countrywide and the Oaktree Affiliates. The Independent Board shall be responsible for determining, in cases of doubt, whether a conflict of interest exists;

(iii) neither the Representative Director of the Oaktree Affiliates nor the Oaktree Affiliates themselves shall receive any information relating to any matter where a conflict of interest may arise;

(iv) the Oaktree Affiliates agree, so far as they are reasonably able to procure the same, to ensure that:

   (a) all shareholders of Countrywide are treated equally;

   (b) the independence of the Board is maintained; and

   (c) Countrywide shall be capable of carrying on its business independently of the Oaktree Affiliates;

(v) all agreements, transactions and relationships between the Oaktree Affiliates and the Group will be conducted on arm's length and normal commercial terms;

(vi) the Oaktree Affiliates agree that they shall not take any action which precludes or inhibits Countrywide from carrying on its business for the benefit of Countrywide's shareholders as a whole and that they shall not influence the day to day running of Countrywide at an operational level or hold or acquire a material shareholding in any of Countrywide's subsidiaries; and

(vii) the Oaktree Affiliates shall not acquire Ordinary Shares without the consent of the Independent Board, if it is reasonable to expect that such acquisition will require a mandatory offer under the City Code.

Countrywide shall provide such co-operation, information and assistance as the Oaktree Affiliates may reasonably request in relation to a proposed divestment of the Oaktree Affiliates' Ordinary Shares.

17.2 Amended Credit Facility Agreement

Countrywide and Countrywide Group plc (as "**Borrowers**") and various members of the Group (the "**Guarantors**" and, together with the Borrowers, the "**Obligors**") entered into an amendment, extension and restatement of the Previous Credit Facility Agreement with a syndicate of banking institutions that took effect on 2 August 2018.

The £275.0 million Amended Credit Facility Agreement contains a mandatory prepayment and cancellation provision under which the proceeds of the Issue will be used to prepay the Amended Credit Facility and the commitments shall be partially cancelled, so that they are reduced by the lesser of:

(i) £150.0 million; and

(ii) £25.0 million plus the gross proceeds from the Issue, (the "**Mandatory Cancellation**"). On the basis that the gross proceeds of the Issue are expected to be £140 million, the Mandatory Cancellation is expected to be £150 million.

Provided that the Mandatory Cancellation is made before 30 September 2018, the Amended Credit Facility will last for a term of four years thereafter and expire on 30 September 2022.

However, if the Issue has not taken place by 30 September 2018 (for any one of a variety of reasons specified in the Amended Credit Facility Agreement), or if the gross proceeds of the Issue are otherwise less than £100.0 million, Countrywide will enter into a 10 Business Day consultation with its lenders regarding the continuation of the facilities.

Following the end of that consultation period, the majority lenders may notify Countrywide that they require the Amended Credit Facility to be prepaid and cancelled, such notice to be given within 10 Business Days of the end of the consultation period. If such notice has been provided, the Amended Credit Facility must be prepaid and cancelled in full by no later than 5 Business Days from the date of that notice.

However, provided that the Issue takes place, the Board is confident that the gross proceeds will exceed £100.0 million as the Issue is fully underwritten by the Joint Bookrunners on the terms and subject to the conditions to the Underwriting Agreement.

The interest rate under the Amended Credit Facility is LIBOR plus the applicable margin. The margin under the Amended Credit Facility Agreement is dependent on the leverage ratio of Countrywide:

Leverage ratio (Covenant net debt to Covenant Adjusted EBITDA)	**Margin (% *per annum*)**
Greater than 6.00x	6.00
Greater than 5.00x but equal to or less than 6.00x	5.50
Greater than 4.50x but equal to or less than 5.00x	5.00
Greater than 4.00x but equal to or less than 4.50x	4.25
Greater than 3.50x but equal to or less than 4.00x	3.75
Greater than 3.00x but equal to or less than 3.50x	3.25
Greater than 2.50x but equal to or less than 3.00x	3.00
Greater than 2.00x but equal to or less than 2.50x	2.50
Greater than 1.00x but equal to or less than 2.00x	2.00
Equal to or less than 1.00x	1.75

The obligations of the Group under the Amended Credit Facility are secured. The lenders have the benefit of an all asset English law debenture in respect of the assets of each Obligor, which includes a fixed charge in respect of the shares in each Guarantor. The lenders also have the benefit of guarantees from the Obligors. The Guarantors must compromise 90 *per cent*. of consolidated gross assets, consolidated revenue and consolidated Covenant Adjusted EBITDA of the Group (excluding FCA regulated subsidiaries) at all times. Each material company of the Group (other than FCA regulated subsidiaries) must become a Guarantor (a material company is one that has gross assets, revenues or Covenant Adjusted EBITDA constituting 5 *per cent*. or greater of the consolidated assets, revenues or Covenant Adjusted EBITDA of the Group). In addition, Countrywide Principal Services Limited (an FCA regulated subsidiary) is a guarantor and must remain so for so long as it is a material company (subject to release on certain regulatory events).

The Amended Credit Facility Agreement restricts the manner in which the Group's business is conducted, including the incurrence of additional indebtedness, creation of additional security, restriction on disposals and restriction on large acquisitions. The Amended Credit Facility Agreement contains the following financial covenants in relation to leverage and interest cover ratios:

(i) Leverage ratio (Covenant net debt to Covenant Adjusted EBITDA)[(1)]

Test date	Leverage ratio
31 December 2018	5.25x
31 March 2019	5.00x
30 June 2019	6.00x
30 September 2019	4.75x
31 December 2019	4.25x
31 March 2020	4.00x
30 June 2020	3.50x
30 September 2020	2.75x
Test Dates on and after 31 December 2020	2.50x

(1) The leverage ratio covenant in the Amended Credit Facility Agreement varies depending on the value of the gross proceeds of the Issue. The table is set out on the basis that the gross proceeds of the Issue are £140 million.

(ii) Interest cover ratio (Covenant Adjusted EBITDA to net interest payable)

Test date	Interest cover ratio
31 December 2018	2.00x
31 March 2019	2.75x
30 June 2019	2.75x
30 September 2019	3.50x
31 December 2019	4.00x
31 March 2020	4.50x
Test Dates on and after 30 June 2020	5.00x

These financial covenants are to be tested quarterly until Countrywide has had a leverage ratio of less than 2.50x on two consecutive test dates. Subsequent to this, the financial covenants will be tested semi-annually on 30 June and 31 December. The Amended Credit Facility Agreement also prohibits Countrywide from declaring or paying any dividends unless Countrywide has had a leverage ratio of less than 2.00x on the two most recent test dates (once adjusted *pro forma* to take account of the relevant dividend).

The Amended Credit Facility Agreement contains customary conditions precedent, representations, covenants, events of default and prepayment events. The Amended Credit Facility Agreement also provides that if the Group experiences an event treated as 'a change of control', then any lender may cancel its commitments and require the repayment of its participations in all outstanding utilisations.

17.3 Underwriting Agreement

Countrywide and the Joint Bookrunners have entered into the Underwriting Agreement pursuant to which, on the terms and subject to certain conditions contained in the Underwriting Agreement which are customary in agreements of this nature, each of the Joint Bookrunners has severally (and not jointly or jointly and severally) agreed to use reasonable endeavours to procure:

(i) subscribers for the Firm Placing Shares at the Issue Price. If the Joint Bookrunners are unable to procure subscribers for all of the Firm Placing Shares (including in the event that a prospective Firm Placee fails to take up any or all of the Firm Placing Shares which have been allocated to it or which it has agreed to take up at the Issue Price), then each of the Joint Bookrunners has agreed, on the terms and subject to the conditions set out in the Underwriting Agreement, severally (and not jointly or jointly and severally) to subscribe for such Firm Placing Shares at the Issue Price in its agreed proportion; and

(ii) conditional subscribers (subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer) for the Open Offer Shares at the Issue Price.

If the Joint Bookrunners are unable to procure subscribers for any Open Offer Shares that are not taken up by Qualifying Shareholders pursuant to the Open Offer (including in the event that a prospective Conditional Placee fails to take up any or all of the Firm Placing Shares which have been allocated to it or which it has agreed to take up at the Issue Price), then each of the Joint Bookrunners has agreed, on the terms and subject to the conditions set out in the Underwriting Agreement, severally (and not jointly or jointly and severally) to subscribe for such Open Offer Shares at the Issue Price in its agreed proportion.

Pursuant to the terms of the Underwriting Agreement, Countrywide has also appointed Jefferies as its sole sponsor and its London Stock Exchange representative in connection with its applications for Admission.

In consideration of their services under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement not having been terminated, Countrywide has agreed to pay to the Joint Bookrunners: (i) a commission of 2.5 *per cent*. of the aggregate value of the New Ordinary Shares at the Issue Price (in accordance with their agreed proportions); and (ii) at the sole discretion of Countrywide a commission of 0.5 *per cent*. of the aggregate value of the New Ordinary Shares at the Issue Price (such commission (if any) and the allocations between the Joint Bookrunners to be determined by Countrywide in its sole discretion). Countrywide will also pay (whether or not the obligations of the Joint Bookrunners under the Underwriting Agreement become unconditional or are terminated) the costs and expenses of, or in connection with, the Issue. Countrywide has also agreed to pay Jefferies an additional fixed fee of £350,000 for its role as sponsor.

Countrywide has given certain customary representations and warranties to the Joint Bookrunners as to the accuracy of the information contained in this document and other relevant documents, and in relation to other matters relating to the Group and its business. In addition, Countrywide has given customary indemnities to the Joint Bookrunners and certain persons connected with each of them. Countrywide has also provided certain customary undertakings to the Joint Bookrunners for the period following Admission, including an undertaking (subject to certain exemptions) not to offer, issue or grant any rights over any Ordinary Shares or related securities for a period ending 180 calendar days from the date of the Admission.

The obligations of the Joint Bookrunners under the Underwriting Agreement are subject to certain conditions, including:

(i) the passing of the Capital Refinancing Resolutions; and

(ii) Admission becoming effective on or before 8:00 a.m. on 30 August 2018 (or such later date and/or time as Countrywide and the Joint Bookrunners may agree, being no later than 14 September 2018).

If any of the conditions are not satisfied (or waived by the Joint Bookrunners) or shall have become incapable of being satisfied by the required time and date, the Underwriting Agreement will be capable of termination. Following Admission, the Underwriting Agreement will not be subject to any condition or right of termination (including in respect of statutory withdrawal rights).

17.4 Placing Agreement

On 9 March 2017, Countrywide entered into a Placing Agreement with Barclays and Jefferies. Pursuant to the Placing Agreement, a total of 21,610,467 Ordinary Shares, representing approximately 9.99 *per cent*. of Countrywide's then-existing issued ordinary share capital (excluding treasury shares), were issued to institutional investors at a price of 175 pence per Ordinary Share, raising gross proceeds of approximately £38 million. The shares were issued fully paid and rank *pari passu* in all respects will all other Ordinary Shares.

18. WORKING CAPITAL

In the opinion of Countrywide, taking into account the net proceeds of the Issue (being approximately £129 million, after deduction of estimated commissions, fees and expenses) and the drawings available under the Amended Credit Facility, the working capital available to the Group is sufficient for its present requirements (that is, for at least 12 months following the date of this document).

19. SIGNIFICANT CHANGE

There has been no significant change in the trading or financial position of the Group since 30 June 2018 (the date to which the H1 2018 results were prepared).

20. LITIGATION AND DISPUTES

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Countrywide is aware), during a period covering at least the previous 12 months which may have, or have had, in the recent past significant effects on the financial position or profitability of Countrywide and or the Group.

20.1 Civil proceedings

(i) Misvaluation claims: The Group conducts valuations on behalf of mortgage lenders, with approximately 350,000 valuations carried out *per annum*. Properties that have been valued by the Group have, in some cases, been subsequently repossessed by mortgage lenders. When lenders sell repossessed properties, they will incur a loss if the sale price is less than the amount outstanding under the mortgage. Lenders may claim, and historically have claimed, that the Group's original valuation of the property was too high. During H1 2018, eight new misvaluation claims were notified to the Group (2017: 37; 2016: 62; 2015: 113) and 62 existing misvaluation claims were closed (2017: 135; 2016: 290; 2015: 389). The aggregate value of the misvaluation claims closed during H1 2018 was £11.1 million (2017: £4.7 million; 2016: £9.5 million; 2015: £11.1 million), of which 79 *per cent*. was borne by the Group's insurers (2017: 37 *per cent*.; 2016: 64 *per cent*.; 2015: 48 *per cent*.) under professional indemnity policies. Overall, the Group's liability (net of liabilities borne by insurers) in respect of claims closed during H1 2018 represented 0.77 *per cent*. of total income (2017: 0.44 *per cent*.; 2016: 0.46 *per cent*.; 2015: 0.78 *per cent*.). The Group is currently subject to the following significant misvaluation claims:

(a) Regeneration Investment Fund for Wales LLP ("**RIFW**"): On 19 December 2017, RIFW initiated proceedings against Lambert Smith Hampton and a third party, Amber Fund Management Limited ("**Amber**"). The proceedings claim that Lambert Smith Hampton and Amber misadvised RIFW in respect of the disposal of a portfolio of 15 properties for considerably less than their true value. The Group accepts no liability and, on 25 April 2018, issued a defence and counterclaim for outstanding success fees due from RIFW to Lambert Smith Hampton. Amber has also denied liability and issued a defence and counterclaim on 23 April 2018. Amber and LSH have issued contribution notices against each other alleging that the other party must indemnify them for any liability that they have to RIFW. On 5 July 2018, RIFW acknowledged that Lambert Smith Hampton's liability to RIFW for the alleged misadvice is limited to £10 million plus costs and expenses. Lambert Smith Hampton is insured against liabilities arising from the claim, including in respect of defence costs (subject to customary excesses, caps and other limitations in the relevant insurance policy).

(b) Ulster Bank Ireland Limited ("**Ulster Bank**"): On 29 June 2016, Lambert Smith Hampton received a statement of claim from Ulster Bank. The claim relates to the alleged misvaluation of a development site. Ulster Bank claims that it used the valuation to determine how much it would lend against the site and when the borrowers defaulted there were insufficient proceeds from the sale of the site to cover the loan. Ulster Bank are claiming their loss on the loan of approximately €10.6 million. Lambert Smith Hampton served a Notice for Particulars on 15 December 2016, replies to which are still awaited and there has been no correspondence on the claim since then. Lambert Smith Hampton is insured against liabilities arising from the claim, including in respect of defence costs (subject to customary excesses, caps and other limitations in the relevant insurance policy).

(ii) Pinnacle Insurance plc ("**Cardif Pinnacle**"): From 1991 to 1999, Countrywide Principal Services sold PPI policies on behalf of Cardif Pinnacle. In total, approximately 35,000 Cardif Pinnacle PPI policies were sold by Countrywide Principal Services. In 2012, Cardif Pinnacle claimed that Countrywide Principal Services was liable to compensate Cardif Pinnacle for misselling liabilities arising in respect of policies sold by Countrywide Principal Services. So far, the Group understands that the total compensation paid out by Cardif Pinnacle for the missale of PPI policies that were sold by Countrywide Principal Services is approximately £50,000. In addition to the compensation paid to misadvised policyholders, Cardif Pinnacle is also seeking to recover Financial Ombudsman Service fees that they have incurred in respect of misselling claims relating to policies sold by Countrywide Principal Services (whether the claims are upheld or not). There is considerable uncertainty around this matter, including as to the total amount that Cardif Pinnacle may seek to claim, although the Group is insured against liabilities arising from the claim (subject to customary excesses, caps and other limitations in the relevant insurance policy). It is unlikely that the matter will become active again until after 29 August 2019, the deadline for PPI claims.

(iii) Chesnara plc ("**Chesnara**"): Chesnara, a company which de-merged from the Group in 2004, has claimed that the Group is obliged to indemnify it against payments it has to make for pre-2004 pensions misselling claims. Chesnara believes that this liability arises by virtue of an indemnity given in the deed which was entered into when Chesnara (then Countrywide Assured) de-merged. The Group has accepted that it is liable to indemnify Chesnara for some pension misselling payments, but disagrees with Chesnara as to the extent of its liability under the deed. An independent actuary advised Countrywide in 2013 that Chesnara's claims should not exceed £635,000. Chesnara has not pursued this claim since 2012 and the probability of claims arising will continue to diminish with the passage of time.

20.2 Regulatory proceedings

(i) HMRC money laundering investigation: In 2016, HMRC imposed a £360,000 penalty on Countrywide for breaches of the Money Laundering Regulations 2007, with respect to the Group's vendor due diligence procedures. In May 2018, HMRC issued a request for information in respect of the Group's purchaser due diligence procedures following the implementation of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. Countrywide has responded to this request and, while the Group believes that it is now fully compliant with applicable anti-money laundering regulations, HMRC may yet impose a further penalty or take other enforcement action in respect of the Group's historical customer due diligence practices.

(ii) RICS orphan funds enquiry: The Group takes all practical and reasonable measures to identify the ownership of client money and to trace and return funds in a timely manner. Historically, orphan balances that remained untraceable and were more than six years old were recognised in Countrywide's consolidated income statement as other income and an indemnity was put in place by Countrywide to the underlying subsidiary entities to ensure that any claims arising subsequently on these funds would be met by Countrywide. In practice, less than 1 *per cent*. of the funds released were ever claimed and paid out. Following a recent management review of client accounting, and having received legal advice on the use of orphan funds, the Group now understands that some of these funds should be held in trust under a separate client account. This has resulted in the Prior-Year Correction in the 2018 Unaudited Interim Financial Statements in respect of certain untraceable orphan funds for the period from 2008 to 2017 (which includes the recognition of a £4.7 million liability, £4.5 million of which was recognised as a prior-year correction, along with a related reduction in retained earnings net of deferred tax). See sections 4.11 and 16.4 of Part VI (*Operating and Financial Review*) for a discussion of the related Prior-Year Correction. On 20 June 2018, Countrywide received a letter from RICS expressing concern about the Group's now-historical practices in relation to orphan cash. Countrywide is in the process of updating RICS.

(iii) RICS contractor commission investigation: The Group currently receives commission from third party contractors who provide services to the Group's landlord customers (e.g. maintenance services). This commission is not always disclosed to customers when they are charged for the services provided by third party contractors (either directly by the contractor, or by way of deduction from rents collected by the Group). RICS is currently investigating this practice and, in particular, whether such commissions are sufficiently transparent to comply with the RICS Rules. While the Group believes that its practices are compliant with the RICS Rules, RICS may yet take enforcement action against the Group or limit the Group's ability to receive such commission in the future.

21. SOURCES OF INFORMATION

This document contains information regarding the Group's business and the industry in which it operates and competes, which Countrywide has obtained from various third party sources. Where information has been sourced from a third party it has been accurately reproduced and, so far as Countrywide is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Countrywide has generally obtained the market and competitive position data in this document from industry publications and from surveys, studies conducted or data collected by third party sources, including: the Bank of England; the Department for Communities and Local Government; the ONS; HMRC; UK Finance; RICS; Halifax House Price Index; the Council of Mortgage Lenders; 20ci; Rightmove; the Land Registry for England and Wales; and the Registers of Scotland.

Estimates and calculations generated by the Group, including market share estimates, are calculated using a variety of sources, including internal customer records and competitors' data published by third parties. They may, therefore, differ from third party analyst estimates and calculations. You should use caution in analysing these estimates and calculations and should not place undue reliance on them. Where information has been sourced from a third party, such information has been accurately reproduced and, as far as Countrywide is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

22. ANNOUNCEMENT OF RESULTS OF THE GENERAL MEETING

Countrywide will make an appropriate announcement to a Regulatory Information Service giving details of the results of the General Meeting.

23. INTER-CONDITIONALITY OF THE CAPITAL REFINANCING PLAN

The Issue is conditional upon Admission becoming effective by not later than 8:00 a.m. on 30 August 2018 (or such later date as Countrywide and the Joint Bookrunners may agree).

In addition, the Issue is conditional upon the Shareholders passing the Capital Refinancing Resolutions at the General Meeting. If Shareholders do not approve the Capital Refinancing Resolutions, under the terms of the Amended Credit Facility, the Group's lenders could (following a short negotiation period) demand repayment of all borrowings, which the Group cannot afford. Please see section 1.1 of the Risk Factors and section 14 of Part I (*Letter from the Executive Chairman of Countrywide*) for further information.

24. CURRENCIES

In this document, references to "**£**", "**pounds**", "**pounds sterling**" or "**sterling**" are to the currency of the United Kingdom and references to "**pence**" or "**p**" represent pence in the currency of the United Kingdom.

25. GENERAL

Jefferies is authorised and regulated by the FCA. Barclays is authorised by the PRA and regulated by the FCA and the PRA.

Barclays is registered in England and Wales (registered number 01026167) and has its registered office at 1 Churchill Place, London E14 5HP. Jefferies is registered in England and Wales (registered number 01978621) and has its registered office at Vintners Place, 68 Upper Thames Street, London EC4V 3BJ.

Barclays (among others) was a lender to the Group under the Previous Credit Facility Agreement. Barclays (among others) is a lender to the Group under the Amended Credit Facility Agreement. Other than the foregoing, there is no interest, including any conflict interest that is material to the Capital Refinancing Plan.

Each of Barclays and Jefferies has given and not withdrawn its written consent to the issue of this document with the inclusion in this document of its name in the forms and contexts in which it appears.

PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in this document of its report on the profit forecast in Section B of Part XI in the form and context in which it is included and has authorised the contents of section B of Part XI of this document solely for the purposes of Prospectus Rule 5.5.3R(2)(f). A written consent under the Prospectus Rules is different from a consent filed with the SEC under section 7 of the US Securities Act. As the Ordinary Shares have not been, and will not be, registered under the US Securities Act, PricewaterhouseCoopers LLP has not filed a consent under section 7 of the US Securities Act.

The auditor of Countrywide for each of 2017, 2016 and 2015 was PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH, which is a member of the Institute of Chartered Accountants in England and Wales.

The Registrar of Countrywide and Receiving Agent in respect of the Issue is Link Asset Services of The Registry, Beckenham Road, Beckenham BR3 4TU.

The total costs, charges and expenses of the Issue are estimated to amount to approximately £11 million. The net proceeds of the Issue, following the deduction of such costs, charges and expenses, are expected to amount to approximately £129 milion.

26. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours Monday to Friday (except public holidays in England and Wales) at the registered office of Countrywide at County House, Ground Floor, 100 New London Road, Chelmsford CM2 0RG, and at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY, up to and including the date of Admission:

(i) the Articles of Association;

(ii) the Financial Statements;

(iii) the consents of Barclays, Jefferies and PricewaterhouseCoopers LLP referred to in section 25 of this Part; and

(iv) this document.

PART XIII
INFORMATION INCORPORATED BY REFERENCE

The table below sets out the various sections of documents which are incorporated by reference into this document, so as to provide the information required pursuant to the Prospectus Rules and to ensure that Qualifying Shareholders and others are aware of all information which, according to the particular nature of Countrywide and of the New Ordinary Shares, is necessary to enable Qualifying Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of Countrywide, and of the rights attaching to the New Ordinary Shares. These documents are also available on Countrywide's website at www.countrywide.co.uk.

Information incorporated by reference	Page number(s) in incorporated document
The following extracts from Countrywide's 2018 Interim Results Announcement published on 2 August 2018 (together, the "2018 Unaudited Interim Financial Statements")	
Condensed consolidated income statement for H1 2018	10
Condensed consolidated income statement of other comprehensive income for H1 2018	11
Condensed consolidated statement of changes in equity for H1 2018	12
Condensed consolidated balance sheet as at 30 June 2018	13
Condensed consolidated interim cash flow statement for H1 2018	14
Notes to the condensed consolidated financial report for H1 2018	15 - 32
Independent auditor's review report	33 - 34
The following extracts from Countrywide's 2017 Annual Report published on 8 March 2018 (together, the "2017 Annual Financial Statements")	
Independent auditor's report	62 - 68
Consolidated income statement for 2017	69
Consolidated statement of comprehensive income for 2017	70
Consolidated statement of changes in equity for 2017	71
Consolidated balance sheet as at 31 December 2017	72
Consolidated cash flow statement for 2017	73
Notes to the financial statements for 2017	74 - 117
The following extracts from Countrywide's 2016 Annual Report published on 9 March 2017 (together, the "2016 Annual Financial Statements")	
Independent auditor's report	70 - 75
Consolidated income statement for 2016	76
Consolidated statement of comprehensive income for 2016	77
Consolidated statement of changes in equity for 2016	78
Consolidated balance sheet as at 31 December 2016	79
Consolidated cash flow statement for 2016	80
Notes to the financial statements for 2016	81 - 120

Information incorporated by reference	Page number(s) in incorporated document
The following extracts from Countrywide's 2015 Annual Report published on 25 February 2016 (together, the "2015 Annual Financial Statements")	
Independent auditor's report	72 - 76
Consolidated income statement for 2015	77
Consolidated statement of comprehensive income for 2015	78
Consolidated statement of changes in equity for 2015	79
Consolidated balance sheet as at 31 December 2015	80
Consolidated cash flow statement for 2015	81
Notes to the financial statements for 2015	82 - 120

The documents incorporated by reference into this document have been incorporated in compliance with Prospectus Rule 2.4.1. Information that is itself incorporated by reference or referred or cross-referred to in the documents referred to above is not incorporated by reference into this document. Except as set forth above, no other portion of the documents referred to above is incorporated by reference into this document and those portions which are not specifically incorporated by reference in this document are either not relevant for prospective investors or the relevant information is included elsewhere in this document.

PART XIV

QUESTIONS AND ANSWERS ABOUT THE PLACING AND OPEN OFFER

The questions and answers set out in this Part are intended to be in general terms only and you should read Part VII (Terms and Conditions of the Issue) for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser. Nothing in this Part is intended to endorse or recommend a particular course of action.

This Part deals with general questions relating to the Placing and Open Offer, as well as more specific questions about the Open Offer relating to Ordinary Shares held by persons resident in the UK who hold their Ordinary Shares in certificated form only. If you hold your Ordinary Shares in uncertificated form (that is, through CREST) your attention is drawn to Part VII (Terms and Conditions of the Issue) which contains full details of what action you should take. If you are a CREST sponsored member, you should consult your CREST sponsor.

If you do not know whether your Ordinary Shares are held in certificated or uncertificated form, please call the Shareholder Helpline.

1. What is a Placing and Open Offer?

A placing and open offer is a way for companies to raise money. They usually do this by giving their existing shareholders a right to subscribe for further shares at a fixed price in proportion to their existing shareholdings (an open offer) and providing for new investors to subscribe for new shares in the company (a placing) to the extent that they are not taken up under the open offer. The fixed price is normally at a discount to the closing mid-market price of the existing ordinary shares prior to the announcement of the open offer.

2. What is Countrywide's Open Offer?

This Open Offer is an invitation by Countrywide to Qualifying Shareholders to apply to subscribe for an aggregate of 285,580,431 Open Offer Shares at a price of 10 pence per Open Offer Share. If you held Ordinary Shares at the Record Date or have a *bona fide* market claim, have not sold all of your Ordinary Shares prior to the Ex-Entitlement Time and are not a Shareholder located in any Excluded Territory (for further information, see section 8 of Part VII (*Terms and Conditions of the Issue*), you will be entitled to subscribe for Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 6 Open Offer Shares for every 5 Existing Ordinary Shares held by Qualifying Shareholders (other than Excluded Shareholders) at the Record Date. The Issue Price of 10 pence per Open Offer Share represents an 80 *per cent*. discount to the Closing Price of 50 pence on the Reference Date, before details of the Capital Refinancing Plan were announced.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements will be not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Open Offer Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their entitlements will have no rights, and will not receive any benefit under, the Open Offer. Any Open Offer Shares which are not applied for under the Open Offer may be issued to the Conditional Placees, with the proceeds retained for the benefit of Countrywide.

However, Shareholders should note that the Open Offer is conditional upon: (i) the Capital Refinancing Resolutions having been passed by Shareholders at the General Meeting; (ii) the Underwriting

Agreement becoming unconditional in all respects save for the condition relating to Admission and not having been terminated in accordance with its terms before Admission occurs; and (iii) Admission having become effective by not later than 8:00 a.m. on 30 August 2018.

3. When will the Placing and Open Offer take place?

The Placing and Open Offer is subject to Admission of the Open Offer Shares becoming effective by not later than 8:00 a.m. on 30 August 2018 (or such later time and/or date as the Joint Bookrunners may agree, not being later than 14 September 2018).

4. What is an Application Form?

It is a form sent to those Qualifying Shareholders who hold their Ordinary Shares in certificated form. It sets out your entitlement to subscribe for the Open Offer Shares and is a form which you should complete if you want to participate in the Open Offer.

5. What if I have not received an Application Form?

If you have not received an Application Form and you do not hold your Ordinary Shares in CREST, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying Shareholders, however, will not receive an Application Form but may still be able to participate in the Open Offer, including:

(i) Qualifying CREST Shareholders; and

(ii) Qualifying Non-CREST Shareholders who bought Ordinary Shares before the Ex-Entitlement Time but were not registered as the holders of those Ordinary Shares at the close of business on the Record Date (see question 6 below).

6. If I buy Ordinary Shares before 8:00 a.m. on 2 August 2018 (the Ex-Entitlement Time) will I be eligible to participate in the Open Offer?

If you buy Ordinary Shares before the Ex-Entitlement Time but you are not registered as the holder of those Ordinary Shares at 31 July 2018 (the Record Date) you may still be eligible to participate in the Open Offer. If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement. You will not be entitled to the Open Offer Shares in respect of any Ordinary Shares acquired after the Ex-Entitlement Time.

7. I hold my Ordinary Shares in uncertificated form through CREST. What do I need to do in relation to the Open Offer?

CREST members should follow the instructions set out in Part VII *(Terms and Conditions of the Issue)*. Persons who hold Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Ordinary Shares of the number of New Open Offer Shares which they are entitled to take up under the Open Offer and should contact them if they do not receive this information.

8. I hold my Ordinary Shares in certificated form. How do I know whether I am eligible to participate in the Open Offer or not?

If you receive an Application Form and are not a holder with a registered address in an Excluded Territory, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Ordinary Shares before the Ex-Entitlement Time.

9. I hold my Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?

If you hold your Ordinary Shares in certificated form and, subject to certain limited exceptions, do not have a registered address in any of the Excluded Territories, you will be sent an Application Form that shows:

(i) in Box 1, how many Ordinary Shares you held at the Record Date;

(ii) in Box 2, how many Open Offer Shares are comprised in your Open Offer Entitlement; and

(iii) in Box 3, how much you need to pay in pounds sterling if you want to take up your right to subscribe for all your Open Offer Entitlement.

If you would like to apply for any or all of the Open Offer Shares comprised in your Open Offer Entitlement, you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be posted, along with a cheque or banker's draft drawn in the appropriate form, in the accompanying pre-paid envelope or during normal business hours, by hand to Link Asset Services, Corporate Actions, The Registry, Beckenham Road, Beckenham BR3 4TU so as to be received by no later than 11:00 a.m. on 17 August 2018, after which time Application Forms will not be valid.

10. I hold my Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?

10.1 *If you do not want to take up your Open Offer Entitlement*

If you do not want to take up your Open Offer Entitlement you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money if the Open Offer Shares you could have taken up are sold, as would happen under a rights issue provided the price at which they are sold exceeds the costs and expenses of effecting the sale. You cannot sell your Open Offer Entitlement to anyone else. If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 11:00 a.m. on 17 August 2018, we have made arrangements under which we may issue the Open Offer Shares comprising your Open Offer Entitlement to the Conditional Placees. Shareholders are, however, encouraged to vote at the General Meeting by attending in person or completing and returning the Form of Proxy enclosed with this document. You may also submit your proxy electronically at www.countrywide-shares.co.uk.

If you do not take up any of your Open Offer Entitlement then, assuming that the Capital Refinancing Plan proceeds, your interest in Countrywide will be diluted by 85.3 *per cent*.

10.2 *If you want to take up some but not all of the Open Offer Shares under your Open Offer Entitlement*

If you want to take up some but not all of the Open Offer Shares under your Open Offer Entitlement, you should write the number of Open Offer Shares you want to take up in Box 4 of your Application Form. For example, if you have an Open Offer Entitlement for 500 Open Offer Shares but you only want to apply for 250 Open Offer Shares, then you should write '250' in Box 4. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '250') by the Issue Price of 10 pence giving you an amount of £25.00 in this example.

You should write this total sum in Box 5, and this should be the amount your cheque or banker's draft is made out for. You should then return the completed Application Form, together with a cheque or banker's draft for that amount, in the accompanying pre-paid envelope by post to Link Asset Services, Corporate Actions, The Registry, Beckenham Road, Beckenham BR3 4TU so as to be received by no later than 11:00 a.m. on 17 August 2018, after which time Application Forms will not be valid.

All payments should be in Sterling and made by cheque or banker's draft made payable to "Link Market Services Limited re: Countrywide plc – 2018 Open Offer" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which must be in the UK, the Channel Islands or the Isle of Man and which is either a settlement member of Cheque & Credit Clearing Limited or the CHAPS Clearing Company Limited or which has otherwise arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner and must be for the full amount payable on application. Post-dated cheques will not be accepted.

Cheques drawn on a non-UK bank will be rejected. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Cheques or banker's drafts will be presented for payment upon receipt. Payments via CHAPS, BACS or electronic transfer will not be accepted. Countrywide reserves the right to instruct Link Asset Services to seek special clearance of cheques and banker's drafts to allow Countrywide to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and Countrywide may elect to treat as invalid acceptances in respect of which cheques are not so honoured. If you post your Application Form, it is recommended that you allow sufficient time for delivery. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched on or around 6 September 2018.

10.3 *If you want to take up all of your Open Offer Entitlement*

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is sign page 1 of the Application Form (ensuring that all joint holders sign (if applicable)) and send the Application Form, together with your cheque or banker's draft for the amount (as indicated in Box 3 of your Application Form), payable to "Link Market Services Limited re: Countrywide plc – 2018 Open Offer" and crossed "A/C payee only", in the accompanying pre-paid envelope by post to Link Asset Services, Corporate Actions, The Registry, Beckenham Road, Beckenham BR3 4TU so as to be received by no later than 11:00 a.m. on 17 August 2018, after which time Application Forms will not be valid. If you post your Application Form, it is recommended that you allow sufficient time for delivery. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched on or around 6 September 2018.

If you take up your Open Offer Entitlement in full then, assuming that the Capital Refinancing Plan proceeds, your interest in Countrywide will be diluted by 67.9 *per cent*.

11. I am a Qualifying Shareholder, do I have to apply for all of the Open Offer Shares that I am entitled to apply for?

You can take up any whole number of the Open Offer Shares allocated to you under your Open Offer Entitlement. Your maximum Open Offer Entitlement is shown on your Application Form. Any applications by a Qualifying Shareholder for a number of Open Offer Shares which is equal to or less than that person's Open Offer Entitlement will be satisfied, subject to the Open Offer becoming unconditional.

Please refer to question 10 for further information.

12. Will I be taxed if I take up my entitlements?

If you are resident in the United Kingdom for tax purposes, you will not have to pay UK tax when you take up your right to receive Open Offer Shares, although the Placing and Open Offer may affect the amount of UK tax you pay when you sell your Existing Ordinary Shares.

Further information for Qualifying Shareholders resident in the United Kingdom or the United States for tax purposes is contained in Part IX (*Taxation*). Shareholders who are in any doubt as to their tax position or who are subject to tax in any jurisdiction other than the United Kingdom should consult their professional advisers immediately.

13. What should I do if I live outside the United Kingdom?

Your ability to apply to subscribe for Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer

Entitlement. Shareholders with registered addresses or who are located in any Excluded Territory are not eligible to participate in the Open Offer. Your attention is drawn to the information in section 8 of Part VII *(Terms and Conditions of the Issue)*.

14. I hold my Ordinary Shares through a nominee and want to participate in the Open Offer. What should I do?

You should contact your nominee for further assistance on how to take up your Open Offer Entitlements.

15. What should I do if I need further assistance?

If you have any questions relating to the Issue, please telephone the Shareholder Helpline on:

0371 664 0321 (from inside the United Kingdom)

+44 371 664 0321 (from outside the United Kingdom)

This helpline is available from Monday to Friday (except public holidays in England and Wales) between 9:00 a.m. and 5:30 p.m. (London time). Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that, for legal reasons, the Shareholder Helpline will only be able to provide the information contained in this document and information relating to Countrywide's register of members and will be unable to provide advice on the merits of the Issue or provide financial, tax, investment or legal advice.

APPENDIX — NOTICE OF GENERAL MEETING

(incorporated in England and Wales with registered number 08340090)

NOTICE IS HEREBY GIVEN that a General Meeting of Countrywide plc (the “**Company**”) will be held at 10:30 a.m. on 28 August 2018 at The Lincoln Centre, 18 Lincoln’s Inn Fields, London WC2A 3ED for the purpose of considering and, if thought fit, passing, the following ordinary and special resolutions:

ORDINARY RESOLUTIONS

1. THAT the Directors’ Remuneration Policy attached to the Notice of this General Meeting be and is hereby approved.
2. THAT, subject to and conditional upon Resolution 1 being passed, the adoption of the Countrywide Absolute Growth Plan, a summary of the principal features of which is set out in section 9.5 of Part XII (*Additional Information*) of the Circular and Prospectus (as that term is defined in Resolution 5), be and is hereby approved.
3. THAT the subscription by Oaktree Capital Management (including through wholly owned subsidiaries of funds advised and managed by Oaktree Capital Management) of up to 397,733,081 New Ordinary Shares (as that term is defined in Resolution 5) pursuant to the Issue (as that term is defined in Resolution 5) be and is hereby approved.
4. THAT the subscription by Brandes Investment Partners of up to 310,462,824 New Ordinary Shares (as that term is defined in Resolution 5) pursuant to the Issue (as that term is defined in Resolution 5) be and is hereby approved.

SPECIAL RESOLUTION

5. THAT, subject to and conditional upon Resolutions 3 and 4 being passed:

   (i) the terms of the proposed issue by way of firm placing of 1,114,419,569 new ordinary shares of £0.01 each in the capital of the Company (the “**Firm Placing Shares**”) at an issue price of 10 pence per new ordinary share (the “**Firm Placing**”) (which is a discount of 80 *per cent*. to the closing price of 50 pence per share on the last business day before the announcement of the Firm Placing) and the terms of the proposed issue by way of placing and open offer of 285,580,431 new ordinary shares of £0.01 each in the capital of the Company (the “**Open Offer Shares**” and, together with the Firm Placing Shares, the “**New Ordinary Shares**”) at an issue price of 10 pence per new ordinary share (the “**Placing and Open Offer**” and, together with the Firm Placing, the “**Issue**”) (which is a discount of 80 *per cent*. to the closing price of 50 pence per share on the last business day before the announcement of the Placing and Open Offer), as described in the combined circular and prospectus of which the Notice of this General Meeting forms part (the “**Circular and Prospectus**”) be and are hereby approved and the board of directors of the Company (the “**Board**”) be and is hereby directed to implement the Issue on the basis described in the Circular and Prospectus and be and is generally and unconditionally authorised to exercise all powers of the Company as necessary in connection with the implementation of the Issue;

   (ii) without prejudice to the authority conferred on the Board at the last annual general meeting of the Company, the Board be and is unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all powers of the Company to allot, for cash, up to 1,400,000,000 New Ordinary Shares in the capital of the Company for the purposes of the Issue as if the pre-emption rights in section 561 of the Companies Act 2006 did not apply to such allotment, such authority and disapplication to apply until the end of the annual general meeting of the Company in 2019 or, if earlier, until the close of business on 28 November 2019 (unless previously varied or revoked by the Company in general meeting) save that the Company may make offers and enter into agreements during the relevant period which would, or might, require equity securities to be allotted after the authority ends and the Board may allot equity securities under any such offers or agreements as if the authority had not ended;

(iii) subject to and conditional upon the admission of the New Ordinary Shares to the premium segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange ("**Admission**") becoming effective and in substitution for the equivalent authority conferred on the Board at the last annual general meeting of the Company (but without prejudice to any allotments made pursuant to that authority) and in addition to the amount set out in paragraph (ii) above, the Board be and is unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares (as defined in Section 540 of the Companies Act 2006) in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:

(a) up to an aggregate nominal amount of £5,471,011.46; and

(b) comprising equity securities (as defined in section 560 of the Companies Act 2006) up to an aggregate nominal amount of £10,942,022.92 (such amount to be reduced by any allotments or grants made under paragraph (iii)(a) of this Resolution) in connection with an offer by way of a rights issue:

(I) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and

(II) to holders of other equity securities (as defined in section 560 of the Companies Act 2006) as required by the rights of those securities, or subject to such rights, as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authority to apply until the end of next year's annual general meeting of the Company or, if earlier, until the close of business on 28 November 2019 but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not expired; and

(iv) subject to and conditional upon Admission becoming effective and in substitution for the equivalent authority conferred on the Board at the last annual general meeting of the Company (but without prejudice to any allotments made pursuant to that authority), the Board be given the power to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash under the authority given under paragraph (iii) of this Resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:

(a) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of an authority granted under paragraph (iii)(b) of this Resolution, by way of a rights issue only):

(I) to the holders of ordinary shares, in proportion (as nearly as may be practicable) to their existing holdings; and

(II) to holders of other equity securities, as required by the rights of those securities or as the Board otherwise considers necessary, and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(b) in the case of the authority granted under paragraph (iii)(a) of this Resolution and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (iv)(a) of this Resolution) up to a nominal amount of £820,651.71,

such power to apply until the end of next year's annual general meeting of the Company or, if earlier, until the close of business on 28 November 2019 but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

By order of the Board
Gareth Williams
Company Secretary

2 August 2018

Registered office:
County House
Ground Floor
100 New London Road
Chelmsford CM2 0RG

Registered in England and Wales No. 08340090

ATTACHMENT TO THE NOTICE OF GENERAL MEETING

DIRECTORS' REMUNERATION POLICY

The remuneration policy as set out in this Attachment (the "**Policy**") will take effect for all payments made to Directors from the date of the General Meeting to be held on 28 August 2018. The Policy has been developed with regard to the UK Corporate Governance Code and is felt to be appropriate to support the long-term success of Countrywide plc (the "**Company**") while ensuring that it does not promote inappropriate risk-taking.

Capitalised terms not defined in this Attachment will have the meanings given to them in the Circular and Prospectus issued by the Company on 2 August 2018 (the "**Circular and Prospectus**").

Remuneration strategy

Our remuneration strategy is underpinned by remuneration packages that are designed to motivate high performing people to deliver our strategy. These packages:

- are transparent and aligned with the interest of our shareholders;
- are weighted to incentivise performance over the short and long term;
- are structured to ensure higher rewards are only achieved for exceptional performance against challenging targets; and
- encourage management to adopt a level of risk commensurate with the risk profile of the business as approved by the Board.

Statement of employment conditions elsewhere in the Company

The remuneration policy described within this report provides an overview of the structure that operates for the most senior executives in the Group. The remuneration policy for the executive directors is more heavily weighted towards variable pay than for other employees to make a greater part of their pay conditional on the successful delivery of the business strategy.

This aims to create a clear link between the value created for shareholders and the remuneration received by the executive directors. When setting the policy for remuneration for the executive directors the Remuneration Committee (the "**Committee**") takes into account the overall approach to reward for employees in the Group, including consideration of salary increases for the general employee population (disclosed in the annual report each year); overall spend on annual bonus; Group-wide benefit offerings; and any other relevant factors as determined by the Committee.

Although the Company has not carried out a formal employee consultation regarding Board remuneration (policy or implementation), in accordance with prevailing commercial practice, it does take due account of regulations and practices regarding employee consultation more broadly (with the Committee keeping abreast of developments in this area). The Group people director ensures that the Committee is made aware of any relevant employee feedback regarding the Company's remuneration policy.

The Committee is mindful of the requests from, amongst others, the Investment Association, for companies to publish ratios comparing CEO to employee pay. The Company has prepared this analysis internally and it has been reviewed and considered by the Remuneration Committee. The Remuneration Committee will publish this information when required to do so in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended, the "**Regulations**").

Statement of consideration of shareholder views

The Company welcomes dialogue with its significant shareholders and, in accordance with its normal practice, will be consulting in advance of the General Meeting with major shareholders and representative bodies in respect of the material changes proposed to the Policy.

Summary remuneration policy

The table below summarises the Committee's future policy on the remuneration of executive directors which, if approved by shareholders at the forthcoming General Meeting on 28 August 2018, will replace the existing policy for which shareholder approval was obtained at the 2017 AGM and will become binding immediately thereafter.

The only material proposed change to the Directors' remuneration policy is to allow the Executive Directors (including the Executive Chairman) and other senior leaders to participate in an exceptional and one-off long-term share plan, called the Absolute Growth Plan (the "**AGP**"), instead of participating in the existing Long Term Incentive Plan over the next three years.

The AGP, which will also be put to shareholders for approval at the General Meeting, has been designed to support the implementation of Countrywide's transformation plan.

The AGP has been designed to align the interests of the senior management team with those of shareholders. It will reward them only for achieving exceptional, yet sustainable, shareholder value creation as measured by significant increases in the market capitalisation of Countrywide subject to the achievement of a minimum level of performance before any reward can be earned. This is a crucial part of the overall aim to motivate and reward Countrywide's senior leadership team for the turnaround of the business. Further details of the AGP are set out in Section 9.5 of Part XII (*Additional Information*) of the Circular and Prospectus.

Some minor changes to the Policy are proposed to reflect the Chairman's appointment as Executive Chairman. The Executive Chairman has entered into a service contract with the Company in respect of his ongoing executive role on the Board. It is proposed that he will be eligible to participate in the AGP, but not be eligible for annual bonuses.

It is envisaged that this policy will remain valid until the 2021 AGM.

Component	Purpose/link to strategy	Operation	Opportunity	Applicable performance measure
Salary and fees	• To aid the recruitment, retention and motivation of high performing people • To reflect their experience and importance to the business	• Fixed annual sum normally payable monthly and reviewed annually • Review reflects changes in scope of role and responsibility, personal and Group performance, increases throughout the rest of business • Salary of newly appointed directors may be phased to take account of experience	• During the life of this policy, no executive director's base salary shall increase by an average of more than 10% p.a. (save following a recruitment — see below) • The Committee is guided by the general increase for the broader employee population but may decide to award a higher increase for executive directors to recognise, for example, an increase in the scale, scope or responsibility of the role, to apply salary progression for a newly appointed director and/or to take account of relevant market movements	• n/a

Component	Purpose/link to strategy	Operation	Opportunity	Applicable performance measure
Benefits	• To provide support and protection and the ability to focus on effective delivery	• Benefits currently include Company car allowance, private medical insurance and life assurance. Other benefits may be provided where appropriate	• No executive director will receive benefits of a total aggregate value exceeding £50,000 per annum	• n/a
Annual bonuses	• To incentivise the delivery of stretching short term business targets and strategic and/or personal objectives • To recognise performance through variable remuneration, allowing flexible control of the cost base and response to market conditions	• All measures and targets are reviewed and set by the Committee as soon as is practicable following the beginning of the year and payments determined after the year end, based on performance against targets • One-third of any bonus payable will normally be deferred into options/awards over ordinary shares with a three year vesting period • Dividend equivalent payments (cash and/or shares) may be payable on awards to the extent they vest • Non-pensionable	• 120% of salary per annum	• The performance measures applied may be financial or non-financial, corporate, divisional or individual and in such proportions as the Committee considers appropriate • When determining the portion of bonus that is payable for achieving any threshold and target level of performance for any measure, the Committee will take account of a number of factors such as (i) the stretch inherent in the threshold/target performance level, (ii) how that threshold/target level compares with internal and external forecasts, (iii) bonus outturns and associated performance in the prior year and (iv) the general financial and market conditions that apply when the targets are set • Malus and clawback provisions operate for deferred bonuses

Component	Purpose/link to strategy	Operation	Opportunity	Applicable performance measure
Long Term Share Incentive plans – Annual Growth Plan	• To incentivise value creation over the long term and reward execution of our strategy • To align the long term interest of directors and shareholders • To promote retention	• One-off award granted under the AGP in respect of Company performance over the period from the day on which dealings in New Ordinary Shares commence on the London Stock Exchange to the end of 2021, i.e. just over three years • Structured as nil-cost options • Awards to be granted to executive directors (including the Executive Chairman) and other members of the senior management team • Non-pensionable • Awards are subject to a two year post vesting holding period. • Dividend equivalent payments (cash and/or shares) may be payable in respect of the period between vesting and exercise.	• Participants in the AGP will share in the value of the Company created above a pre-determined hurdle • The value of the pool will be determined based on growth in the Company's market capitalisation above a pre-determined hurdle measured, in normal circumstances, over the performance period from the day on which dealings in New Ordinary Shares commence on the London Stock Exchange to 31 December 2021 • Participants will share 10% of any value created above the hurdle • Payments under the AGP will be capped by reference to no more than 5% of the total growth generated over the period, by reference to an individual cap and the individual sharing rate • Executive directors will receive a maximum allocation of 15% of the absolute growth pool • No executive director will receive any value on vesting from the AGP which exceeds 1800% of his annual salary as at the start of the performance period	• The hurdle is a compound annual growth in the market capitalisation of the Company immediately following the transaction, of 15% a year over the performance period • Each of the executive directors will be asked to acquire a shareholding of 200% of salary before the end of the vesting period • The Committee has discretion to review and if necessary reduce payments to reflect the underlying financial performance of the Company • Malus and clawback provisions operate

Component	Purpose/link to strategy	Operation	Opportunity	Applicable performance measure
Long-Term Incentive Plan	• To incentivise value creation over the long term and reward execution of our strategy • To align the long term interest of directors and shareholders • To promote retention	• Annual grant of awards • Structured as nil-cost options/ conditional awards • Non-pensionable • Dividend equivalent payments (cash and/or shares) may be payable on awards to the extent they vest • Awards made to executive directors from 2016 are subject to a two-year post-vesting holding period	• No executive director who participates in the AGP may be granted an award under the LTIP with a performance period which starts on or before 31 December 2021 • Normal grant limit: up to 150% of salary per annum • Maximum limit: 200% of salary per annum • Exceptional limit: 300% of salary per annum	• The Committee may set such performance conditions on awards as it considers appropriate, whether financial or non-financial and whether corporate, divisional or individual • Performance periods may be over such periods as the Committee selects at grant, which will not be less than, but may be longer than, three years • No more than 25% of awards vest for attaining the threshold level of performance conditions • Malus and clawback provisions operate
Pensions	• To help recruit and retain high performing executives • To reward continued contribution to the business by enabling executive directors to build long term savings	• Participation into a money purchase pension scheme and/or cash equivalent	• Directors will receive a pension contribution appropriate to their role either as a formal pension and/or cash equivalent • Pension contributions will not exceed 20% of salary per annum	• n/a
All Employee Share Plans	• To encourage all employees to make a long term investment in the Company's shares in a tax efficient manner	• Share Incentive Plan and/or Save As You Earn Plan as per HMRC approved rules	• Consistent with prevailing HMRC limits	• n/a
Share ownership guidelines	• To provide close alignment between the longer term interests of directors and shareholders in terms of the Company's growth and performance	• Executive directors to retain no less than 50% of net of tax shares from vesting of share options/awards until such time as a shareholding equivalent in value to 200% of base salary has been achieved	• n/a	• n/a

Component	Purpose/link to strategy	Operation	Opportunity	Applicable performance measure
Non-executive directors	• To provide fees reflecting time commitments and responsibilities of each role, in line with those provided by similarly sized companies	• Cash fee paid on a monthly basis • Fees are reviewed annually • Non-executive Directors do not participate in any cash or share incentive arrangements • Non-executive Directors may receive benefits (including travel and office support, together with any associated tax liability that may arise)	• The maximum aggregate fees payable to the non-executive directors is as set out in the Company's Articles of Association (currently £2m) • The Committee is guided by market rates, time commitments and responsibility levels • No additional fees are payable for membership of Board Committees, though additional fees may be paid for specific additional responsibilities such as Chair of Audit Committee, Chair of Remuneration Committee and Senior Independent Director or to reflect a substantially greater time commitment than normal in any year	• n/a

Notes to summary policy table

1. The performance-related elements of remuneration take into account the Group's risk policies and systems, and are designed to align the senior executives' interests with those of shareholders. The Committee reviews and sets the metrics and targets applying to awards to the executives every year, in order to ensure that they are aligned with the Group's strategy. All financial targets will (where appropriate) be set on a sliding scale. Non-financial targets are set based on individual and management team responsibilities and strategic objectives. A summary of the targets being used in 2018 under the annual bonus and LTIP can be found on page 51 of Countrywide's 2017 Annual Report. Appropriate levels of reward are available for achieving threshold performance with maximum rewards requiring substantial out-performance of challenging strategic plans. The Committee retains discretion to set different targets and introduce additional metrics in line with the Company's strategy for future awards providing that, in the opinion of the Committee, the new targets are no less challenging in light of the prevailing circumstances than those set previously. If substantially different targets to those used previously are proposed, major shareholders will be consulted. Furthermore, the Committee reserves the right to adjust any bonus outturn and/or LTIP and/or AGP vesting that is based on a formulaic assessment of performance against the targets if such outturn/vesting does not reflect shareholders' experience and/or underlying performance.

2. The Committee operates incentive arrangements for executive directors in accordance with their respective rules and the Listing Rules and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plan rules. These include (but are not limited to) the following:

   - who participates;
   - the timing of grant of award and/or payment;
   - the size of an award (up to plan/policy limits) and/or a payment;
   - the result indicated by the performance conditions;
   - discretion relating to the measurement of performance in the event of a change of control or reconstruction;
   - determination of a good leaver (in addition to any specified categories) for incentive plan purposes;
   - adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
   - the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

3. For the avoidance of doubt, in approving this directors' remuneration policy, authority is given to the Company to honour any commitments entered into with current or former directors (such as the payment of a pension or the vesting or exercise of past share awards).

4. The Committee may make minor amendments to the policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

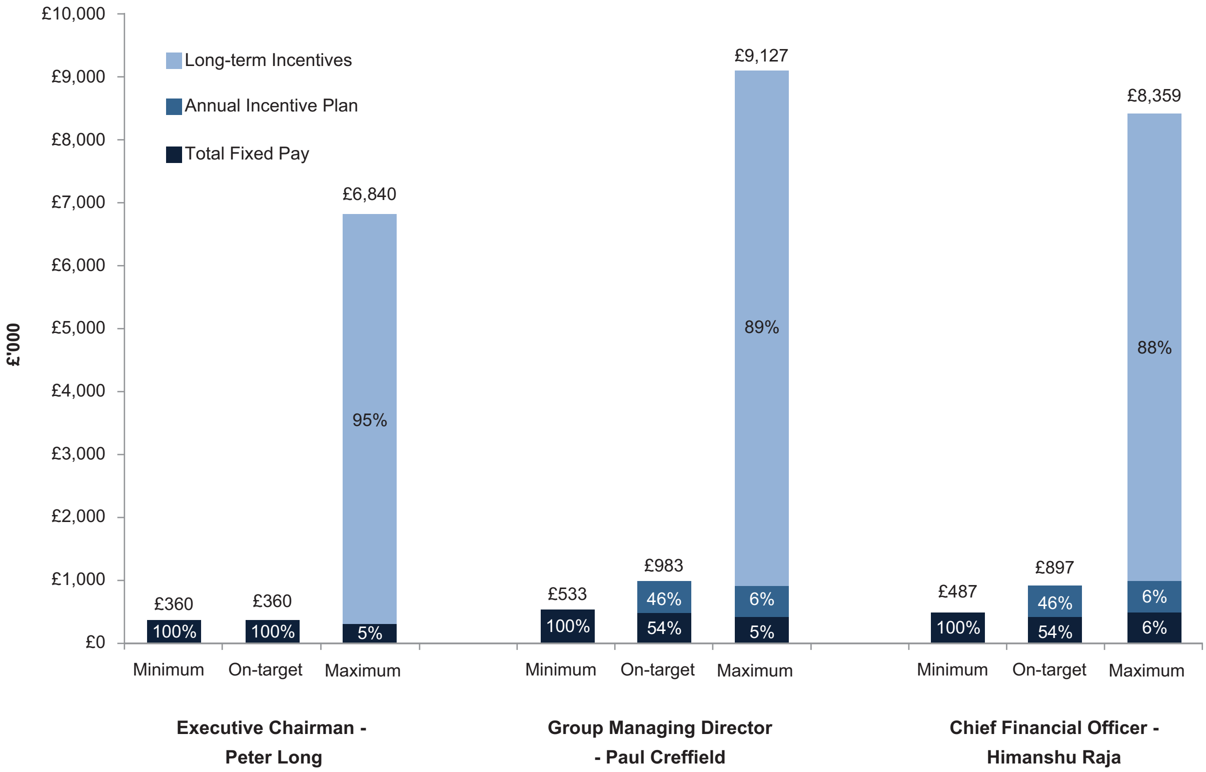
5. The Regulations and related investor guidance encourage companies to disclose a cap within which each element of the Policy will operate. Where maximum amounts for elements of remuneration have been set within the policy, these will operate simply as caps and are not indicative of any aspiration.

6. While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for Directors and in exceptional circumstances their families may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies.

7. While the appropriate benchmarks vary by role, the Company seeks to apply the philosophy behind this policy across the Company as a whole. Where the Group's pay policy for Directors differs from its pay policies for groups of staff, this reflects the appropriate market rate position and/or typical practice for the relevant roles. The Company takes into account pay levels, bonus opportunity and share awards applied across the Group as a whole when setting the executive directors' policy

Illustration of the application of the remuneration policy

Our aim is to ensure that superior rewards are only paid for exceptional performance, with a substantial proportion of executive directors' remuneration payable in the form of variable, performance-related pay. The charts that follow illustrate the opportunity at different levels of performance for the remuneration policy.



The above scenarios adopt the following assumptions:

- Peter Long receives a salary of £360,000 per annum in recognition of his role as Executive Chairman. He does not participate in the annual bonus at present. He is eligible to participate in the AGP on the same terms as other executive directors;
- fixed pay consists of base salary/fee as at 1 January 2018, benefits and pension allowances. The value of benefits is based on the assumed cost of provision;
- on-target performance is based on the value of fixed pay plus on-target incentive pay, based on 83% of the maximum bonus. The AGP only begins to generate value once a stretching hurdle has been achieved. Therefore, for these purposes, no value is considered to be generated for the individual at an on-target level of performance;

- maximum performance is based on the value of fixed pay plus maximum incentive pay (i.e. a 120% of base salary annual bonus and the maximum potential end value under the AGP of 18x salary, noting that this requires significant shareholder value creation to achieve and replaces annual LTIP grants); and
- no other assumptions have been made as to the share price growth and any dividend accrual has been excluded from the above.

Recruitment of executive directors and promotions

When setting the remuneration package for a new executive director, the Committee will apply the same principles and implement the policy as set out in the table on pages 293 to 297. Base salary will be set at a level appropriate to the role and experience of the director being appointed. This may include setting a below market salary with an agreement on future increases (subject to performance) up to a market rate, in line with increased experience and/or responsibilities. Our policy on maximum annual bonus and AGP awards would apply.

In relation to external appointments, the Committee may structure an appointment package that it considers appropriate to recognise awards or benefits forfeited on resignation from a prior position, taking into account timing and valuation and other specific matters it considers relevant. This may take the form of cash and/or share awards. The maximum payment under any such arrangements (which may be in addition to normal variable remuneration) would be no more than the Committee considers is required to provide reasonable compensation to the incoming director and would not go beyond a like-for-like compensation. If a director is required to relocate in order to take up the position, the Company may consider reasonable relocation, travel, subsistence and any other incidental payments as appropriate. Any such payments will be at the discretion of the Committee.

In the case of an employee who is promoted to the position of director, it is the Company's policy to honour pre-existing commitments in accordance with their terms.

Service agreements and letters of appointment

Each of the executive directors' service agreements is for a rolling term and may be terminated by the Company or the director by giving no more than twelve months' notice, save that the Executive Chairman's appointment to the executive role pursuant to his service agreement may be terminated by the Company or the director by giving no more than six months' notice, in which case he will return to his previous role of Non-Executive Chairman of the Company.

The non-executive directors of the Company do not have service agreements. The independent non-executive directors are appointed by letters of appointment and have an initial two year term. Caleb Kramer's services are provided to the Company under an agreement between the Company and Oaktree Capital Management FIE LLC which runs for an initial period of three years. The initial terms of the non-executive directors' positions are subject to their re-election by the Group's shareholders at the next AGM.

The dates of appointments of the non-executive directors are set out below:

Non-executive director	Commencement date of original term	Unexpired term as at 28 August 2018 General Meeting
Peter Long	11 February 2016	n/a
David Watson	1 September 2013	n/a
Cathy Turner	31 July 2013	n/a
Rupert Gavin	23 June 2014	n/a
Jane Lighting	9 June 2014	n/a
Natalie Ceeney	28 April 2017	8 months
Caleb Kramer	19 March 2013	n/a

Peter Long previously served as Non-Executive Chairman until 24 January 2018, when he became Executive Chairman of the Company. The Directors' service agreements and letters of appointment are available for inspection at the Company's registered office and will be available at the General Meeting.

Policy on payment for loss of office

If an executive director's employment is terminated (except for the Executive Chairman), in the absence of a breach of service agreement by the director, the Company may (although it is not obliged to) terminate the director's employment immediately by payment of an amount equal to the basic salary and specified benefits (including pension scheme contribution or equivalent salary supplement payment) in lieu of the whole or the remaining part of the notice period. Discretionary bonus payments will not form part of any payments in lieu of notice. An annual bonus may be payable with respect to the period of the financial year served although it would be paid in cash and pro-rated for time and paid at the normal payout date. Payments in lieu of notice may be paid in monthly instalments over the length of the notice period with such instalments to be reduced or to cease upon the director receiving payment from a new position.

Any share-based entitlements granted to an executive director under the Company's share plans will be determined based on the relevant plan rules.

The default treatment under the LTIP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances (such as ill health, injury or disability, retirement, transfer of the employing company outside of the Group or in other circumstances at the discretion of the Committee), 'good leaver' status may be applied. For good leavers, awards will normally vest on the normal vesting date, subject to the satisfaction of the relevant performance conditions and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Committee has discretion to determine that awards for good leavers vest at cessation and/or to disapply time pro-rating. In the event of death, awards will normally vest on the date of death, subject to performance conditions and time pro-rating, although the Committee has discretion to determine that awards vest at the normal vesting date and/or to disapply time pro-rating.

The default treatment for deferred bonus awards is that any outstanding awards vest on cessation of employment unless cessation is as a result of dismissal for gross misconduct or a similar 'bad leaver' reason.

In normal circumstances, if a participant in the AGP ceases employment for any reason within the first 24 months of the performance period, he will receive no payment under the plan. After the first 24 months, the default treatment under the AGP is that he will receive no payment under the plan on cessation of employment. However, in certain prescribed circumstances (such as if the participant leaves employment after the first 24 months due to death, injury or disability, redundancy or in other circumstances at the discretion of the Committee or, in exceptional circumstances, if the participant leaves employment after the first 12 months for one of these reasons and the Remuneration Committee decides, in its discretion, to allow participation in the AGP to continue), 'good leaver' status may be applied. For good leavers, awards will normally vest on the normal vesting date subject to the satisfaction of the relevant performance conditions and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Committee has discretion to disapply time pro-rating and, in the event of death, to determine that awards will vest on the date of death. The performance tests will continue to apply for good leavers unless the Committee decides otherwise.

The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an executive director, the Company may pay a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

External appointment of executive directors

The Board allows executive directors to accept appropriate outside non-executive director appointments provided the aggregate commitment is compatible with their duties as executive directors. The executive directors concerned may retain fees paid for these services, which will be subject to approval by the Board. Details of such appointments and fees retained for 2017 are disclosed on page 52 of Countrywide's 2017 Annual Report.

NOTES TO THE NOTICE OF GENERAL MEETING

The following notes explain your general rights as a member and your right to attend and vote at the General Meeting or to appoint someone else to vote on your behalf. Capitalised terms used in these notes which are not otherwise defined in the Notice of General Meeting shall have the meanings given to them in the Circular and Prospectus.

Members' right to appoint a proxy

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. A Proxy Form which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a Proxy Form and believe that you should have one, or if you require additional Proxy Forms, please contact Link Asset Services:

   - by post at Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
   - by telephone on 0871 664 0300 in the UK or on +44 371 664 0300 from overseas. Calls to 0871 664 0300 from inside the United Kingdom cost 12 pence per minute (excluding VAT) plus network charges. Other service providers' charges may vary. Calls to +44 371 664 0300 from outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Lines are open 9:00 a.m. to 5:30 p.m. (London time) Monday to Friday (except public holidays in England and Wales); or
   - by email at enquiries@linkgroup.co.uk.

Proxy Form

2. To be valid any Proxy Form or other instrument appointing a proxy must be received:

   - by post or (during normal business hours only) by hand at Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
   - electronically via the shareholder portal at www.countrywide-shares.co.uk; you will need to have your Investor Code which can be found on your share certificate. If you have not already registered, you can do so by following the relevant link to the registration page;
   - in the case of members holding their shares through CREST, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in notes 9 to 12 below; or
   - by using the enclosed pre-paid envelope,

   in each case no later than 23 August 2018 at 10:30 a.m.

3. In the case of a member which is a company, the Proxy Form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

4. Any power of attorney or any other authority under which the Proxy Form is signed (or a duly certified copy of such power or authority) must be included with the Proxy Form.

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.

6. The return of a completed Proxy Form, other such instrument or any CREST Proxy Instruction (as described in notes 9 to 12 below) will not prevent a member attending the General Meeting and voting in person if he/she wishes to do so.

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is

determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

8. If you appoint more than one proxy and the Proxy Forms appointing those proxies would give those proxies the apparent right to exercise votes on your behalf in a general meeting over more shares than you hold, then each of those Proxy Forms will be invalid and none of the proxies so appointed will be entitled to attend, speak or vote at the relevant general meeting.

CREST

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent Link Asset Services (ID is RA10) by 10:30 a.m. on 23 August 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Nominated Persons

13. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

14. The statement of the rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

15. To be entitled to attend and vote at the General Meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at close of business on 23 August 2018 (or, in the

event of any adjournment, on the date which is two days before the time of the reconvened meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Voting

16. Voting at the General Meeting will be conducted by way of a poll rather than on a show of hands. The Board believes a poll is more representative of members' voting intentions because members' votes are counted according to the number of shares held and all votes tendered are taken into account. You can fill in an online voting form instead of coming to the General Meeting in person. The online voting form is available electronically via the shareholder portal at www.countrywide-shares.co.uk. You will need to have your Investor Code, which can be found on your share certificate. If you have not already registered, you can do so by following the relevant link to the registration page. Your online voting form must be submitted no later than 23 August 2018 at 10:30 a.m. (London time) or, if the meeting is adjourned, by the time which is 48 hours before the time of the reconvened meeting.
17. As at the Reference Date the Company's issued share capital consists of 241,303,439 issued ordinary shares of £0.01 each admitted to trading and carrying one vote each. The Company holds 3,319,746 ordinary shares in treasury. Therefore the total voting rights in the Company as at the Reference Date is 237,983,693.

Documents for Display

18. Copies of the Directors' service agreements and letters of appointment and the rules of the AGP will be available for inspection at least 15 minutes before the General Meeting and during the General Meeting.

Voting eligibility

19. Neither Oaktree Capital Management nor any of its affiliates will be entitled to vote on Resolution 3. Neither Brandes Investment Partners nor any of its affiliates will be entitled to vote on Resolution 4.
20. Only those members on the register of members of the Company as at 5:30 p.m. on 23 August 2018 (or, in the event of any adjournment, at 5:30 p.m. on the day two days before the reconvened meeting) will be entitled to attend or vote at the General Meeting and they may only vote in respect of the number of shares registered in their name at the relevant time. Changes to entries on the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend or vote at the meeting.

Corporate representatives

21. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its power as a member provided that they do not do so in relation to the same shares.
22. Except as provided above, members who have general queries about the General Meeting should use the following means of communication (no other methods of communication will be accepted):
    - by telephone on 0871 664 0300 in the UK or on +44 371 664 0300 from overseas. Calls to 0871 664 0300 from inside the United Kingdom cost 12 pence per minute (excluding VAT) plus network charges. Other service providers' charges may vary. Calls to +44 371 664 0300 from outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Lines are open 9:00 a.m. to 5:30 p.m. (London time) Monday to Friday (except public holidays in England and Wales); or
    - by post to the Company Secretary, Countrywide plc, County House, Ground Floor, 100 New London Road, Chelmsford CM2 0RG.

You may not use any electronic address provided either in this Notice of General Meeting or any related documents (including the Circular and Prospectus and Proxy Form) to communicate with the Company for any purposes other than those expressly stated.

Members' right to ask questions at the General Meeting

23. Any member attending the meeting has the right to ask questions relating to the business of the General Meeting in accordance with section 319A of the Companies Act 2006. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Notice of General Meeting on Countrywide's website

24. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at www.countrywide.co.uk.

Poll result

25. It is expected that the total of the votes cast by members for or against or withheld on each resolution will be published on www.countrywide.co.uk after the General Meeting.

DEFINITIONS

"2015 Annual Financial Statements"	has the meaning given to it in Part XIII (*Information Incorporated by Reference*);
"2016 Annual Financial Statements"	has the meaning given to it in Part XIII (*Information Incorporated by Reference*);
"2017 Annual Financial Statements"	has the meaning given to it in Part XIII (*Information Incorporated by Reference*);
"2018 Unaudited Interim Financial Statements"	has the meaning given to it in Part XIII (*Information Incorporated by Reference*);
"Adjusted EBITDA"	has the meaning give to it in section 2.2 of Part II (*Important Information*);
"Admission"	means admission of the New Ordinary Shares to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange;
"AGP"	means the proposed Countrywide Absolute Growth Plan;
"Amended Credit Facility Agreement"	means the Previous Credit Facility Agreement as amended, extended and restated pursuant to an Amendment, Extension and Restatement Agreement that took effect on 2 August 2018, further details of which are set out in section 17 of Part XII (*Additional Information*);
"Amended Credit Facility"	means the £275.0 million revolving credit facility available under the Amended Credit Facility Agreement, being an amendment and extension of the revolving credit facility available under the Previous Credit Facility Agreement;
"Annual Financial Statements"	means, together, the 2015 Annual Financial Statements, the 2016 Annual Financial Statements, and the 2017 Annual Financial Statements, unless the context otherwise requires the exclusion of the 2015 Annual Financial Statements;
"Articles of Association"	means the articles of association of Countrywide in force at the date of this document;
"B2B" or "B2B Business Unit"	means the Group's Business to Business Business Unit;
"Barclays"	means Barclays Bank PLC, acting through its investment bank;
"Board"	means the board of directors of Countrywide from time to time;
"Brandes Investment Partners"	means Brandes Investment Partners LP;
"Brexit"	means the withdrawal of the UK from the European Union;
"Business Day"	means any day on which banks are generally open in London for the transaction of business other than a Saturday or Sunday or public holiday;

"Business Units"	means the UK Sales and Lettings Business Unit, the London Sales and Lettings Business Unit, the B2B Business Unit and the Financial Services Business Unit, and "**Business Unit**" means any one of them;
"Buy To Let Loan"	has the meaning given to it in section 10.3 of Part VI (*Operating and Financial Review*);
"Capital Refinancing Plan"	has the meaning given to it in section 1 of Part I (*Letter from the Executive Chairman of Countrywide*);
"Capital Refinancing Resolutions"	means, together, Resolutions 3, 4 and 5 set out in the Notice;
"certificated" or "in certificated form"	refers to a share or other security which is not in uncertificated form (that is, not in CREST);
"CGI"	means CGI IT UK Limited;
"City Code"	means the UK City Code on Takeovers and Mergers;
"CLC"	means the Council for Licensed Conveyancers;
"Closing Price"	means the closing, middle market quotation of an Existing Ordinary Share, as published in the Daily Official List;
"CMA"	means the Competition and Markets Authority;
"Companies Act 2006"	means the Companies Act 2006 of the United Kingdom, as amended, modified or re-enacted from time to time;
"Companies Acts"	means every statute (including any orders, regulations or other subordinate legislation passed under it) from time to time in force concerning companies in so far as each such statute (including any orders, regulations or other subordinate legislation passed under it) applies to Countrywide, including (for the avoidance of doubt) the Companies Act 2006;
"Conditional Placee"	means any person who has agreed to conditionally subscribe for Open Offer Shares (subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer) pursuant to the Placing;
"Countrywide"	means Countrywide plc of County House, Ground Floor, 100 New London Road, Chelmsford CM2 0RG, a company incorporated in England and Wales with registered number 08340090;
"Covenant Adjusted EBITDA" . .	has the meaning give to it in section 2.2 of Part II (*Important Information*);
"CREST"	means the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the CREST Regulations operated by Euroclear UK;
"CREST Manual"	means the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual,

CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear UK on 15 July 1996, as amended);

"CREST member"	means a person who has been admitted by Euroclear UK as a system-member (as defined in the CREST Regulations);
"CREST Proxy Instruction"	has the meaning given to it in the notes to the Notice;
"CREST Regulations"	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
"CREST Shareholders"	means Shareholders holding Ordinary Shares in uncertificated form;
"CREST sponsor"	means a CREST participant admitted to CREST as a CREST sponsor;
"CREST sponsored member" . . .	means a CREST member admitted to CREST as a sponsored member;
"DB Section"	has the meaning given to it in section 2.16 of the Risk Factors;
"Directors"	means the directors of Countrywide as at the date of this document, and "**Director**" means any one of them;
"Disclosure Guidance and Transparency Rules"	means the disclosure guidance and transparency rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended;
"DPB Licence"	has the meaning given to it in section 2.2 of Part IV (*Industry Overview and Regulatory Framework)*;
"DSBP"	means the Countrywide Deferred Share Bonus Plan;
"EBITDA"	has the meaning give to it in section 2.2 of Part II (*Important Information*);
"EEA"	means the European Economic Area first established by the agreement signed at Oporto on 2 May 1992;
"EEA State"	means a state which is a contracting party to the agreement on the EEA signed at Oporto on 2 May 1992, as it has effect for the time being;
"Enlarged Share Capital"	means the expected issued ordinary share capital of Countrywide immediately following the issue of the New Ordinary Shares;
"EU" or "European Union"	means the European Union first established by the treaty made at Maastricht on 7 February 1992;
"EU GDPR"	means the EU General Data Protection Regulation (Regulation (EU) 2016/679);
"Euroclear UK"	means Euroclear UK & Ireland Limited, the operator of CREST;

"Excluded Shareholders" ...... means, subject to certain exceptions, Shareholders who have registered addresses in, who are incorporated in, registered in, or otherwise resident or located in, any Excluded Territory;

"Excluded Territories" .... means Australia, Canada, Japan, South Africa, the United States and any other jurisdiction where the extension or availability of the Firm Placing, the Placing or the Open Offer (and any other transaction contemplated thereby) would breach any applicable law or regulation;

"Executive Directors" .... means the executive directors of Countrywide as at the date of this document and "**Executive Director**" means any one of them;

"Existing Holding" .... means a Qualifying Shareholder's holding of Ordinary Shares on the Record Date;

"Existing Ordinary Shares" ..... means, in relation to a particular date, the Ordinary Shares existing as at that date;

"Ex-Entitlement Time" .... means 8:00 a.m. on 2 August 2018, being the time at which Ordinary Shares are marked "ex-entitlement";

"FCA" .... means the Financial Conduct Authority;

"FCA Handbook" .... means the FCA's Handbook of Rules and Guidance, as amended from time to time;

"Financial Services" or "Financial Services Business Unit" .... means the Group's Financial Services Business Unit;

"Financial Statements" .... means, together, the 2015 Annual Financial Statements, the 2016 Annual Financial Statements, the 2017 Annual Financial Statements and the 2018 Unaudited Interim Financial Statements;

"Firm Placee" .... means any person who has agreed to subscribe for Firm Placing Shares pursuant to the Firm Placing;

"Firm Placing" .... means the firm placing of the Firm Placing Shares as described in this document;

"Firm Placing Shares" .... means the 1,114,419,569 Ordinary Shares to be issued by Countrywide pursuant to the Firm Placing;

"FOS" .... means the Financial Ombudsman Service;

"FSCS" .... means the Financial Services Compensation Scheme;

"FSMA" .... means the Financial Services and Markets Act 2000 of England and Wales, as amended from time to time;

"FY" .... means, in relation to a year, the financial year ending on 31 December of that year (such that "**FY 2017**" means the financial year starting on 1 January 2017 and ending on 31 December 2017, and analogous expressions shall be construed accordingly);

"General Meeting" .... means the general meeting of Countrywide to be convened pursuant to the Notice in order to (among other things) approve the Firm Placing and the Placing and Open Offer;

"Group"	means Countrywide and each of its direct and indirect subsidiary undertakings from time to time (where "subsidiary undertaking" shall have the meaning ascribed to it in the Companies Act 2006);
"H1"	means, in relation to a year, the six month period ending on 30 June of that year (such that "**H1 2017**" means the six month period starting on 1 January 2017 and ending on 30 June 2017, and analogous expressions shall be construed accordingly);
"H2"	means, in relation to a year, the six month period ending on 31 December of that year (such that "**H2 2017**" means the six month period starting on 1 July 2017 and ending on 31 December 2017, and analogous expressions shall be construed accordingly);
"HMRC"	means HM Revenue and Customs;
"ICOBS"	means the Insurance (Conduct of Business) Sourcebook of the FCA Handbook;
"IDD"	has the meaning given to it in section 2.4 of Part IV *(Industry Overview and Regulatory Framework*);
"IFRS"	means the International Financial Reporting Standards, as adopted in the European Union;
"Independent Board"	means the Board from time to time, excluding any Representative Directors;
"Issue"	means, together, the Firm Placing and the Placing and Open Offer;
"Issue Price"	means 10 pence per New Ordinary Share;
"Jefferies"	means Jefferies International Limited;
"Joint Bookrunners"	means Barclays and Jefferies;
"Key Insurance Distribution Agreements"	has the meaning given to it in section 2.4 of the Risk Factors;
"Lettings"	means the lettings function of the UK Sales and Lettings Business Unit and the London Sales and Lettings Business Unit;
"Link Asset Services"	means Link Market Services Limited of The Registry, Beckenham Road, Beckenham BR3 4TU (trading as Link Asset Services);
"Listing Rules"	means the listing rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended;
"London Sales and Lettings" or "London Sales and Lettings Business Unit"	means the Group's London Sales and Lettings Business Unit;
"London Stock Exchange"	means London Stock Exchange Group plc or its successor(s);
"LSH"	means Lambert Smith Hampton;
"LTIP"	means the Countrywide Long-Term Incentive Plan;
"MCD"	has the meaning given to it in section 2.4 of Part IV (*Industry Overview and Regulatory Framework*);

"MCOB"	means the Mortgages and Home Finance (Conduct of Business) Sourcebook of the FCA Handbook;
"Member State"	means a member state of the EEA;
"MIPRU"	means the Prudential Sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries of the FCA Handbook;
"Money Laundering Regulations"	means the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 (SI 2017 No. 692), as amended;
"MPPI"	means mortgage payment protection insurance;
"New Ordinary Shares"	means, together, the Firm Placing Shares and the Open Offer Shares;
"Nil Rate Amount"	has the meaning given to it in section 1.3 of Part IX (*Taxation*);
"Nominated Person"	has the meaning given to it in the notes to the Notice;
"Non-Executive Directors"	means the non-executive directors of Countrywide as at the date of this document and "**Non-Executive Director**" means any one of them;
"Notice"	means the notice convening the General Meeting, included at the Appendix to this document;
"Oaktree Affiliates"	Means OCM Luxembourg Castle Holdings S.á.r.l. and OCM Luxembourg EPF III Castle Holdings S.á.r.l.;
"Oaktree Capital Management"	means Oaktree Capital Management LP;
"Official List"	means the Official List of the UKLA;
"ONS"	means the Office for National Statistics in the UK;
"Open Offer"	means the invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders only, the Application Form);
"Open Offer Entitlement"	means a Qualifying Shareholder's entitlement to subscribe for Open Offer Shares pursuant to the Open Offer;
"Open Offer Shares"	means the 285,580,431 Ordinary Shares to be issued by Countrywide pursuant to the Placing and Open Offer;
"Ordinary Shares"	means the ordinary shares of £0.01 each in the share capital of Countrywide;
"Overseas Shareholders"	means Shareholders with registered addresses outside the United Kingdom or who are incorporated in, registered in, or otherwise resident or located in, countries outside the United Kingdom;
"PCAOB Standards"	means the standards of the Public Company Accounting Oversight Board;

“PD Amending Directive”	means directive 2010/73/EU of the European Parliament and of the Council;
“Placee”	means a Conditional Placee or a Firm Placee;
“Placing”	means the conditional placing of the Open Offer Shares (subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer) as described in this document;
“Placing Agreement”	means the Placing Agreement between Countrywide, Barclays and Jefferies dated 9 March 2017;
“Placing and Open Offer”	means, together, the Placing and the Open Offer as described in this document;
“PRA” or “Prudential Regulation Authority”	means the Prudential Regulation Authority of the United Kingdom;
“Previous Credit Facility”	means the revolving credit facility that was previously made available to Countrywide pursuant to the Previous Credit Facility Agreement;
“Previous Credit Facility Agreement”	means the revolving credit facilities agreement dated 20 March 2013 (as amended and/or amended and restated from time to time) between, among others, Countrywide and HSBC Bank plc (as agent), but excluding the amendment, extension and restatement that took effect on 2 August 2018;
“Prior-Year Correction”	has the meaning given to it in Element B.7 of the Summary;
“Profit Forecast”	has the meaning given to it in Part XI (*Profit Forecast*);
“Prospectus Directive”	means Directive 2003/71/EC of the European Parliament and of the Council of the European Union on the prospectus to be published when securities are to be offered to the public or admitted to trading, as amended (including pursuant to the PD Amending Directive);
“Prospectus Rules”	means the prospectus rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended;
“Proxy Form”	means the form of proxy for use by Shareholders in connection with the General Meeting;
“QIB”	means a “qualified institutional buyer” within the meaning of Rule 144A;
“Qualifying CREST Shareholders”	means Qualifying Shareholders holding Ordinary Shares in uncertificated form;
“Qualifying Non-CREST Shareholders”	means Qualifying Shareholders holding Ordinary Shares in certificated form;
“Qualifying Shareholders”	means holders of Existing Ordinary Shares (other than treasury shares) on the register of members of Countrywide at the Record Date;
“RDS”	means Residential Development Solutions;

"Receiving Agent"	means Link Asset Services;
"Record Date"	means 5:00 p.m. on 31 July 2018;
"Reference Date"	means 1 August 2018, being the last practicable date before the date of this document;
"Registrar"	means Link Asset Services;
"Regulation S"	means Regulation S under the US Securities Act;
"Regulatory Information Service"	means a regulatory information service that is approved by the FCA and that is on the list of regulatory information service providers maintained by the FCA;
"Related Party Transaction"	has the meaning ascribed to it in paragraph 9 of IAS 24, being the standard adopted according to Regulation (EC) No. 1606/2002;
"Relationship Agreement"	means the relationship agreement between (among others) Countrywide and the Oaktree Affiliates, dated 19 March 2013;
"Relevant Dividend Income"	has the meaning given to it in section 1.3 of Part IX (*Taxation*);
"Remuneration Committee"	means Countrywide's remuneration committee, further details of which are set out in section 4.1 of Part XII (*Additional Information*);
"Remuneration Resolutions"	means, together, Resolutions 1 and 2 set out in the Notice;
"Representative Director"	means a Director nominated by the Oaktree Affiliates pursuant to the Relationship Agreement;
"RICS"	means the Royal Institution of Chartered Surveyors;
"RICS Rules"	has the meaning given to it in section 2.2 of Part IV (*Industry Overview and Regulatory Framework*);
"Rule 144A"	means Rule 144A under the US Securities Act;
"Sales"	means the sales function of the UK Sales and Lettings Business Unit and the London Sales and Lettings Business Unit;
"Sales and Lettings" or "Sales and Lettings Business Units"	means, together, the UK Sales and Lettings Business Unit and the London Sales and Lettings Business Unit;
"SAYE Plan"	means the Countrywide SAYE Plan (as amended);
"Scheme"	has the meaning given to it in section 2.16 of the Risk Factors;
"SDRT"	means stamp duty reserve tax;
"SEC"	means the United States Securities and Exchange Commission;
"Senior Managers" or "Senior Management"	means the senior managers of Countrywide as set out in section 4 of Part XII (*Additional Information*);
"Shareholder Helpline"	means the telephone helpline for Shareholders, details of which are set out in the Where To Find Help section on page 50 of this document;

"Shareholders"	means the holders of Ordinary Shares from time to time and "**Shareholder**" means any one of them;
"Share Plans"	means the AGP, the LTIP, the DSBP, the SIP and the SAYE Plan, further details of which are set out in section 9 of Part XII (*Additional Information*);
"SIP"	means the Countrywide Share Incentive Plan;
"Sponsor"	means Jefferies;
"SRA"	means the Solicitors Regulation Authority;
"stock account"	means an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
"SYSC"	means the Senior Management Arrangements, Systems and Controls Sourcebook of the FCA Handbook;
"TCF"	has the meaning given to it in section 2.4 of Part IV (*Industry Overview and Regulatory Framework*);
"TMG"	means TM Group (UK) Limited;
"UKLA"	means the FCA when exercising functions under Part VI of FSMA;
"UK Sales and Lettings" or "UK Sales and Lettings Business Unit"	means the Group's UK Sales and Lettings Business Unit;
"uncertificated" or "in uncertificated form"	refers to a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"Underwriting Agreement"	means the conditional placing and open offer agreement dated 2 August 2018 between Countrywide and the Joint Bookrunners in relation to the Issue, further details of which can be found in section 17 of Part XII (*Additional Information*);
"United Kingdom" or "UK"	means the United Kingdom of Great Britain and Northern Ireland;
"United States" or "US"	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
"USE Instruction"	means Unmatched Stock Event instruction, as defined in the CREST Regulations;
"US Exchange Act"	means the US Securities Exchange Act of 1934, as amended;
"US GAAP"	means US Generally Accepted Accounting Principles;
"US GAAS"	means US Generally Accepted Accounting Standards;

“US Purchaser’s Letter”	means a letter from a prospective US purchaser in the form provided by Countrywide;
“US Securities Act”	means the US Securities Act of 1933, as amended; and
“VAT”	means value added tax.