Prospectus

MARCH 2013

Countrywide

integrated solutions local expertise

This document comprises a prospectus (the "**Prospectus**") prepared in accordance with the Prospectus Rules of the UK Financial Services Authority ("**FSA**") made under section 73A of the Financial Services and Markets Act 2000 ("**FSMA**"). The Prospectus has been approved by the FSA in accordance with section 87A of FSMA and made available to the public as required by Rule 3.2 of the Prospectus Rules.

The Directors, whose names appear on page 72 of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and this Prospectus does not omit anything likely to affect the importance of such information.

Application has been made to the FSA for all of the Ordinary Shares of the Company, issued and to be issued, to be admitted to the premium listing segment of the Official List maintained by the FSA and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Conditional dealings in the Ordinary Shares are expected to commence at 8 a.m. on 20 March 2013. It is expected that admission to listing and trading will become effective, and that unconditional dealings will commence, at 8 a.m. on 25 March 2013. **All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued" basis and of no effect if Admission does not take place and will be at the sole risk of the parties concerned. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or trading on any other stock exchange.**

Prospective investors should read the entire Prospectus and, in particular, Part II (*Risk Factors*) for a discussion of certain factors that should be considered in connection with an investment in the Ordinary Shares. Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if certain of the risks described in the Prospectus occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Ordinary Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.

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COUNTRYWIDE PLC

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

Offer of 58,287,028 Ordinary Shares at an Offer Price of 350 pence per Ordinary Share and admission to the premium listing segment of the Official List and to trading on the London Stock Exchange

Joint Sponsor, Joint Global Coordinator, Joint Bookrunner, Underwriter

Goldman Sachs International

Joint Sponsor, Joint Global Coordinator, Joint Bookrunner, Underwriter

Jefferies International Limited

Joint Global Coordinator, Joint Bookrunner, Underwriter

Credit Suisse

ISSUED ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION
Issued and fully paid

Ordinary Shares of	Number	Nominal Value of Issued Ordinary Shares
£0.01	213,730,676	£2,137,306.76

This Prospectus does not constitute an offer of, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful and, in particular, is not for distribution in Australia, Canada or Japan. Neither the Company nor any of the Underwriters accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions. No action has been, or will be, taken in any jurisdiction other than the UK that would permit a public offering of the Ordinary Shares, or the possession, circulation or distribution of the Prospectus or any other material relating to the Company or the Offer Shares in any jurisdiction where action for that purpose is required. The offer, sale and/or issue of the Ordinary Shares has not been, and will not be, qualified for sale under any applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered, sold or delivered within Australia, Canada or Japan, or to, or for the benefit of, any national, resident or citizen of Australia, Canada or Japan. The Offer Shares and the Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Ordinary Shares are only being offered and sold (i) in the United States to persons reasonably believed to be QIBs as defined in Rule 144A pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or (ii) outside the United States in offshore transactions in reliance on Regulation S. Prospective investors in the United States are hereby notified that the Company may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder.

Credit Suisse, Goldman Sachs and Jefferies are advising the Company and no one else and will not regard any person other than the Company (whether or not a recipient of this Prospectus) as their client in relation to Admission and the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction, arrangement or other matter referred to in this Prospectus.

Investors should rely only on the information contained in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, Credit Suisse, Goldman Sachs or Jefferies. In particular, the contents of the websites of Countrywide do not form part of this Prospectus and prospective investors should not rely on them.

The Ordinary Shares to be made available pursuant to the Offer will, on Admission, rank equally in all respects with all other Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

In connection with the Offer, Goldman Sachs (the "**Stabilising Manager**") may, but will be under no obligation to, effect stabilisation transactions to support the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, the Ordinary Shares or other securities of the Company, in each case at a higher level than that which might otherwise prevail in the open market. Such transactions may include short sales, stabilising transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Stabilising Manager of a greater number of Ordinary Shares than the Underwriters are required to procure purchasers for, or failing which, to purchase in the Offer. Stabilising transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Ordinary Shares while the Offer is in progress. Such transactions shall be carried out in accordance with applicable rules and regulations. Such stabilisation activities may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period from the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there is no obligation on the Stabilising Manager or any other person (or any of their agents) to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price.

In connection with the Offer, the Stabilising Manager may over-allot Ordinary Shares at the Offer Price up to a maximum of 10% of the total number of New Issue Ordinary Shares issued by the Company as part of the Offer. To allow the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilising period, the Company has granted to it the Over-allotment Option pursuant to which the Stabilising Manager may require the Company to issue additional Ordinary Shares of up to a maximum of 10% of the total number of New Issue Ordinary Shares comprised in the Offer at the Offer Price. The Over-allotment Option is exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the thirtieth calendar day after the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank equally in all respects with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be subscribed for on the same terms and conditions as the Ordinary Shares being sold in the Offer and will form a single class for all purposes with the other Ordinary Shares.

The date of this Prospectus is 20 March 2013.

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PART I — 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 securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element might 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		
A.1	**Introduction and warnings**	This summary should be read as an introduction to the Prospectus. Any decision to invest in the Offer Shares should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of a Member State, have to bear the costs of translating the Prospectus 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 the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Subsequent resale of securities or final placement of securities through financial intermediaries**	Not applicable: the Company is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this Prospectus.

Section B — Issuer		
Element		
B.1	**Legal and commercial name**	Countrywide plc
B.2	**Domicile/Legal Form/ Legislation/Country of incorporation**	The Company is a public limited company, incorporated in the UK with its registered office situated in England and Wales. The Company operates under the Companies Act.

B.3	**Current operations/principal activities and markets**	The Group is the leading integrated, full service estate agency and property services group in the UK. It offers estate agency and lettings services, together with a range of complementary services that position it to capture revenue streams across the various stages of a typical residential property sale or rental. In 2012, the Estate Agency Division and the Hamptons estate agency business represented 48% of the Group's income and the Group was the largest estate agency in the UK measured by both revenue and transaction volumes. Based on transaction volume statistics published by the Land Registry for England and Wales and the Registers of Scotland, the Estate Agency Division and the Hamptons estate agency business sold approximately 1 in 11 of all homes sold in the UK during the period from 1 January 2009 to 30 September 2012. As at December 2012, the Group operated 931 estate agency branches, which is approximately 66% more than the number of its nearest competitor, through a variety of established brands, including Hamptons International, John D Wood & Co., UK Sotheby's International Realty, Mann Countrywide, Gascoigne-Pees, Bairstow Eves, Dixons, Bridgfords, Taylors and Slater Hogg & Howison. Through its Propertywide website, the Group has an online distribution capability for its estate agency and other property services. Following a sustained period of investment, the Directors believe (based on a review of the available public resources) that the Lettings Division is now the largest lettings agency in the UK by number of dedicated branches and turnover. The Estate Agency Division is used as a distribution channel to sell complementary services to buyers, sellers, landlords, mortgage lenders and other third parties. These services include arranging the sale of mortgages, insurance and other financial products; providing referrals for surveying and valuation; and conveyancing. In 2012, each £1 of income earned by the Estate Agency Division was matched by a further 50 pence of income earned by other divisions from the leads generated from the Estate Agency Division. The Group is a leading mortgage broker and a leading provider of residential valuations and surveys and of conveyancing services. Over the past few years, management has focused on cost-saving initiatives across its divisions, including headcount reductions, closures of underperforming branches, simplification of the management structure, centralisation of back office functions and consolidation of information technology platforms. The Directors believe that these measures, which were implemented during a housing market downturn, will substantially enhance its ability to benefit from a market upturn. In addition, the Directors believe that its future cost structure provides the financial flexibility that the cyclical housing market demands.

B.4a	**Recent trends**	The UK property market has been affected by the financial crisis and the economic downturn in the UK, including a reduction in the supply of mortgage financing. The recession experienced in the UK has coincided with a significant decline in the demand for residential property and the number of residential property transactions. According to statistics published by the Land Registry for England and Wales and the Registers of Scotland, home sales in the UK fell from 1,428,000 in 2006 to 684,000 in 2009 (a decline of 52%). Sales have since increased slightly to 730,000 in 2010 and 722,000 in 2011. The latest data for 2012 reflect similar trends to 2011. Prices declined 0.3% in 2012 according to the Halifax House Price Index. The UK property market is affected by a number of factors including the macroeconomic environment, mortgage availability, interest rates and unemployment levels. The Financial Services Division has faced similar trends to the Estate Agency Division, however the mortgage intermediary business of the Financial Services Division has been more resistant to the downturn experienced during the financial crisis.
B.5	**Description of Issuer's group**	The Company is the UK holding company for the Group. The Group is an integrated residential property services business in the UK. It offers estate agency and lettings services, together with a range of complementary services including conveyancing, surveying, valuation and certain financial services connected to the sale, purchase and letting of residential property in the UK.
B.6	**Shareholders**	At the date of this Prospectus, insofar as is known to the Company, the following will be interested in 5% or more of the Company's capital. • Oaktree Affiliates (37.9%); • Apollo-Affiliated Funds (17.3%); and • Alchemy Special Opportunities Fund LP (6.0%). The Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or, immediately following the Offer, could exercise control over the Company. All Ordinary Shares have the same voting rights.

B.7	**Selected historical key financial information**	**CONSOLIDATED INCOME STATEMENT**

	2010	(audited) 2011	2012
	£'000	£'000	£'000
Revenue	468,041	498,855	527,355
Other income	9,881	10,195	12,493
	477,922	509,050	539,848
Employee benefit costs	(270,464)	(283,047)	(297,518)
Depreciation on property, plant and equipment and amortisation on purchased computer software	(9,305)	(9,629)	(8,647)
Other operating costs	(157,482)	(171,136)	(180,794)
Share of profit from joint venture	359	314	774
Group operating profit before exceptional items and amortisation of intangible assets recognised through business combinations	**41,030**	**45,552**	**53,663**
Amortisation of intangible assets recognised through business combinations	(13,271)	(9,445)	(7,709)
Exceptional income	—	—	7,867
Exceptional costs	(18,992)	(16,547)	(37,060)
Group operating profit	**8,767**	**19,560**	**16,761**
Finance costs	(23,812)	(27,658)	(28,531)
Finance income	2,014	793	999
Net finance costs	(21,798)	(26,865)	(27,532)
Loss before taxation	(13,031)	(7,305)	(10,771)
Taxation	4,758	4,664	7,776
Loss for the year	**(8,273)**	**(2,641)**	**(2,995)**
Attributable to:			
Owners of the parent	(8,273)	(2,842)	(3,417)
Non-controlling interests	—	201	422
Loss attributable for the year	(8,273)	(2,641)	(2,995)
Earnings per share (expressed in pence per share):			
Basic loss per share	-5.02p	-1.79p	**-2.15p**
Diluted loss per share	-5.02p	-1.79p	**-2.15p**
Adjusted earnings per share	9.30p	10.50p	**14.54p**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the operating company						
	Share capital	Share premium	Capital redemption reserve	Foreign exchange reserve	Retained earnings	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2010	**156,703**	**46,086**	**36,474**	**—**	**51,387**	**—**	**290,650**
Loss for the year	—	—	—	—	(8,273)	—	(8,273)
Other comprehensive loss							
Currency translation differences	—	—	—	(30)	—	—	(30)
Actuarial loss in the pension fund	—	—	—	—	(336)	—	(336)
Deferred tax movement relating to pension	—	—	—	—	92	—	92
Total other comprehensive loss	—	—	—	**(30)**	(244)	—	(274)
Total comprehensive loss	—	—	—	**(30)**	(8,517)	—	(8,547)
Transactions with owners							
Issue of new shares for cash	3	157	—	—	—	—	160
Repurchase of shares	(9,059)	—	9,059	—	(26,015)	—	(26,015)
Transactions with owners	(9,056)	157	9,059	—	(26,015)	—	(25,855)
Balance at 31 December 2010	**147,647**	**46,243**	**45,533**	**(30)**	**16,855**		**256,248**
(Loss)/profit for the year	—	—	—	—	(2,842)	201	(2,641)
Other comprehensive loss							
Currency translation differences	—	—	—	(15)	—	—	(15)
Actuarial loss in the pension fund	—	—	—	—	(2,601)	—	(2,601)
Deferred tax movement relating to pension	—	—	—	—	689	—	689
Total other comprehensive loss	—	—	—	**(15)**	(1,912)	—	(1,927)
Total comprehensive (loss)/income	—	—	—	**(15)**	(4,754)	201	(4,568)
Transactions with owners							
Options to acquire non-controlling interests	—	—	—	—	(8,389)	—	(8,389)
Issue of new shares for cash	10	534	—	—	—	—	544
Cancellation of shares	(3)	—	3	—	—	—	—
Movement in non-controlling interests	—	—	—	—	—	37	37
Transactions with owners	7	534	3	—	(8,389)	37	(7,808)
Balance at 31 December 2011	**147,654**	**46,777**	**45,536**	**(45)**	**3,712**	**238**	**243,872**
Balance at 1 January 2012	**147,654**	**46,777**	**45,536**	**(45)**	**3,712**	**238**	**243,872**
(Loss)/profit for the year	—	—	—	—	(3,417)	422	(2,995)
Other comprehensive income							
Currency translation differences	—	—	—	16	—	—	16
Movement in fair value of available-for-sale financial assets	—	—	—	—	953	—	953
Actuarial gain in the pension fund	—	—	—	—	137	—	137
Deferred tax movement relating to pension	—	—	—	—	(34)	—	(34)
Total other comprehensive income	—	—	—	**16**	1,056	—	1,072
Total comprehensive income/(loss)				**16**	(2,361)	422	(1,923)
Transactions with owners							
Issue of new shares for cash	7	502	—	—	—	—	509
Cancellation of shares	(4)	—	4	—	—	—	—
Dividends paid	—	—	—	—	—	(159)	(159)
Transactions with owners	3	502	4	—	—	(159)	350
Balance at 31 December 2012	147,657	47,279	45,540	(29)	1,351	501	242,299

CONSOLIDATED CASH FLOW STATEMENT

	2010	2011	2012
	£'000	(audited) £'000	£'000
Cash flows from operating activities			
Loss before taxation	**(13,031)**	**(7,305)**	**(10,771)**
Adjustments for:			
Depreciation	**6,517**	**6,969**	**6,328**
Amortisation of intangible assets	**16,059**	**12,105**	**10,028**
Impairment	**—**	**—**	**133**
(Profit)/loss on disposal of fixed assets	**(333)**	**(12)**	**35**
Unrealised gains (exceptional income)	**—**	**—**	**(7,867)**
Income from joint venture	**(359)**	**(314)**	**(774)**
Finance costs	**23,812**	**27,658**	**28,531**
Finance income	**(2,014)**	**(793)**	**(999)**
	30,651	**38,308**	**24,644**
Changes in working capital (excluding effects of acquisitions and disposals of group undertakings):			
Decrease/(increase) in trade and other receivables	**4,451**	**6,189**	**(796)**
(Decrease)/increase in trade and other payables	**(10,748)**	**9,691**	**(9,092)**
Increase/(decrease) in provisions	**3,123**	**(3,750)**	**16,356**
Cash generated from operations	**27,477**	**50,438**	**31,112**
Interest paid	**(22,337)**	**(25,791)**	**(25,564)**
Tax paid	**(2,918)**	**(552)**	**(972)**
Net cash inflow from operating activities	**2,222**	**24,095**	**4,576**
Cash flows from investing activities			
Acquisitions net of cash acquired	**(85,718)**	**(16,328)**	**(10,078)**
Purchase of property, plant and equipment	**(5,348)**	**(5,775)**	**(8,353)**
Purchase of intangible assets	**(2,718)**	**(1,652)**	**(2,177)**
Proceeds from sale of property, plant and equipment	**1,895**	**381**	**1,097**
Proceeds from sale of a subsidiary	**—**	**500**	**—**
Purchase of financial assets available-for-sale	**(303)**	**—**	**(905)**
Dividend received from joint venture	**500**	**336**	**748**
Interest received	**2,105**	**886**	**650**
Net cash outflow from investing activities	**(89,587)**	**(21,652)**	**(19,018)**
Cash flows from financing activities			
Proceeds from issue of share capital	**160**	**544**	**509**
Financing fees paid	**(1,920)**	**(1,258)**	**—**
Issue of bonds	**75,000**	**—**	**—**
Repayment of overseas loan	**(1,070)**	**—**	**—**
Purchase of own shares	**(26,015)**	**—**	**—**
Dividends paid	**—**	**—**	**(159)**
Net cash inflow/(outflow) from financing activities	**46,155**	**(714)**	**350**
Net (decrease)/increase in cash and cash equivalents	**(41,210)**	**1,729**	**(14,092)**
Cash and cash equivalents at 1 January	**100,117**	**58,907**	**60,636**
Cash and cash equivalents at 31 December	**58,907**	**60,636**	**46,544**

CONSOLIDATED BALANCE SHEET

	2010	2011 (audited)	2012
	£'000	£'000	£'000
Assets			
Non-current assets			
Goodwill	**333,668**	**344,944**	**356,517**
Other intangible assets	**200,731**	**198,933**	**193,700**
Property, plant and equipment	**22,614**	**22,508**	**23,596**
Investments accounted for using the equity method:			
Investments in joint venture	**2,672**	**2,650**	**2,676**
Available-for-sale financial asset	**303**	**317**	**14,370**
Deferred tax asset	**15,766**	**16,088**	**16,458**
Total non-current assets	**575,754**	**585,440**	**607,317**
Current assets			
Trade and other receivables	**68,691**	**67,108**	**68,178**
Cash and cash equivalents	**58,907**	**60,636**	**46,544**
Total current assets	**127,598**	**127,744**	**114,722**
Total assets	**703,352**	**713,184**	**722,039**
Capital and reserves attributable to the equity shareholders of the parent			
Share capital	**147,647**	**147,654**	**147,657**
Share premium	**46,243**	**46,777**	**47,279**
Capital redemption reserve	**45,533**	**45,536**	**45,540**
Foreign exchange reserve	**(30)**	**(45)**	**(29)**
Retained earnings	**16,855**	**3,712**	**1,351**
Equity shareholder funds	**256,248**	**243,634**	**241,798**
Non-controlling interest	—	**238**	**501**
Total equity	**256,248**	**243,872**	**242,299**
Non-current liabilities			
Financial liabilities — loans and borrowings	**248,240**	**249,513**	**249,774**
Defined benefit scheme liabilities	**5,506**	**6,463**	**6,612**
Provisions	**27,090**	**20,211**	**34,366**
Deferred income	**12,342**	**16,667**	**16,040**
Trade and other payables	**6,295**	**13,029**	**10,811**
Deferred tax liabilities	**53,641**	**50,489**	**43,676**
Total non-current liabilities	**353,114**	**356,372**	**361,279**
Current liabilities			
Trade and other payables	**72,579**	**79,849**	**80,318**
Deferred income	**3,795**	**9,850**	**13,213**
Provisions	**16,052**	**21,908**	**24,222**
Current tax liabilities	**1,564**	**1,333**	**708**
Total current liabilities	**93,990**	**112,940**	**118,461**
Total liabilities	**447,104**	**469,312**	**479,740**
Total equity and liabilities	**703,352**	**713,184**	**722,039**

There has been no significant change in the financial or trading position of the Group since 31 December 2012, being the date to which the historical financial information in Element B7 was prepared.

B.8	**Selected key pro forma financial information**	The unaudited pro forma statement of net assets of the Group (after giving effect to the Reorganisation) set out below has been prepared to illustrate the effect of receipt of the net proceeds of the New Issue Ordinary Shares on the Group's net assets as if the Reorganisation and the Offer had been completed on 31 December 2012. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results. The unaudited pro forma statement of net assets is compiled on the basis set out below from the IFRS consolidated balance sheet of the Company as at 31 December 2012. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The pro forma financial information has been prepared on the basis set out in the notes below and in accordance with Annex II to the PD Regulation.

	As at 31 December 2012 £'000	**Unaudited adjustments IPO Net Proceeds £'000**	**Unaudited Pro Forma Total £'000**
ASSETS			
Non-current assets			
Goodwill	356,517	—	356,517
Other intangible assets	193,700	—	193,700
Plant and equipment	23,596	—	23,596
Investment accounted for using the equity method: investments in joint venture	2,676	—	2,676
Other Investments	14,370	—	14,370
Deferred tax asset	16,458	—	16,458
Total non-current assets	607,317	—	607,317
Current assets			
Trade and other receivables	68,178	—	68,178
Cash and cash equivalents	46,544	191,162	237,706
Total current assets	114,722	191,162	305,884
Total assets	722,039	191,162	913,201
Liabilities			
Non-current liabilities			
Financial liabilities — loans and borrowings	249,774	—	249,774
Defined benefit scheme liabilities	6,612	—	6,612
Provisions	34,366	—	34,366
Deferred income	16,040	—	16,040
Other liabilities due after one year	10,811	—	10,811
Deferred tax liability	43,676	—	43,676
Total non-current liabilities	361,279	—	361,279
Current liabilities			
Trade and other payables	80,318	—	80,318
Deferred income	13,213	—	13,213
Provisions	24,222	—	24,222
Current tax liabilities	708	—	708
Total current liabilities	118,461	—	118,461
Total liabilities	479,740	—	479,740
Net assets	242,299	191,162	433,461

		Notes 1. The financial information has been extracted, without material adjustment, from the results of the Group for the year ended 31 December 2012. 2. The net proceeds of the offer receivable by the Company of £191.2 million are calculated on the basis that the Company issues 57,142,858 New Issue Ordinary Shares of 1 pence each at a price of 350 pence per share, net of estimated fees and expenses in connection with the Offer of approximately £8.8 million. 3. The Company intends to use the net proceeds receivable by the Company from the Offer, together with the New Facility to redeem the Senior Secured Notes. This is not reflected in the unaudited net asset statement above. Had the net proceeds receivable by the Company from the Offer of £191.2 million been received, £75.0m of the New Facility drawn and redemption of £250.0m of Senior Secured Notes been made on 31 December 2012, the hypothetical effect on the net asset statement at that date would be to reduce Financial Liabilities — Loans and Borrowings of the Group by £176.3m, reduce trade and other payables by £2.2m, increase and cash equivalents by £6.0 million and increase net assets by £184.5 million. 4. This unaudited pro forma statement of net assets does not constitute financial statements within the meaning of section 434 of the Companies Act. 5. The unaudited pro forma financial statement of net assets does not reflect any trading or other transactions undertaken by the Group since 31 December 2012.
B.9	**Profit forecast/estimate**	Not applicable: no profit forecasts or estimates have been made.
B.10	**Audit report — qualifications**	Not applicable: there are no qualifications in the accountant's report on the historical financial information.
B.11	**Insufficient working capital**	Not applicable: the Group has sufficient working capital for its present requirements.

Section C — Securities

Element

C.1	**Description of type and class of securities being offered**	The Offer comprises of Ordinary Shares in Countrywide plc. The nominal value of the total issued ordinary share capital of the Company immediately following Admission will be £2,137,306.76 million divided into 213,730,676 Ordinary Shares of 1 pence each, which are issued fully paid. When admitted to trading, the Ordinary Shares will be registered with ISIN GB00B9NWP991 and SEDOL number B9NWP99.
C.2	**Currency of issue**	The Offer Shares are denominated in British pounds sterling.
C.3	**Number of Ordinary Shares issued and par value**	There are at the date of this Prospectus 213,730,676 Ordinary Shares (all of which are fully paid). The Ordinary Shares have a par value of £0.01.
C.4	**Rights attaching to the Ordinary Shares**	The Ordinary Shares rank equally for voting purposes. On a show of hands each Shareholder has one vote, and on a poll each Shareholder has one vote per Ordinary Share held. Each Ordinary Share ranks equally for any dividend declared. Each Ordinary Share ranks equally for any distributions made on a winding up of the Company.

		Each Ordinary Share ranks equally in the right to receive a relative proportion of shares in case of a capitalisation of reserves.
C.5	**Restrictions on transfer**	The Ordinary Shares are freely transferable and there are no restrictions on transfer in the UK.
C.6	**Admission to trading**	Application has been made for the Ordinary Shares in the Company to be admitted to trading on the London Stock Exchange's main market for listed securities. The London Stock Exchange's main market is a regulated market.
C.7	**Dividend policy**	As a public company the Directors intend to adopt a progressive dividend policy reflecting the cash generative nature of the Group's businesses, the long-term earnings potential of the Group and the Group's ability to make value-accretive investments. Assuming that there are sufficient distributable reserves available at the time the Directors initially intend to target a dividend of between 25% and 35% of the annual reported Group profits for the financial year after tax but before any amortisation. Subject to cash not being used for organic investment or for potential acquisitions, the Directors intend to return any excess cash to Shareholders over time. The Directors intend that the Company will pay an interim dividend and a final dividend to be announced at the time of its interim and preliminary results in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. It is expected that the first dividend to be paid by the Company will be announced with the interim results for the six months ending 30 June 2013. The Group may revise its dividend policy from time to time.

Section D — Risks		
Element		
D.1	**Key information on key risks that are specific to the Issuer or its industry**	The Group is exposed to the performance of the housing market in the UK. That market is highly cyclical and has been depressed for the last five years. Economic, market, fiscal, regulatory and political conditions in the UK directly affect the housing market and, therefore, the financial health of the Group. In particular, the lack of available mortgage financing may adversely affect the volume of home sales and, therefore, the amount of revenue derived from home sales. An increase in the interest rates charged on mortgages could also reduce the demand for homes in the UK and, therefore, the volume of residential property transactions.

		Changes in Government policy, laws or regulations could create uncertainty, decrease residential property transactions or affect the Group's businesses. For example, an increase in stamp duty land tax could decrease the number of residential property transactions. The impact of any future change in Government policy is unknown but may adversely affect the Group's business. The Estate Agency Division and Hamptons estate agency business are used as distribution channels to introduce services that are complementary to residential sales or lettings, such as conveyancing, surveying and financial services. A decrease in the number of customers using the Estate Agency Division and Hamptons International could, therefore, adversely affect the revenue derived from other divisions, which may not be able to source customers independently. The Group and, in particular, the Financial Services Division, utilises certain Distribution Agreements that are material to its financial performance. The renewal on less favourable terms or the termination of these arrangements could have a material adverse effect on that performance. The Group is exposed to claims for inaccurate valuations relating primarily to the valuations completed by the Surveying Division between 2004 and 2007. As contractual claims made in or before 2007 will be generally time-barred by 2013, the Group expects the number of contractual claims made in respect of such valuations to increase before this limitation period ends. These claims could result in certain Group members suffering losses, making settlement payments or incurring legal costs in defending the claims. An unusually large number of claims or a claim or claims of a significant nature made against the Group could have a material adverse effect on the Group's business and financial condition, particularly if the Group's insurer does not cover some or all of the Group's losses or the Group has problems claiming against its insurance. Although the Group has made a number of provisions in respect of this liability, these are management estimates based on historical data. The loss suffered in any one year could exceed the provisions for that year. Substantial parts of the Group's business are currently subject to regulatory supervision by the FSA, the OFT and RICS, among others. New laws may regulate, limit or increase the cost of the Group's activities. Various regulators can conduct industry-wide investigations into certain products, selling practices or other aspects of the parts of the business regulated by that regulator. A regulator may determine that the Group has failed to comply with applicable laws, regulations or rules or that it has not undertaken corrective action as required. Inquiries or investigations could result in adverse publicity for, or negative perceptions regarding, the Group and affect the Group's relationships with current and potential customers.

D.3	**Key information on key risks relating to the Ordinary Shares**	Following Admission, the Major Shareholders will be interested in approximately 55.2% of the Company's issued share capital. Of these, Oaktree Affiliates will be interested in 37.9% and Apollo-Affiliated Funds will own 17.3%. Oaktree Affiliates and Apollo-Affiliated Funds have entered into the Relationship Agreement, which governs their conduct in relation to the Company. The interests of either of the Major Shareholders may not always be aligned with those of the other Shareholders.

Section E – Offer		
Element		
E.1	**Net proceeds/expenses**	The Company will receive approximately £191.2 million net proceeds from the Offer (after deducting underwriting commissions, other estimated offering-related fees and expenses, VAT and stamp duty of approximately £8.8 million) from the Offer. The proceeds from the Offer receivable by the Selling Employees will be approximately £4.0 million, before costs. No expenses will be charged by the Issuer to the purchasers of Offer Shares.
E.2a	**Reasons for the Offer/Use of proceeds**	The Company intends to use all of the net proceeds (i.e. £191.2 million) it receives from the Offer in addition to the funds made available to it under the term loan tranche of the New Facility to redeem the Senior Secured Notes.
E.3	**Terms and conditions of the Offer**	The Offer Shares will consist of: 57,142,858 New Issue Ordinary Shares issued by the Company as part of the Offer; the Over-allotment Option, of up to 5,714,285 Ordinary Shares (representing approximately 10% of the New Issue Ordinary Shares); and 1,144,170 Existing Ordinary Shares, which shall be sold by the Selling Employees. Under the Offer, all Offer Shares will be sold at the Offer Price. Under the Offer, the Offer Shares will be offered to certain institutional investors in the UK and elsewhere outside the United States in reliance on Regulation S and to persons reasonably believed to be QIBs in the United States as defined in Rule 144A pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Admission is expected to become effective, and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange, at 8 a.m. on 25 March 2013.

		The Offer is subject to the satisfaction of conditions, which are customary for transactions of this type, contained in the Underwriting Agreement, including completion of the Reorganisation, Admission becoming effective no later than 8 a.m. on 25 March 2013 and the Underwriting Agreement not having been terminated prior to Admission. The Underwriting Agreement has been entered into between the Company, the Directors, the Major Shareholders and the Banks. The Underwriting Agreement provides for the Underwriters to be paid a commission in respect of the Offer Shares sold. Any commissions received by the Underwriters may be retained and any Ordinary Shares acquired by them may be retained or dealt in, by them, for their own benefit. Under the terms and conditions of the Underwriting Agreement, the Joint Sponsors have severally agreed to provide certain assistance to the Company in connection with Admission. None of the Ordinary Shares may be offered for subscription, sale, purchase or delivery, and neither this Prospectus nor any other offering material in relation to the Ordinary Shares may be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

E.4	**Material interests**	Immediately following Admission the following will be interested in 5% or more of the Company's capital:
		• Oaktree Affiliates (total: 37.9%):
		  • OCM Luxembourg Castle Holdings s.á r.l., 31.7%
		  • OCM Luxembourg EPF III Castle Holdings s.á r.l., 6.2%
		• Apollo-Affiliated Funds (total: 17.3%):
		  • AIF VI Euro Holdings, LP, 17.0%
		  • AAA Guarantor – Co Invest VI LP, 0.3%
		• Alchemy Special Opportunities Fund LP (total: 6.0%).
		
		There are no conflicting interests that are material to the Offer.
		
		Assuming the Over-allotment Option is exercised in full, the shareholdings of Oaktree Affiliates will be 36.9% and the shareholdings of Apollo-Affiliated Funds will be 16.9%.

E.5	**Selling shareholders**	1,144,170 Ordinary Shares (representing no more than 0.5% of the enlarged share capital of the Company) will be sold in the Offer by or on behalf of 27 Selling Employees. If a Selling Employee decides to sell any Ordinary Shares pursuant to the Offer he or it will transfer legal title to (but retain the entire beneficial interest in) his or its Ordinary Shares to Jefferies with effect from the date of Admission in order for Jefferies to sell such Ordinary Shares on his or its behalf as part of the Offer.

	Lock-up arrangements	For a 180-day lock-up period, the Company and the Major Shareholders will not issue or dispose of any interest in the Ordinary Shares. The Directors are also subject to a 365-day lock-up period during which they will not dispose of any interest in any Ordinary Shares they own in the Company or any rights to such Ordinary Shares. For a 365-day lock-up period, any Employee Shareholder may not, without the consent of the Board, dispose of any interest in any Ordinary Shares which he or she did not sell at Admission. All lock-up arrangements are subject to certain customary exceptions.
E.6	**Dilution**	Up to 62,857,143 New Issue Shares will be issued pursuant to the Offer (including the exercise of the Over-allotment Option). The Existing Ordinary Shares will represent 73.2% of the total issued Ordinary Shares immediately following Admission (which excludes any exercise of the Over-allotment Option).
E.7	**Estimated expenses charged to investor**	Not applicable: there are no commissions, fees or expenses to be charged to investors by the Company under the Offer.

PART II — RISK FACTORS

Any investment in the Offer Shares is subject to a number of risks. Prior to investing in the Offer Shares, prospective investors should consider carefully the factors and risks associated with any such investment in the Offer Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below. Prospective investors should note that the risks relating to the Group, its industry and the Offer Shares summarised in Part I (Summary) are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Offer Shares. However, as the risks 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 summarised in Part I (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 Offer Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group's business, prospects, results of operation and financial position. 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, prospects, results of operations and financial condition and, if any such risk should occur, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Offer Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group is dependent on the UK's residential property market and macroeconomic conditions in the UK.

The Group generated virtually all of its total income from the UK residential property market in the year ended 31 December 2012. In particular, the Estate Agency Division and Hamptons International, which accounted for 48% of the Group's total income in the year ended 31 December 2012, generate income by taking a commission on each residential property sale that they facilitate. The Group is, therefore, adversely affected by factors that reduce transaction volumes or sales prices in the UK residential property market. The number of transactions handled by the Group could decrease if the UK residential property market contracts as occurred in each of 2008 and 2009 as a result of the financial crisis and in 2011 as a result of the Eurozone crisis. The market could also be affected by a shift in the UK's cultural predisposition for owned, rather than rented, housing. When the number of transactions the Group facilitates decreases (and commission and price levels remain the same), the commissions earned by the Group decrease. While the levels of commissions may rise in periods of adverse market conditions, generally when the number of residential property sales decreases and/or sales prices decrease, the Group's total commission revenue decreases. Strong competition faced by all the Group's divisions (especially the Financial Services and Estate Agency Divisions) may lead to greater pricing pressure, particularly when coupled with poor market conditions, which may decrease the Group's revenues. In addition to pressure on the estate agency businesses' revenue, lower volumes of transactions can be expected to result in the Group having fewer opportunities to earn revenue from providing complementary services, including financial, conveyancing and surveying services, which rely, to a large extent, on the Group's estate agency businesses as distribution channels. Accordingly, the business, prospects, results of operations and financial condition of the Group are closely linked to the UK housing market and could be harmed by any further decline in the volume of residential property sales or prices.

The UK housing market historically has been linked to the strength of the UK economy. The economic weakness experienced in the UK from 2008 has caused a significant decline in the demand for residential property and the number of residential property transactions. According to statistics from the Land Registry for England and Wales and the Registers of Scotland, home sales in the UK fell from 1,428,000 in 2006 to 684,000 in 2009 (a decline of 52%). In the same period the revenue generated by the Estate Agency Division decreased by 33%. The market then recovered, whereupon home sales rose first to 730,000 in 2010 and then declined again in 2011 to 722,000. Between 2010 and 2011 the revenue generated by the Estate Agency Division decreased by 7%. The latest data for 2012 reflect similar trends to 2011. One effect of this was that the Group facilitated 50,510 home sales in 2008, 63,377 in 2009, 61,165 in 2010, 59,382 in 2011 and 60,372 in 2012 (including Hamptons International from 1 June 2010). The UK economy returned to growth in the third quarter of 2012 but contracted in the fourth quarter of 2012, according to the Office for National Statistics preliminary estimates.

Historically, and particularly since the recent financial crisis, conditions in the UK housing market have varied by region. In London, where prime residential property is regarded as a safe haven for international capital, residential property price growth has been maintained through the economic downturn (although the number of transactions has decreased). Residential property prices in the South East of the UK generally have been more resilient to the downturn in the housing market than in the rest of the country where both residential property prices and the volume of residential property transactions have generally fallen, in some areas considerably, since 2008. National statistics may mask underperformance in regions other than London and the South East of the UK. In the future, the variations between regions may become more pronounced. The Group has branches throughout the UK. The Group's branches outside London and the South East are likely to be more adversely affected should the UK economy stagnate or contract, and therefore profitability is likely to be dependent on the Group's ability to offset results in much of the UK with greater penetration of the London and South East markets.

The Group cannot predict whether, when, or which parts of, the UK housing market will return to a period of sustained growth. If the UK economy, or parts of it stagnate or contract, average property prices and the volume of activity in the UK housing market could decrease further, which would have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

The Group's business is dependent on the availability of mortgage financing.

The parts of the Group's business that do not operate in the Prestige Market are particularly exposed to the level of mortgage approvals. Since the end of 2007, the volume of mortgage approvals in the UK for residential property transactions has decreased considerably. At least 100,000 residential mortgages were approved in every month from August 2005 to September 2007 (according to seasonally adjusted figures from the Bank of England). However, between April 2008 (when c.65,000 mortgages were approved) and December 2012, the non-seasonally adjusted monthly figure for mortgage approvals has risen above 60,000 only four times. The most recent available (seasonally adjusted) figure, for the month of December 2012, was 55,785. A further contraction in the volume of mortgage approvals could occur. The number of mortgage approvals may be affected by (i) macroeconomic factors, such as the Eurozone crisis, constrained wholesale funding markets, the credit crunch, deleveraging of banks' balance sheets and a more conservative attitude to risk; (ii) new regulations, especially those increasing the capital requirements of certain banks; and (iii) changes in lenders' approval policies and processes.

Low levels of mortgage approvals have resulted, and could further result, in a decrease in the number of homes sold by the Group; particularly in markets other than Prestige Markets. This has adversely affected, and could further adversely affect, the revenues and profits of the Group. 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 can generate from the Financial Services Division, which derives a substantial portion of its revenue by arranging mortgage financing for home buyers. 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, prospects, results of operations and financial condition.

Significant increases in interest rates generally decrease the number of home sales.

The Bank of England base rate was cut to 0.5% in March 2009 and has not been adjusted since. A prolonged period of low interest rates is unprecedented in the UK, and therefore its long-term impact on the Group is uncertain. Despite the low base rate environment, levels of mortgage lending throughout the UK remain comparatively low. While a modest increase in the base rate may not significantly affect the housing market (since current rates are low), 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. 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 revenue derived from them. This could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

Changes in Government policy, law or regulation may decrease the number of residential property transactions and may increase the cost of providing services related to such transactions.

Changes in Government policy, laws or regulations in the UK may significantly decrease the number of residential property transactions and may increase the cost of providing services related to such transactions. For example, adverse tax or stamp duty land tax policies, or changes in the regulation of estate agency business, including the proposed repeal of the PMA, may affect the volume of transactions in the UK housing market and could also increase the cost of providing services related to such transactions (see, in particular, paragraph 1 of Part IX (*Regulatory Overview*)). Changes may also impact the Group's ability to offer certain products and services. Even though 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, prospects, results of operations and financial condition.

The Group relies on its ability to sell services that are complementary to the sale of residential properties.

The Group seeks to capture revenue streams at each stage of a typical residential property sale or rental, from listing to completion or letting. A substantial proportion of the Group's revenue is derived from the provision of services that are complementary to the sale of residential property, including conveyancing, surveying and/or financial services. The Group's complementary services benefit from introductions from other parts of the Group's business. In particular, the Estate Agency Division is used as a distribution channel to sell complementary services from the Financial Services, Conveyancing and Surveying Divisions. Moreover, the Financial Services Division does not have its own physical distribution channel for the sale of its products and, therefore, relies upon introductions from the Estate Agency and Lettings Divisions. As a result, a decrease in the number of customers in the Estate Agency or Lettings Divisions could have a material adverse effect on the revenue derived from other divisions of the Group, as a result of those divisions being unable to source customers independently.

In addition, customers may procure the complementary services from sources outside the Group, which would decrease revenue generated by the Financial Services, Conveyancing and Surveying Divisions. Furthermore, future changes in law and/or regulation may limit or proscribe the Group's ability to sell complementary services or subject it to more onerous conduct of business requirements.

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

The Financial Services Division arranges for the sale of products from a limited number of third party product providers.

The Group, through its Financial Services Division, arranges the sale of mortgage products, life insurance, general insurance and other financial services products that are provided by third parties. The Group has various insurance intermediary broker and agency agreements with third party mortgage providers and insurers (the "**Distribution Agreements**").

The Distribution Agreements entered into by the Group include one with Friends Life and one with the AXA Group. The Group generated £12 million of revenue arranging the sale of Friends Life products in 2012, which accounted for 18% of the revenue generated by the Financial Services Division. The only general insurance products sold by the Group's Estate Agency Division are underwritten by AXA. The Group generated £15 million of revenue from arranging for the sale of AXA general insurance products in 2012, which accounted for 23% of the revenue generated by the Financial Services Division. In addition to the Group's arrangements with Friends Life and AXA, Capital Private Finance Limited and Mortgage Intelligence distribute life insurance products and general insurance products through a broad panel of insurance providers. In 2012, Capital Private Finance Limited and Mortgage Intelligence accounted for 7% of the revenue generated by the Financial Services Division.

The AXA and Friends Life Distribution Agreements are due to terminate in 2015 and 2017, respectively. The Directors believe that these two agreements, as well as a number of other Distribution Agreements, are all highly sought after by insurance providers, and both have previously been renewed by the Group on commercially satisfactory terms. If a Distribution Agreement is not renewed, the Group may not be able to enter into an agreement with an alternative provider on commercially satisfactory terms, which could have a material adverse effect on the revenue generated by the Financial Services Division. 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 Division during the period of transition.

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

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

The Surveying Division conducts valuations on behalf of mortgage lenders. Properties that have been valued by the Surveying Division have, in some cases, been subsequently repossessed by mortgage lenders (see Part XVI (*Additional Information*)). 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 in various cases have claimed, that the Surveying Division's original valuation of the property was too high. A total of approximately 4,300 of misvaluation claims, relating to valuations made between 2004 and 2007, have been brought against the Group. During this period, the Group carried out approximately 1.7 million valuations. The Group is unable to determine the aggregate amount of the misvaluation claims that have been brought against it to date due to, among other things, the omission by a number of claimants to initially state the amount of compensation sought (or information that would allow the claims to be calculated). Contractual claims in respect of valuations made in or before 2007 will generally be time-barred during 2013. The Group expects the number of contractual claims made in respect of such valuations to continue this year before this limitation period ends. The expiration of the limitation period on contractual claims, however, will not preclude other types of claims against the Group that could still be made under applicable law in relation to the valuations, including claims for negligence or recklessness under tort law.

The Group has professional indemnity insurance protection for misvaluation claims; however, there are substantial excesses (pursuant to which the Group bears a substantial 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 may, in certain circumstances, seek to dispute coverage. This could lead to significant costs to the Group as it could be required to cover the cost of any claims not covered by the Group's insurance. Although it has now been resolved to the satisfaction of both parties, there was one occasion when an insurer questioned coverage. As a result of the settlement, the Group now self-insures entirely for claims notified in the insurance year 2008 to 2009. One 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 (the amount the Group must bear before liability passes to the insurer), 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 provisions in its accounts for misvaluation claims. These provisions are based on the Group's detailed and systematic analysis of the claims notified to the Group. Nevertheless, the determination of such provisions requires management to make judgements, estimates and assumptions with respect to a complex set of facts. Such judgements, estimates and assumptions, and therefore the provisions, are subject to substantial uncertainty. 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 made to 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 current provisions, perhaps materially.

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

Parts of the Group's business are subject to regulatory requirements with which it may be found to be non-compliant.

Substantial parts of the Group's business (for example, the Financial Services Entities) are subject to regulatory supervision by Relevant Financial Services Regulators, the OFT and RICS, among others. Regulators (and, in particular, the Relevant Financial Services Regulators or the OFT) can conduct industry-wide investigations into certain products, selling practices or other aspects of business of firms supervised by that regulator. A regulator may determine that the Group has failed to comply with applicable laws, regulations or rules or that it has not undertaken corrective action as required. The impact of the Group being found to be non-compliant in any such inquiry and/or investigation is difficult to assess or quantify and depends on which regulatory regime is engaged and the disciplinary/enforcement powers of the regulator responsible for the supervision of that particular business. Such inquiries or investigations could result in adverse publicity for, or negative perceptions regarding, the Group and affect the Group's relationships with regulators and current and potential customers, as well as diverting management's attention.

Investigations or failures to comply with applicable laws, regulations and/or rules or requirements imposed or supervised by a regulator could lead to onerous requests for information, prosecution, disciplinary action, imposition of fines, or the revocation of a licence, permission or authorisation. In particular, the loss of a licence, permission or authorisation could mean that the entity in question is no longer able to carry out the regulated business and/or activity for which it was previously authorised or licensed. In addition, laws and regulations (and their interpretation) may change to the detriment of the Group (though the Group is not currently aware of any actual or anticipated changes to that effect). Any of these outcomes could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

Impending changes to the institutional framework for financial regulation in the UK could affect the Group's ability to respond to, and satisfy the current and future supervisory requirements of UK regulators.

The Group does not anticipate that the impending structural reorganisation and reallocation of the FSA's regulatory responsibilities between the PRA and FCA will lead to immediate or substantive changes in the prudential and conduct of business rules and guidance that have been made or recently consulted on by the FSA (for further information on these changes please refer to Part IX (*Regulatory Overview*). However, it is possible that the nature of, or policies for, prudential and conduct of business supervision by the FCA will differ from those of the FSA, which could result in uncertainty and compliance complexity. For example, the reorganisation could cause administrative and operational disruption at a Relevant Financial Services Regulator, which could have an impact on the Group's efforts to deal effectively with its supervisors. Moreover, the nature of, or policies for, prudential and conduct of business supervision by the FCA may, in due course, differ from those it will inherit from the FSA. As a result, firms solely regulated by the FCA (for example, the Group's FSMA-authorised and regulated subsidiaries) will have to devote time and resources to modify their compliance procedures and processes to reflect any changes arising, for example, out of any changes made by the FCA to the suite of rules and guidance that it will inherit from the FSA (see, in particular, section 4 of Part IX (*Regulatory Overview*) for further details of the changes expected to be made to the FSA Handbook).

In addition, the FCA will have new powers in relation to FCA-authorised and regulated firms. This could lead to a period of uncertainty for the Financial Services Entities as the full implications of any new supervisory style or regulatory power to be adopted or exercised by the FCA are currently unknown. Therefore, the Group can give no assurance that the Financial Services Division will be able to respond to, and satisfy current and future supervisory requirements of, the Relevant Financial Services Regulator (or the OFT). Changes in laws and regulations, and periods of uncertainty as to the application of law and regulation, may increase the likelihood that a Financial Services Entity breaches applicable laws and regulations or rules, the consequences of which could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

A failure in, or cyber attacks on, the Group's infrastructure and IT systems could disrupt the Group's businesses or result in the disclosure of confidential information.

The business of the Group is dependent on reliable and efficient IT systems. The Group also routinely transmits and receives personal, confidential and proprietary information by email and other electronic means and therefore relies on the secure processing, storage and transmission of such information. Moreover, the Group's Surveying Division is particularly reliant on the use of recently developed new technologies. As the Group's operations expand, it must make substantial expenditures and efforts to develop and maintain its operational systems and infrastructure. The Group's financial, accounting, data processing, IT, communications or other systems and facilities, and/or third party infrastructure on which the Group relies, may: (i) fail to operate properly or become disabled as a result of events that are wholly or partially beyond the Group's control; and (ii) be vulnerable to unauthorised access and data loss (from within the organisation or by third parties), computer viruses, malicious code, cyber threats that have a security impact, and the interception or misuse of information transmitted or received by the Group. The Group has suffered limited data protection breaches in the past and there can be no assurances that it will not suffer such events in the future. Where the collation of data has been centralised within a business function, it is more likely that a data protection breach would result in the loss of a large amount of data. The Group has put in place appropriate data security provisions, and in particular in respect of its centralised IT function, but breaches may still occur. If one or more of such events occur, it could result in the loss of the Group's or its customers' confidential and other information, or otherwise cause interruptions or malfunctions in the Group's, its customers' or third parties' operations. The Group may be required to expend significant additional resources to modify its protective measures or to investigate and remedy vulnerabilities or other exposures, and it may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by it. Any of the foregoing could adversely affect the Group's business, prospects, results of operations and financial condition, as well as harm the Group's reputation and/or lead to increased regulatory scrutiny and/or disciplinary action.

The Group depends on a number of outsourcing arrangements.

In 2012, the Group outsourced its IT infrastructure, and transferred a majority of its IT personnel to CGI through a long-term contractual arrangement. The arrangement is subject to implementation risks and has created dependency on a single supplier. Since IT is critical to the Group's operations, any failure to perform on the part of the Group's IT provider could impair the Group's ability to operate effectively. In addition, the Group is able to terminate the outsourcing arrangement for convenience only starting from July 2015 and for a significant fee. If problems develop with the outsourcing arrangement, the Group may incur significant costs to replace it with alternative IT infrastructure.

The Lettings Division and the Conveyancing Division also have offshore outsourcing arrangements in place for important parts of their operations. The Lettings Division has established an offshore lettings support centre in Delhi, India, which provides non-customer facing services to the Lettings Division, including administrative services relating to a customer's tenancy and is supported by a dedicated manager based full-time in Delhi, India. The Conveyancing Division has consolidated a number of legal administration tasks in an offshore centre in Pune, India. Furthermore, certain financing and accounting functions are also outsourced to Pune, India. The two offshore support centres for the Lettings and Conveyancing Divisions are managed by third parties. If these offshore support centres are not successful, or if the costs associated with outsourcing increase, the Group's operating costs may be higher than predicted, which could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

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

The Group has arranged and continues to arrange for the sale of mortgage payment protection insurance ("**MPPI**") in relation to mortgages entered into by its customers (see Part XVI (*Additional Information*)). Since 2005, various investigations by the FSA and the OFT have revealed that some forms of payment protection insurance ("**PPI**") were frequently missold by some financial institutions and intermediaries. Although MPPI is a different proposition to loan and credit card payment protection, an increase in the number and scale of successful MPPI misselling claims could result in certain Group members having to make settlement payments or incurring legal costs. Equally, an increase in the number, scale or success of MPPI misselling claims could result in certain Group members having to make settlement payments or incurring costs or disciplinary sanctions. As at 31 December 2012, the Group has determined that it is not necessary for it to make a provision in its accounts in respect of its liabilities (if any) for MPPI misselling because it does not believe that any claim, known or unknown, will result in a significant loss, but the determination of whether to make a provision, and if so, in what amount, requires management to make complex judgements, estimates and assumptions and is therefore subject to substantial uncertainty.

The Government has stated that it intends to implement reforms to restrict the recoverability of success fees for conditional fee arrangements after April 2013. These measures are intended to discourage third parties from approaching potential MPPI claimants to bring claims against the sellers of MPPI products. The Directors believe that third parties will seek to enter into conditional fee arrangements with success fees prior to the implementation date, and that therefore the number of claims made in respect of MPPI misselling will increase leading up to the implementation date.

An increase in the number, or success, of claims could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

Litigation and other adversarial actions in the ordinary course of business could materially adversely affect 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 (see paragraph 18 of Part XVI (*Additional Information*)). For example, employee tribunal cases tend to increase in connection with acquisitions as the Group restructures its business to integrate newly acquired businesses. The Group's regulators and governmental authorities may also bring administrative or other enforcement actions against the Group. Significant claims or a substantial number of small claims may be expensive to defend and may divert time and money away from the Group's operations, which could have a material adverse effect on the Group's results of operations and financial condition. In addition, adverse publicity or a substantial judgement against the Group could negatively impact its reputation, which could further impact the Group's business, prospects, results of operations and financial condition.

The Surveying Division receives the majority of its instructions from a lending industry which is highly consolidated.

The Surveying Division generated 89% of its revenue in 2012 from its top 12 customers, which are large mortgage lenders such as Nationwide and HSBC. The Surveying Division generates revenue from 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. The panel management contracts that the Group enters into with such lenders are typically fixed-term contracts, with certain early termination rights for the lender, and are subject to competitive tender. In the next 12 months, two of the Group's top 10 panel contracts will be subject to review. In the future, the Group may not be able to retain all its major customers or achieve the same level of revenue and profit after the panel management contracts have been tendered, which would have a material adverse effect on the revenue derived from the Surveying Division.

The Surveying Division's ability to retain customers depends, in part, on the Group's ability to: (i) continue to provide an efficient and timely service to its customers and to maintain high standards of accuracy in respect of the surveys and valuations it provides; (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 (for example, conveyancing to the extent that an equivalent lender contract exists) to those customers; (iv) maintain relationships with such customers in other areas of business; and (v) effectively compete with and tender for new and existing business by utilising the other relationships that the Group has with that particular lender. Moreover, the volume of mortgages written in the mortgage-lending market may decrease, which would decrease the number of valuations managed by the Group. In addition, the Group may not be able to maintain or increase the average fee per survey in the event of a market contraction, particularly for the larger UK mortgage providers, as procurement departments within lenders may be able to reduce pricing. The loss of the Surveying Division's major customers, public challenges to the terms of a contract, a decrease in mortgage valuation volumes or a decrease of the average fee per survey, could each have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

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

Part of the success of the Group's business depends on the services provided by, and experience of, management, executive officers and other key employees. The loss of key personnel or a failure to recruit and retain key personnel and qualified employees could have a material adverse effect on the Group's business, financial condition or results of operations. In addition, there is substantial competition for qualified employees in the industry, which is characterised by high levels of employee turnover. The Group incurs significant costs in training new employees. As a result, the loss of key personnel or a substantial number of qualified employees, especially to competitors, or an inability to attract, retain and motivate additional skilled employees required for the expansion of the Group's activities, could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

The Group's risk management procedures may fail to identify or anticipate future risks.

The Group continually reviews its risk management policies and procedures and will continue to do so in the future. Although the Directors believe that its risk management procedures are adequate, many of its methods of managing risk and exposures are based upon observed historical market behaviour and statistic-based historical models. As a result, these methods may not predict future exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, clients, catastrophe occurrence, or other matters that is publicly available or otherwise accessible to the Group. The Group keeps track of employee misconduct and has policies and procedures in place to minimise its impact, but these procedures may not prove sufficient (for example, to avoid employee fraud). Failure (or the perception that the Group has failed) to develop, implement, monitor and when necessary pre-emptively upgrade the Group's risk management policies and procedures could, at the very least, give rise to reputational issues. Risks that the Group fails to anticipate, and/or adequately address, could have a material adverse effect on the Group's business, prospects, results of operations and financial position.

The Group is exposed to the risk of an increase in private sales of residential property, including through the internet.

The Directors believe the number of sales of residential property in the UK made without the involvement of an estate agent is currently low and there has been no material increase in such sales over the past six years. The volume of private sales may, however, increase due to, for example, increased access to the internet and the proliferation of websites that facilitate such sales. If any of the Aggregators were to facilitate an increased number of private sales in the UK, the volume of transactions and therefore the revenues, of the Estate Agency Division could suffer. The Government has proposed amendments to the Estate Agent Act 1979 to seek to facilitate competition and innovation from private sales intermediaries. The Government has stated that, by expressly (as opposed to by implication) taking intermediaries such as private sales portals (which enable private sellers to advertise their properties and provide a means for sellers and buyers to contact and communicate with one another) out of the scope of this legislation, it hopes to stimulate competition and confidence in private intermediaries. The Government has also proposed the repeal of the Property Misdescriptions Act 1991, as part of its general de-regulatory initiative on the grounds that it is substantially duplicated by other legislation. The Directors believe that these proposed legislative changes will not lead to immediate and substantive changes to the Group's prospects as they believe that property owners and purchasers will continue to seek a personal, knowledgeable and intermediated service. Nevertheless, these changes (and any future additional 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, prospects and results of operations.

The Group is exposed to the risks of business expansion.

The Group may not be able to manage and grow its businesses effectively due to, for example, a lack of willingness or ability to make the necessary capital expenditures or to poor market conditions. The acquisition of suitable businesses has historically been important to the growth of the Group. It is possible that the Group may not be able to locate or acquire such businesses, and it may not be able to fund future acquisitions because of limitations relating to its indebtedness or otherwise. Additionally, acquisitions may result in significant diversion of management and other employee time, as well as substantial out-of-pocket costs related to, among other things, integration and employment issues, and the Group's ability to implement desired integration measures may be restricted by law or by contract. In future acquisitions, the Group may also assume unknown or undisclosed business, operational, tax, regulatory, environmental and other liabilities, and/or fail to properly assess known contingent liabilities of the acquired business. Any of the foregoing could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

The Group's divisions are subject to significant competition.

The Group faces competition on a local and national basis, particularly in the estate agency, lettings, surveying, and conveyancing businesses. The Estate Agency Division faces competition from traditional estate agencies (in particular, Connells, Savills, Foxtons and LSL). It may also face competition from new market entrants. Increased competition may decrease both the number of transactions the Group facilitates and the commission and price levels it is able to charge. Due to recent changes in legislation, the Conveyancing Division may face competition from alternative business structures ("**ABSs**"), which, in contrast to traditionally structured law firms, can provide both legal and non-legal services, thereby allowing them to sell services that are complementary to legal services (which is one of the business strategies used by the Group). The Group expects that ABSs will allow for the lowering of costs through commoditisation of certain types of legal services (for example, simple legal cases such as claims processing, certain aspects of family law and conveyancing), which may put pressure on the fees that the Group charges. The Surveying Division faces competition, in particular, from LSL and Connells Surveyors & Valuation. In addition, an increase in the use by lenders of automated services, such as Automated Valuation Models ("**AVMs**"), which is a service that provides real estate property valuations using mathematical modelling combined with a database, could decrease the volume and price of surveys undertaken by the Surveying Division. The Financial Services Division faces competition due to there being various different routes for customers to obtain the end services the division provides. Any of the foregoing factors could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

The Group is dependent on the strength of its brands, trademarks and other intellectual property rights.

The Group's brands, trademarks and other intellectual property ("**IP**") are part of its business and success. The Group's important brands include Bairstow Eves, Bridgfords, Dixons and Hamptons International. Although the Directors believe that its IP is adequately supported by applications for registrations, existing registrations and other legal protections in the Group's principal market, these protections may be challenged by others. A successful challenge to these protections, or any other damage to the Group's IP (such as, for example, the loss of a brand's strength), could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

Some members of the Group hold client money.

The Group holds money on behalf of parties to property transactions. For example, the Lettings Division holds deposits made by lessees of properties. At 31 December 2012, the Group held cash (as its own asset) of £46.5 million and held client money totalling £158.5 million. The Group does not recognise client money in its consolidated balance sheet; however, it deposits such client monies in interest bearing accounts and recognises the interest component as finance income in its consolidated income statement. Client money must be held in accordance with applicable law and regulations, and this is monitored by the Group's compliance function. Currently, the Group holds client money in accordance with the CLC and RICS rules. It does not hold client money subject to the FSA rules. Law and regulation may change to make holding client money more onerous, although the Group does not anticipate any such change. Client money may be misused, including through 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. Furthermore, as client money is deposited with banks, this may expose the Group to some counterparty risk if any of those banks were to become unable to repay those deposits.

The Group has not been the subject of regulatory intervention, penalties or claims in relation to client money, but given the amount of client money held by the Group, any of the foregoing could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

The Group uses a number of estimates and assumptions in the preparation of its consolidated financial statements, which could prove to be incorrect.

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered by management to be reasonable under the circumstances at the time. These estimates and assumptions form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Areas requiring more complex judgements may shift over time, based on changes in accounting policies or on changes in the Group's business mix. For example, more complex judgements are required in relation to accounting for acquisitions, goodwill, impairment, and provisions and other contingencies. For example, in 2010 the Group restated its financial statements due to a change in recognition of deferred tax liability on brands and other intangible assets created as part of the acquisition of Countrywide Group plc by Countrywide Holdings, Ltd. in 2007. This affected retained earnings, goodwill, deferred tax liability and brand intangible line items. In the future, should actual results differ from management's estimates and assumptions (particularly with respect to provisions made for property misvaluation claims), this could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

Certain changes in accounting or financial reporting standards could have a material effect on the Group's reported financial results.

The Group prepares its financial statements in accordance with IFRS. IFRS is revised from time to time and new accounting pronouncements, as well as new interpretations of existing accounting pronouncements, could materially affect the Group's results of operations and financial condition. For example, the proposed IFRS lease accounting rules, which would in effect eliminate the differences in accounting treatment between operating leases and capital leases, and require balance sheet recognition of all leases, would increase the liabilities on the Group's balance sheet. In general, changes in IFRS could have a significant negative impact on the amount or timing of the Group's reported earnings, valuation of liabilities or assets, and classification of financial instruments between equity and liability on either a retrospective or prospective basis.

The Group has recorded losses in recent periods and may not achieve profitability in the future.

The Group reported a consolidated loss for the year under IFRS of £3.0 million in 2012, £2.6 million in 2011 and £8.3 million in 2010. These figures included expenses of £25.2 million, £9.4 million and £11.9 million, respectively, attributable to the settlement of professional indemnity insurance claims. The Group may continue to incur losses, and may not be profitable in the future or, if it is, it may not be able to sustain profitability.

The Group has funding risks relating to its pension schemes.

The Group offers membership to the Countrywide Group plc pension scheme (the "**Scheme**"). This has a defined contribution section and a defined benefit section. The defined benefit section is closed to new entrants and future accrual and had a deficit of £6.6 million at 31 December 2012 (as calculated by the scheme actuary in the last triennial valuation at 5th April 2012 updated to 31 December 2012). The Group has agreed a pension funding plan with the trustees of the Scheme to fund the defined benefit section deficit. The funding plan commits the Group to a contribution of £1.9 million per year until 2017. The Group may be required to increase its level of contribution due to changes in market conditions and assumptions. For example, lower than assumed gilt yields may disproportionately increase liabilities compared to increases in assets from investment returns. Any requirement to contribute additional funds into the defined benefit section of the Scheme (which are substantially above the current agreed contribution levels) could have a material adverse effect on the Group's financial condition. In addition, actions by the UK Pensions Regulator or the trustees of the Scheme (who can require an early valuation of the Scheme in order to review contribution levels to the defined benefit section), or any material revisions to the existing pension legislation could result in additional funding obligations.

Further, as a result of the UK Pensions Act 2008, 7,200 additional employees will become eligible to participate in the defined contribution section of the Scheme. These auto-enrolment provisions will apply to the Group from July 2013. The Group expects to incur £1.3 million in compulsory employer contributions in each of the next three years as a result of automatic enrolment. The Group's employment costs will increase to the extent that the Group has to make contributions to a pension arrangement on behalf of eligible employees under the auto-enrolment regime who were not previously members of any scheme. Any increase in employment costs could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

The Group may be adversely affected by any tax dispute or tax audit to which it is subject, changes to tax legislation or its interpretation and increases in effective tax rates in the UK.

The Group's profits are taxed according to UK tax laws, and the Group's tax returns are subject to regular review and examination. The Group cannot guarantee that a tax audit or tax dispute, to which it may be subject, will result in a favourable outcome for the Group. The Group may from time to time be involved in a tax dispute (or tax disputes) with relevant authorities. There is a risk that any of these disputes could result in additional taxes payable by the Group. In any such case, substantial additional tax liabilities and ancillary charges could be imposed on the Group, which could increase the Group's effective tax rate.

The Group's effective tax rate may also be affected by changes in UK tax laws or the interpretation of UK tax laws, including those tax laws relating to the utilisation of capital allowances, net operating losses and tax loss or credit carry forwards, and changes in management's assessment of certain matters, such as the ability to realise deferred tax assets. The standard rate of corporation tax in the UK is 24% with effect from 1 April 2012. Changes to the standard rate of corporation tax were announced in the December 2012 UK budget statement. Based on these announcements, the standard rate of corporation tax will reduce to 21% by 1 April 2014. The Group's effective tax rate in any given financial year reflects a variety of factors that may not be present in the succeeding financial year or years. An increase in the Group's effective tax rate in future periods could have a material adverse effect on the Group's results of operations and financial condition.

RISKS RELATING TO SHARE OWNERSHIP

The price of the Ordinary Shares may fluctuate significantly and investors could lose all or part of their investment.

The share price of quoted companies can be highly volatile, which may prevent Shareholders from being able to sell their Ordinary shares at or above the price they paid for them. The Offer Price may not be indicative of prices that will prevail in the trading market and investors may not be able to resell the Ordinary Shares at or above the price they paid. The market price for the Ordinary Shares could fluctuate significantly for various reasons, many of which are outside of the Group's control. These factors could include performance of the Group, large purchases or sales of the Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

Major Shareholders will retain a significant interest in the Company following Admission and their interests may differ from those of the other Shareholders.

Following Admission, Major Shareholders will be interested in approximately 55.2% of the Company's issued share capital. Oaktree Affiliates will be interested in 37.9% and Apollo-Affiliated Funds will be interested in 17.3%. Oaktree Affiliates and Apollo-Affiliated Funds have entered into the Relationship Agreement which governs their conduct in relation to the Company. In addition, affiliates of Oaktree own 26% of outstanding Senior Secured Notes. The interests of the Major Shareholders and the Shareholders that buy Ordinary Shares in connection with Admission may not be aligned. Although Major Shareholders may not always agree and/or act together, if they do agree on a common course of action they will control 55.9% of the voting rights in the Company, which means that they will together be able to exercise control over all matters requiring an ordinary resolution of the Company, including the election of Directors and approval of mergers and consolidations.

Major Shareholders may make acquisitions of, or investments in, other businesses in the same sectors as the Group. These businesses may be, or may become, competitors of the Group. In addition, funds or other entities managed or advised by the Major Shareholders may be in direct competition with the Group on potential acquisitions of, or investments in, certain businesses, although the terms of the Directors' appointments and the Relationship Agreement contain provisions seeking to restrict Directors appointed by the Major Shareholders from voting on matters where there are conflicts of interest and from using information obtained in the course of their appointments. These and other measures may not be sufficient to safeguard the interests of other Shareholders. In addition, subject to or following the expiry of the lock-up undertakings (described in paragraph 10 of Part VI (*Details of the Offer*)), Major Shareholders could sell a substantial number of Shares in the public market following the Offer, which could dilute the holdings of Shareholders. Such sales, or the perception that such sales could occur, may materially adversely affect the market price of the Shares. This may make it more difficult for Shareholders to sell the Shares at a time and price that they deem appropriate, and could also impede the Company's ability to issue equity securities in the future.

There is no guarantee to Shareholders of the payment of dividends.

Any dividend on the Ordinary Shares will be limited by the underlying growth in the Group's businesses. The dividend policy is described in paragraph 13 of Part VII (*Information on the Company and the Group*) of this Prospectus and should not be construed as a dividend forecast. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally the receipt of sufficient dividends from its subsidiaries. Any change in the tax treatment of dividends or interest received by the Company may reduce the level of yield received by Shareholders. Under English law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. In addition, the Company may not pay dividends if the Directors believe this would cause the Company to be inadequately capitalised or if, for any other reason, the Directors conclude it would not be in the best interests of the Company. Any of the foregoing could limit the payment of dividends to its Shareholders or, if the Company does pay dividends, the amount of such dividends.

Future issuances of Ordinary Shares may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares.

Other than in connection with Admission, the Company has no current plans for an offering of Ordinary Shares. It is possible that the Company may decide to offer additional Ordinary Shares in the future. Future sales or the availability for sale of substantial amounts of the Ordinary Shares in the public market could dilute the holdings of Shareholders, adversely affect the prevailing market price of the Ordinary Shares and could impair the Group's ability to raise capital through future sales of equity securities.

Changes in taxation legislation or interpretation of tax legislation could affect the Company's ability to provide returns to Shareholders.

Any change in taxation legislation or the interpretation of tax legislation could affect the Company's ability to provide returns to Shareholders. Statements in this Prospectus concerning the taxation of investors in Ordinary Shares are based on current tax law and practice in the UK and the United States, which are subject to change. The taxation of an investment in the Company depends on the individual circumstances of the relevant investor.

A liquid market for the Ordinary Shares may fail to develop.

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. Prior to Admission, there has been no public market for the Ordinary Shares and there is no guarantee that an active trading market will develop or be sustained after Admission. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares may be adversely affected.

Shareholders may have difficulty in effecting service of process on the Company or the Directors in the US, in enforcing US judgements in the UK or in enforcing US securities laws in UK courts.

Some of the Directors are residents of countries other than the United States. The Company is incorporated outside the United States and its assets are located outside the United States. As a result, it may not be possible for Shareholders to effect service of process within the United States upon all of the Directors and officers or on the Company, or to obtain discovery of relevant documents and/or the testimony of witnesses. US Shareholders may have difficulties enforcing in courts outside the United States judgements obtained in US courts against some of the Directors or the Company (including actions under the civil liability provisions of the US securities laws). Shareholders may also have difficulty enforcing liabilities under the US securities laws in legal actions originally brought in jurisdictions located outside the United States.

Shareholders outside the UK may not be able to participate in future equity offerings.

The Articles provide for pre-emptive rights to be granted to Shareholders, unless such rights are disapplied by a shareholder resolution. However, securities laws of certain jurisdictions may restrict the Group's ability to allow participation by Shareholders in future offerings. In particular, Shareholders in the US may not be entitled to exercise their pre-emption rights unless such an offering is registered under the Securities Act or made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

PART III — DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Robert Davies (Non-Executive Director, Chairman)
	Grenville Turner (Executive Director)
	Jim Clarke (Executive Director)
	Caleb Kramer (Non-Executive Director)
	Sanjay Patel (Non-Executive Director)
	Neville Richardson (Non-Executive Director)
	Sandra Turner (Non-Executive Director)
Company secretary	Gareth Williams
Registered office	17 Duke Street, Chelmsford, Essex CM1 1HP

ADVISERS:

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Joint Bookrunners and Underwriters

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As to US law:

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Alder Castle
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EC2V 7JU

Legal advisers to the Joint Global Coordinators, the Joint Bookrunners and the Underwriters

As to English law and US law:

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EC4A 1AN

Auditor and Reporting Accountants

PricewaterhouseCoopers LLP
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London
WC2N 6RH

Registrar

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

PART IV — EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

TIMETABLE OF PRINCIPAL EVENTS

All times are London times. Each of the times and dates in the table below are indicative only and are subject to change.

Prospectus published / Announcement of Offer Price and allocation	20 March 2013
Commencement of conditional dealing in Ordinary Shares on the London Stock Exchange	8 a.m. 20 March 2013
Admission and commencement of unconditional dealings in Ordinary Shares on the London Stock Exchange	8 a.m. 25 March 2013
CREST accounts credited with uncertificated shares	8 a.m. 25 March 2013
Despatch of definitive share certificates (where applicable)	25 March 2013

It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

OFFER STATISTICS

Offer Price	350 pence
Number of Ordinary Shares in issue	213,730,676
Number of Ordinary Shares being offered in the Offer (excluding any Over-allotment Shares)	58,287,028
Percentage of the Company's issued share capital being offered in the Offer	27.3%
Maximum number of Ordinary Shares subject to the Over-allotment Option to be sold by the Lending Shareholders	5,714,285
Estimated gross proceeds of the Offer receivable by the Company	£200.0 million
Estimated net proceeds of the Offer receivable by the Company	£191.2 million
Expected market capitalisation of the Company at the Offer Price	£748.1 million

PART V — PRESENTATION OF INFORMATION

1. General

Investors should rely only on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors or the Banks. No representation or warranty, express or implied, is made by any of the Banks or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any of the Banks or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and PR 3.4.1 of the Prospectus Rules, neither the delivery of this Prospectus nor any sale made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

The Company will update the information provided in this Prospectus by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Offer occurs prior to Admission or if this Prospectus contains any mistake or substantial inaccuracy. The Prospectus and any supplement thereto will be subject to approval by the FSA and will be made public in accordance with the Prospectus Rules. If a supplement to the Prospectus is published prior to Admission, investors shall have the right to withdraw their subscriptions made prior to the publication of such supplement. Such withdrawal must be done within the time limits set out in the supplement (if any) (which shall not be shorter than two clear business days after publication of such supplement).

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any purchase or proposed purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, the Directors or any of the Banks.

Prior to making any decision whether to purchase the Offer Shares, prospective investors should read this Prospectus in its entirety and, in particular, Part II (*Risk Factors*). In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Prospectus, including the risks involved. Any decision to purchase Offer Shares should be based solely on the Prospectus.

Investors who purchase Offer Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Banks or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied solely on the information contained in this Prospectus; and (iii) no person has been authorised to give any information or to make any representation concerning the Group or the Ordinary Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors or any of the Banks.

None of the Company, the Directors or any of the Banks or any of their representatives is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment by such offeree or purchaser.

In connection with the Offer, the Banks and any of their affiliates, acting as investors for their own accounts, may purchase Offer Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its own accounts in such Offer Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Offer Shares being offered, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or acquisition, placing or dealing by, any Bank and any of its affiliates acting as an investor for its own accounts. The Banks do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Banks and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees. The Banks and any of their respective affiliates may provide such services to the Company and any of their affiliates in the future.

2. Presentation of financial information

The Group's consolidated historical financial information included in Part XIII (*Financial Information*) of this Prospectus has been prepared in accordance with the requirements of the PD Regulation and the Listing Rules and in accordance with IFRS as adopted by the EU. The significant accounting policies are set out within note 2 (*Accounting Policies*) of the Group's consolidated historical financial information in Part XIII (*Financial Information*).

The Hamptons Group combined historical financial information included in Part XIII (*Financial Information*) of this Prospectus has been prepared in accordance with the requirements of the PD Regulation and the Listing Rules and in accordance with the basis of preparation included in note 2(a) (*Accounting Policies*).

3. Non-IFRS financial measures

Parts of this Prospectus contain information regarding EBITDA and EBITDA before exceptional items, which are non-IFRS financial measures. 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. The Directors consider certain non-IFRS measures to be useful to better understand the trading performance of the Group. Such measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation, or as a substitute for, or as an alternative to, any other measures of performance under IFRS.

The Group defines EBITDA as consolidated (loss)/profit for the year before finance income, share of profit post-tax from joint venture, depreciation and amortisation, management fee, finance costs and taxation. The Group defines EBITDA before exceptionals as EBITDA before (i) exceptional costs (including costs related to redundancies, property provisions, insurance claims and litigation, acquisition expenses, impairment of assets and other restructuring costs) and (ii) exceptional income (reflecting the decrease in value of the put options held by the Group in respect of Capital Private Finance Limited and United Surveyors, and deferred income recognised in connection with the conversion of the warrants held by the Group into ordinary shares in Zoopla Property Group Limited, each in 2012), both shown as "exceptional items" on the Group's consolidated income statement. See "Exceptional Items" below.

EBITDA and EBITDA before exceptionals are included in this Prospectus as supplemental disclosures because the Directors believe that these measures, when considered in connection with cash flows from operating, investing and financing activities, provide useful comparative information to an investor and help investors evaluate the performance of the underlying business as they remove the impact of differences in (i) capital structure, including the effects of finance costs; (ii) tax rates; (iii) differences in depreciation and amortisation charges; and (iv) exceptional items, among other things. In addition, other companies in the Group's industry typically publish similarly titled data. In addition, EBITDA is used by the Group for incentive compensation purposes at the Group's senior management level.

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

See the paragraphs entitled "*Results of Operations — 2012 compared with 2011 — Group Results — EBITDA before exceptions*" and "*Results of Operations — 2011 compared with 2010 — Group Results — EBITDA before exceptions*" in Part XII (*Operating and Financial Review*) for a reconciliation of EBITDA and EBITDA before exceptionals to (loss)/profit for the year.

4. Operational Data

The Group presents certain operational data in this Prospectus, including home sales exchanged, average home price, properties under management, total mortgages arranged, life insurance policies arranged, general insurance policies arranged, valuations and survey instructions completed, average fee, and total completions.

This data may not be comparable with similarly titled operational data presented by others in the Group's industry and, while the method of calculation may differ across the industry, the Directors believe 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. This operational data is not intended to be a substitute for any IFRS measures of performance. This operational data is based on management estimates and is not part of the Group's financial statements and has not been audited or otherwise reviewed by outside auditors, consultants or experts.

See the paragraph entitled "*Operational Data*" in Part XII (*Operating and Financial Review*) for a description of certain operational data.

5. Rounding

Percentages and certain amounts included in this Prospectus have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them.

6. Currencies

Unless otherwise indicated in this Prospectus, all references to:

- "**pounds sterling**" or "**£**" are to the lawful currency of the UK;
- "**US dollars**", "**dollars**", "**US$**" or "**cents**" are to the lawful currency of the United States; and
- "**euro**" or "**€**" are to the lawful currency of the European Union (as adopted by certain Member States).

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in pounds sterling. For all members of the Group in the UK, the functional currency is pounds sterling and the Group presents its financial statements in pounds sterling.

7. Forward-looking statements

Certain information contained in this Prospectus including any information as to the Group's strategy, plans or future financial or operating performance constitutes "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "aims", "plans", "predicts", "may", "will", "seeks" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, among other things, the Company's results of operations, financial condition, prospects, growth, strategies and the industry in which the Group operates.

The following are important factors that could cause the Group's actual results to differ materially from those projected in the forward-looking statements made in this Prospectus:

- continued underperformance of the UK economy, including prolonged recession or multiple recessions or weak recoveries, poor general business conditions, decrease in availability of consumer credit, falling gross domestic product, increased unemployment or lack of improvement in consumer confidence;
- continued underperformance of, or adverse developments in, the UK housing market, including but not limited to:
  - a lack of improvement in the volume of residential property sales;
  - negative trends and/or a negative perception of the market trends in the value of housing and persistent price instability in the housing market;
  - negative trends in the levels of commissions and other fees the Group charges for their services;
  - unfavourable credit conditions, including increasing mortgage rates and deposit requirements and/or reduced availability of mortgage financing;
  - legislative, tax or regulatory changes that would adversely affect the housing market, such as, for example, increases in stamp duty land tax and other transactional taxes on home sales;
  - the inability or unwillingness of homeowners to enter into home sale transactions due to limited equity or negative equity in their existing homes;
  - 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
  - increased levels of foreclosure activity;
- continued adverse developments in the Group's professional liabilities, including claims in relation to surveys carried out during 2004-2007;
- the cumulative effect of adverse litigation or arbitration awards against the Group and the adverse effect of new regulatory interpretations, rules and laws;
- competition in the Group's existing and future lines of business;
- the loss of, or adverse change in, any of the Group's important commercial relationships;
- the Group's failure to comply with laws and regulations and any changes in laws and regulations;
- changes in interest rates or new types of taxes or increases in taxes in the UK;
- interruption or failure of IT systems upon which the Group's operations are reliant; and
- the loss of any of the Group's senior management or key managers or employees.

Where their inclusion is appropriate, all of the factors listed above have been included in Part II (*Risk Factors*).

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the Group's control. Forward-looking statements are not guarantees of future performance. The Company's actual results of operations, financial condition and the development of the business sector in which the Group operates may differ materially from those suggested by the forward-looking statements contained in this Prospectus including, but not limited to, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, currency changes, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which the Group and its affiliates operate. In addition, even if the Company's actual results of operations, financial condition and the development of the business sector in which the Group operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors are advised to read, in particular, the following parts of this Prospectus for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates: Part II (*Risk Factors*), Part VII (*Information on the Company and the Group*), Part IX (*Regulatory Overview*), Part XII (*Operating and Financial Review*) and Part XIII (*Financial Information*). In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Prospectus may not occur.

The forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. The Company, the Directors and each of the Banks expressly disclaim any obligations or undertaking to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules.

8. Market, economic and industry data

This Prospectus contains information regarding the Group's business and the industry in which it operates and competes, which the Company 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 the Company 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. The Company has generally obtained the market and competitive position data in this Prospectus 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 Office for National Statistics;
- Halifax House Price Index;
- the Council of Mortgage Lenders;
- the Land Registry for England and Wales; and
- the Registers of Scotland.

The Company operates in an industry in which it is difficult to obtain precise industry and market information. Market data contained in this Prospectus may be based on sources which do not use the same or comparable methods of gathering information. In addition, the different sources used in this Prospectus may be based on information relating to different periods. As a result, comparability may be limited.

9. No incorporation of website information

The contents of the Group's websites do not form any part of this Prospectus.

10. US securities law considerations

The Company has agreed that, for so long as any of the Ordinary Shares are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. The Company expects that it will be exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder.

This Prospectus is being furnished by the Company in connection with an offering exempt from the registration requirements of the US Securities Act, solely for the purpose of enabling a prospective investor to consider the acquisition of Ordinary Shares described herein. The information contained in this Prospectus has been provided by the Company and other sources identified herein. This Prospectus is being furnished on a confidential basis only to persons reasonably believed to be QIBs in the United States and other eligible persons outside of the United States. Any reproduction or distribution of this Prospectus, in whole or in part, in the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than in considering an investment by the recipient in the Ordinary Shares offered hereby in accordance with the offer and sale restrictions described herein, is prohibited. Each prospective investor in the Ordinary Shares, by accepting delivery of this Prospectus, agrees to the foregoing. The Offer Shares are being offered in the United States through United States broker-dealer affiliates of the Underwriters.

PART VI — DETAILS OF THE OFFER

1. Ordinary Shares subject to the Offer

The "**Offer Shares**" are Ordinary Shares which are the subject of the Offer, comprising:

- 57,142,858 New Issue Ordinary Shares to be issued by the Company;
- up to 5,714,285 Over-allotment Shares (which will be made available by the Company to the extent that the whole of the Over-allotment Option is utilised); and
- the "**Secondary Offer**" of 1,144,170 Existing Ordinary Shares that are beneficially owned by the Selling Employees.

The New Issue Ordinary Shares will represent 26.7% of the enlarged issued share capital of the Company (assuming no exercise of the Over-allotment Option). If the Over-allotment Option is fully utilised, the New Issue Ordinary Shares and the Over-allotment Shares will together represent 28.6% of the enlarged issued share capital of the Company. The Company will receive proceeds of £191.2 million from the Offer, net of aggregate underwriting commissions, other estimated fees and expenses, VAT and stamp duty of approximately £8.8 million (not including the Over-allotment Option).

The Secondary Offer will represent no more than approximately 0.5% of the enlarged issued share capital of the Company. The Selling Employees will together receive proceeds of no more than £4.0 million from the Offer, before any costs. If a Selling Employee decides to sell any Ordinary Shares pursuant to the Offer he or it will transfer legal title to (but retain the entire beneficial interest in) his or its Ordinary Shares to Jefferies with effect from the date of Admission in order for Jefferies to sell such Ordinary Shares on his or its behalf as part of the Offer. The Selling Employees are subject to the lock-up arrangements detailed in paragraph 10 below.

2. The Offer

The Offer is made by way of an institutional private placing. Under the Offer, Ordinary Shares will be offered to: (i) certain institutional and professional investors in the UK and elsewhere outside the United States in reliance on Regulation S; and (ii) to QIBs in the United States in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Certain restrictions that apply to the distribution of this Prospectus and the offer and sale of the Ordinary Shares in jurisdictions outside the UK are described below in paragraph 16 (*Selling restrictions*).

Participants in the Offer will be advised verbally or by electronic mail of their allocation as soon as practicable following pricing and allocation. Prospective investors in the Offer will be contractually committed to acquire the number of Ordinary Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment.

When admitted to trading, the Ordinary Shares will be registered with ISIN GB00B9NWP991 and SEDOL number B9NWP99. The rights attaching to the Ordinary Shares will be uniform in all respects and they will form a single class for all purposes.

Immediately following Admission, it is expected that 38.5% of the Company's issued ordinary share capital will be held in public hands (within the meaning of Listing Rule 6.1.19) assuming no Over-allotment Shares are acquired pursuant to the Over-allotment Option (decreasing to approximately 37.5% if the maximum number of Over-allotment Shares are acquired pursuant to the Over-allotment Option).

3. Reasons for the Offer and Admission

The net proceeds payable to the Company from the Offer will be £191.2 million (this amount excludes the Over-allotment Option) after deduction of underwriting commissions and estimated fees and expenses incurred in connection with the Offer.

The Company currently intends to use the net proceeds payable to the Company from the Offer of £191.2 million (this amount excludes the Over-allotment Option), together with £75 million from the term loan tranche of the New Facility, to redeem £250 million aggregate principal amount of the Senior Secured Notes at the redemption price of £252.5 million (which includes a £2.5 million redemption premium) and pay £11 million of accrued and unpaid interest on the Senior Secured Notes (assuming redemption occurs on 9 May 2013). The Company will hold the proceeds that are payable to it from the Offer on its balance sheet prior to the redemption of the Senior Secured Notes in cash and liquid instruments. The Company has the option to fully or partially redeem the Senior Secured Notes at 102% of their principal amount in the period until 8 May 2013 and at 101% of their principal amount in the period on or after 8 May 2013. The Company currently intends to redeem the Senior Secured Notes on or after 8 May 2013 at 101% of their principal amount (and therefore incur a £2.5 million redemption premium) using the net proceeds payable to the Company from the Offer and funds made available to it under the term loan tranche of the New Facility. The New Facility is unsecured and is on customary terms (including representations, covenants and events of default) which reflect the reduction in the Company's net indebtedness following the Offer.

The Directors believe the net proceeds that are payable to the Company from the Offer (this amount excludes the Over-allotment Option) will provide a more efficient capital structure which will allow the Company to pursue organic and inorganic growth opportunities. The Company is returning to the public markets following five years in private ownership. During this time, the Company has focused on strengthening its estate agency distribution strategy, expanding its presence in the lettings market, improving the presence of its financial services, surveying and conveyancing product offerings and expanding its operations in the UK and overseas through the acquisition of Hamptons International. The Company plans to continue its programme of organic and inorganic expansion (see the strategy section in Part VII (*Information on the Company and the Group*)). In addition, the Company has aggressively reduced costs in response to reduced residential property sales in the wake of the global financial crisis.

The Selling Employees own Existing Ordinary Shares and have been given the opportunity to participate in the Offer. Their participation is a result of the decision by the Company to admit its Ordinary Shares. The Selling Employees will together receive approximately £4.0 million (before costs). How each Selling Employee spends the amount he or she receives is a matter of personal choice for that Selling Employee. It should be noted that no Selling Employee will receive more than approximately £1.0 million (before costs).

4. Financial impact of the Offer

A pro forma statement illustrating the hypothetical effect of the Reorganisation and the Offer on the net assets of the Group (after giving effect to the Reorganisation) as at 31 December 2012 as if the net proceeds of £191.2 million had been received by the Company at that date is set out in Part XIV (*Unaudited Pro Forma Financial Information*). This information is unaudited and has been prepared for illustrative purposes only. It shows that the net proceeds from the Offer of £191.2 million would lead to an increase in net assets from £242.3 million to £433.5 million as at 31 December 2012.

Had the net proceeds of £191.2 million payable to the Company from the Offer been received by the Company on 1 January 2012, the resulting impact on earnings would have been to reduce losses for the year ended 31 December 2012 by the amount the Group would have received as interest on the £191.2 million of those proceeds. Had the Reorganisation completed on 1 January 2012, there would have been no material impact on earnings for the year ended 31 December 2012.

5. Offer Price

The price payable under the Offer will be the Offer Price.

6. Dilution

If the Over-allotment Option is not exercised, the Existing Ordinary Shares will represent approximately 73.2% of the total issued Ordinary Shares immediately following Admission.

If the Over-allotment Option is exercised in full, the Existing Ordinary Shares will represent approximately 71.3% of the total issued Ordinary Shares.

7. Withdrawal rights

If the Company is required to publish any supplementary prospectus, applicants who have applied for Ordinary Shares in the Offer shall have at least two clear business days following the publication of the relevant supplementary prospectus within which to withdraw their application to acquire Ordinary Shares in the Offer in its entirety. The right to withdraw an application to acquire Ordinary Shares in the Offer in these circumstances will be available to all investors in the Offer. If the application is not withdrawn within the stipulated period, any application to apply for Ordinary Shares in the Offer will remain valid and binding.

Details of how to withdraw an application will be made available if a supplementary prospectus is published.

8. Allocations under the Offer

The allocation of Ordinary Shares between the investors will be determined by the Joint Bookrunners in their absolute discretion.

Upon notification of any allocation, prospective investors will be contractually committed to acquire the number of Ordinary Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from such commitment. Dealing may not begin before notification is made.

9. Underwriting arrangements

The Company, the Directors, the Major Shareholders and the Banks have entered into the Underwriting Agreement pursuant to which, on the terms and subject to certain conditions contained therein (which are customary in agreements of this nature), the Underwriters have agreed to underwrite the issue and sale of the Offer Shares.

The Offer is conditional upon, inter alia, Admission occurring not later than 8 a.m. on 25 March 2013 (or such later date and time as the Company may agree with the Joint Sponsor) and the Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms.

The Underwriting Agreement provides for the Underwriters to be paid a commission in respect of the Offer Shares sold. Any commissions received by the Underwriters may be retained and any Ordinary Shares acquired by them may be retained or dealt in, by them, for their own benefit.

Under the terms and conditions of the Underwriting Agreement, the Joint Sponsors have severally agreed to provide certain assistance to the Company in connection with Admission.

Allocations under the Offer will be determined by the Joint Bookrunners in their absolute discretion. All Offer Shares issued/sold pursuant to the Offer will be issued/sold at the Offer Price. Liability for UK stamp duty and SDRT is described in Part XV (*Taxation*).

Further details of the terms of the Underwriting Agreement are set out in Part XVI (*Additional Information*).

10. Lock-up arrangements

Each of the Company, the Directors, the Major Shareholders and Alchemy has agreed to certain lock-up arrangements.

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Coordinators, issue, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction (including via derivatives) with the same economic effect as any of the foregoing. Further details are set out in Part XVI (*Additional Information*).

Pursuant to the Underwriting Agreement, each of the Directors has agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, he will not, without the prior written consent of the Joint Global Coordinators, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Further details are set out in Part XVI (*Additional Information*).

Pursuant to the Underwriting Agreement, each Major Shareholder has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Coordinators, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Further details are set out in Part XVI (*Additional Information*).

Pursuant to the Alchemy Lock-up Agreement, Alchemy has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Coordinators, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Further details are set out in Part XVI (*Additional Information*).

Pursuant to the Offer, at Admission each Employee Shareholder can sell up to 25% of the Ordinary Shares it owns the day before Admission. During the period of 365 days from the date of Admission, any Ordinary Shares (or any interest therein or in respect thereof) that he or she did not sell at Admission can only be offered, sold subject to a contract for sale, or otherwise disposed of, subject to certain exceptions, with the consent of the Board.

11. Stabilisation and Over-allotment Option

In connection with the Offer, the Stabilising Manager, or any of its agents or affiliates, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares and effect other transactions to maintain the market price of the Ordinary Shares at a level other than that which might otherwise prevail in the open market.

The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period from the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents or affiliates to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken with the intention of stabilising the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents or affiliates intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 10% of the total number of New Issue Ordinary Shares comprised in the Offer. The Stabilising Manager has entered into the Over-allotment Option with the Company pursuant to which the Stabilising Manager may require the Company to issue at the Offer Price additional Ordinary Shares representing up to 10% of the total number of New Issue Ordinary Shares comprised in the Offer, to allow it to cover short positions arising from over-allotments and/or stabilising transactions. The Over-allotment Option may be exercised in whole or in part, upon notice by the Stabilising Manager, at any time during the period commencing on Admission and ending 30 days thereafter. The Over-allotment Shares made available pursuant to the Over-allotment Option will be issued at the Offer Price on the same terms and conditions as, and will rank equally with, the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission and will form a single class for all purposes with the Ordinary Shares. Liability for UK stamp duty and SDRT on transfers of existing Ordinary Shares pursuant to the Over-allotment Option is described in Part XV (*Taxation*).

Following allocation of the Ordinary Shares pursuant to the Offer, the Stabilising Manager may seek to agree the terms of deferred settlement with certain investors who have been allocated Ordinary Shares pursuant to the terms of the Offer. No fees will be payable to such investors.

12. Stock Lending Agreement

In connection with settlement and stabilisation, Goldman Sachs, as Stabilising Manager, has entered into the Stock Lending Agreement with the Lending Shareholders pursuant to which the Stabilising Manager will be able to borrow from the Lending Shareholders a number of Ordinary Shares equal in aggregate to up to 10% of the New Issue Ordinary Shares on Admission for the purposes, among other things, of allowing the Stabilising Manager to settle, at Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the Stock Lending Agreement, it will be obliged to return equivalent shares to the Lending Shareholders in accordance with the terms of the Stock Lending Agreement.

13. Dealing arrangements

Application will be made to the FSA, in its capacity as the UK Listing Authority, for all of the Ordinary Shares (including the Over-allotment Shares) to be admitted to the Official List with a Premium Listing and application will be made to the London Stock Exchange for those Ordinary Shares to be admitted to trading on the London Stock Exchange. It is expected that Admission to the Official List will become effective and that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8 a.m. on 20 March 2013. The earliest date for settlement of such dealings will be 25 March 2013. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8 a.m. on 25 March 2013. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "when-issued basis", will be of no effect if Admission does not take place, and will be at the sole risk of the parties concerned. The above-mentioned dates and times may be changed without further notice.

Each investor will be required to undertake to pay the Offer Price for the Ordinary Shares sold to such investor in such manner as shall be directed by the Joint Global Coordinators. Pricing information and other related disclosures will be published on the Website on 20 March 2013.

It is intended that, where applicable, definitive share certificates in respect of the Offer will be distributed from 25 March 2013 or as soon thereafter as is practicable. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account(s) shall be at the sole risk of the persons concerned.

Following Admission, the Ordinary Shares held by the Directors, the Major Shareholders, Alchemy and the Employee Shareholders will be subject to the lock-up arrangements described in this Part VI.

14. CREST

CREST is a paperless settlement system enabling securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission and, also with effect from Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

15. Conditionality of the Offer

The Offer is subject to the satisfaction of conditions which are customary for transactions of this type contained in the Underwriting Agreement, including Admission becoming effective by no later than 8 a.m. on 25 March 2013, determination of the Offer Price, and the Underwriting Agreement not having been terminated prior to Admission. See Part XVI (*Additional Information*) for further details about the underwriting arrangements.

The Company expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Offer will be returned to applicants without interest.

16. Selling restrictions

The distribution of this Prospectus and the offering, issue and onsale of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

None of the Ordinary Shares may be offered for subscription, sale, purchase or delivery, and neither this Prospectus nor any other offering material in relation to the Ordinary Shares may be circulated in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

16.1 European Economic Area

In relation to each Relevant Member State, an offer to the public of any Ordinary Shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

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

(B) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State; or

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

provided that no such offer of Ordinary Shares shall result in a requirement for the Company or any Joint Sponsor or Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Joint Sponsor or Manager and the Company that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any 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 Offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied for that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

16.2 United States of America

This Prospectus is not a public offering (within the meaning of the Securities Act) of securities in the United States. The Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Joint Bookrunners may offer Ordinary Shares (i) in the United States only through their US registered broker affiliates to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or (ii) outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer, any offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another available exemption from registration under the Securities Act.

Each purchaser of Ordinary Shares within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

(A) The purchaser is, and at the time of its purchase of any Offer Shares will be a QIB within the meaning of Rule 144A.

(B) The purchaser understands and acknowledges that the Offer Shares have not been, nor will they be, registered under the Securities Act, that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A thereunder, and that the Offer Shares may not be offered or sold, directly or indirectly, in the United States, other than in accordance with paragraph D below.

(C) The purchaser is purchasing the Offer Shares (i) for its own account, or (ii) for the account of one or more other QIBs for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such QIBs as well), in each case for investment and not with a view to any resale or distribution of any such shares.

(D) The purchaser understands and agrees that offers and sales of the Offer Shares are being made in the United States only to QIBs in transactions not involving a public offering or which are exempt from the registration requirements of the Securities Act, and that if in the future it or any such other QIB for which it is acting, as described in paragraph C above, or any other fiduciary or agent representing such investor decides to offer, sell, deliver, hypothecate or otherwise transfer any Offer Shares, it or any such other QIB and any such fiduciary or agent will do so only (i) pursuant to an effective registration statement under the Securities Act, (ii) to a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in an "offshore transaction" pursuant to Rule 903 or Rule 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such Offer Shares into the United States) or (iv) in accordance with Rule 144 under the Securities Act and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. The purchaser understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of the Ordinary Shares.

(E) The purchaser understands that for so long as the Offer Shares are "restricted securities" within the meaning of the US federal securities laws, no such shares may be deposited into any American depositary receipt facility established or maintained by a depositary bank, other than a restricted depositary receipt facility, and that such shares will not settle or trade through the facilities of DTCC or any other US clearing system.

(F) The purchaser has received a copy of this Prospectus and has had access to such financial and other information concerning the Company as it deems necessary in connection with making its own investment decision to purchase shares. The purchaser acknowledges that none of the Company and the Underwriters or any of their respective representatives has made any representations to it with respect to the Company or the allocation, offering or sale of any shares other than as set forth in this Prospectus, which has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Offer Shares. The purchaser also acknowledges that it has made its own assessment regarding the US federal tax consequences of an investment in the Offer Shares. The purchaser has held and will hold any offering materials, including this Prospectus, it receives directly or indirectly from the Company in confidence, and it understands that any such information received by it is solely for it and not to be redistributed or duplicated by it.

(G) The purchaser understands that these representations and undertakings are required in connection with the securities laws of the United States and that the Company, the Underwriters and their affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. The purchaser irrevocably authorises the Company and the Underwriters to produce this Prospectus to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered herein.

(H) The purchaser undertakes promptly to notify the Company and the Underwriters if, at any time prior to the purchase of the Offer Shares any of the foregoing ceases to be true.

(l) The purchaser understands that the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE ORDINARY SHARES REPRESENTED HEREBY HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "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 (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE ORDINARY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE ORDINARY SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE ORDINARY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF ORDINARY SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

The Company, the Underwriters and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-b, OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING, NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

PART VII — INFORMATION ON THE COMPANY AND THE GROUP

1. Introduction

The Group is the leading integrated, full service residential estate agency and property services provider in the UK measured by both revenue and transaction volumes in 2012. It offers estate agency and lettings services, together with a range of complementary services that position it to capture revenue streams across the various stages of a typical residential property sale or rental.

The Group's Estate Agency Division is the largest residential estate agency in the UK, measured by both revenue and transaction volumes in 2012 and has a key position in the London market and the Prestige Markets. Based on transaction volume statistics published by the Land Registry for England and Wales and the Registers of Scotland, the Group sold approximately 1 in 11 of all homes sold in the UK during the period from 1 January 2009 to 30 September 2012. As at December 2012, the Group operated 931 estate agency branches, which is approximately 66% more than the number of its nearest competitor, through a variety of established brands, including Hamptons International, John D Wood & Co., UK Sotheby's International Realty, Mann Countrywide, Gascoigne-Pees, Bairstow Eves, Dixons, Bridgfords, Taylors, and Slater Hogg & Howison. Following a sustained period of investment, the Directors believe (based on a review of the available public resources), that the Group's Lettings Division is now the largest lettings agency in the UK by revenue and dedicated branches. Through its Propertywide website, the Group has online distribution capability for its estate agency and other property services.

The Group's Estate Agency Division is also used as a distribution channel to introduce complementary services (provided by the Group's other divisions) to buyers, sellers, landlords, mortgage lenders and other third parties. These services include arranging the sale of mortgages, insurance and other financial products; surveying; and conveyancing. In 2012, each £1 of income earned by the Estate Agency Division was matched by a further 50 pence of income earned by other divisions from the introductions generated from the Estate Agency Division. The Group is one of the UK's leading suppliers of mortgage broking, surveying and conveyancing services.

Over the past five years, the Group has sought to make sustainable investment in future growth, focus on higher quality revenue streams and implement cost reductions across the Group's platform. The Directors believe that these measures, which were implemented during a housing market downturn, will substantially enhance its ability to benefit from a market upturn. In addition, the Directors believe that its cost structure provides the financial flexibility that the cyclical housing market demands.

2. Key strengths of the Group

The Group uses a multi-brand approach to build its national representations, holding market-leading positions within the UK for its estate agency, lettings, mortgage brokerage, surveying and conveyancing businesses. The Group's strong reputation in the market is founded on recognisable, local high-street brands targeting customer segments in every price bracket in the UK property market. The Group supports this with a scalable, integrated infrastructure designed to deliver a wide range of property-related products and services targeted to both its retail customers and its corporate clients.

The Group aims to achieve superior levels of performance in each of its businesses by utilising its scale, systems and support while focusing on providing excellent customer service to build loyalty.

The Directors believe that the Group has a number of key strengths as set out below:

Scale and coverage to deliver through recognisable high-street brands.

The Group operates throughout the UK residential property market. With a significant presence in the majority of key areas and property types across the UK, its brands are locally recognised and respected. In addition, several of its brands have national and international presence.

Since 2007, the Group has focused on expanding its coverage in areas where it was aware it was 'under-represented' but significant opportunities were available for the right brand. Key expansion areas include the prime sector within London and the South East of the UK with the acquisitions of Hamptons International and Sotheby's International Realty, and in Yorkshire with the acquisition of

Blundells. The Group has also consolidated brands, where through acquisition or changes in markets, the brand or branch coverage became less appropriate or profitable. The Group is focused on having the right brand in the right location to target customer segments across all price bands with the most appropriate products and services to match their needs.

The Group's depth and breadth of coverage, combined with its centralised infrastructure, positions management well to capture and analyse real-time data and make informed decisions in response to changing market dynamics. The Directors believe the Group's infrastructure allows it to respond more quickly to shifts in supply, demand, transaction volumes and prices.

The Group's scale also provides it with significant leverage to negotiate exclusive product arrangements with providers and reduce its costs when procuring products, systems and services from suppliers on very competitive terms.

Adopting the policy of "Fewer: Better" initiatives, the Group reduced operating costs of £564 million in 2006 to £396 million in 2012 (excluding the impact of significant acquisitions) or £363 million, representing a 36% reduction for that period, after deducting £33 million of the 2012 costs which the Directors believe to be expansion/acquisition costs.

Focus on recurring and resilient income streams with higher margins.

The integrated nature of the Group has allowed it to increase significantly its expansion into more resilient areas of activity such as the London market, the Prestige Market, the lettings market and financial services markets. The lettings market and the remortgage sector of the mortgage market are less sensitive to the volume of housing transactions.

The Group is in a strong position to offer complementary services from other divisions including mortgages, insurance, surveying, lettings and legal services to its retail customers. As a result, it increases penetration and develops opportunities for ongoing contact and building loyalty with its key retail customers.

The professional management by the Group's lettings business of landlords' property and the provision of the Buy-to-Let Mortgage and related insurances, positions the Group well for the future should landlords wish to expand their Buy-to-Let portfolio or dispose of properties.

The Group's position as a leading player in the L&NH sector positions it well to capitalise on increased house building activity. The Group can take advantage of this activity by further developing close relationships with local, regional and national developers and offering them the full suite of complementary services, including access to the majority of home buyers across the UK, expertise from local sales and lettings agents and exclusive mortgage products.

The Group has expanded its corporate client base across key areas including financial services, surveying and legal services.

Management team experienced in transformation and innovative growth.

The success of the Group has been built around recruiting, incentivising and retaining talented managers drawn both from within the Group and from leading businesses in related sectors. The focus of the team has been to de-layer the management structure to ensure the senior team remains close to customers and colleagues. The Group's focus on "Fewer: Better" allows it to promote the best talent, supplemented with external hires to maintain the blend of experience and innovation within a flatter management structure. The growth in the size and significance of management roles has improved the Group's ability to retain and hire the best talent and to recognise and reward performance appropriately.

The current management team have executed a three-pronged strategy to deliver significant cost savings from operating costs of £564 million in 2006 reduced to £396 million in 2012 (excluding the impact of significant acquisitions) or £363 million, representing a 36% reduction for that period, after deducting £33 million of the 2012 costs which the Directors believe to be expansion/acquisition costs. The Directors believe that the experience in delivering both acquisitions and organic expansion on scale positions the business well for the future. The creation of more integrated and specialist functions has allowed the Group to hire specialists who the Directors believe have had a positive impact in the areas of IT, Corporate Business, Online Services, Marketing, Human Resources and in the Financial Services Division.

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.

Growth through organic growth and especially acquisitions.

The Group has developed significant experience in acquiring businesses. The Group has a proven track record in identifying acquisitions for their strong strategic fit and ability to address gaps in its market coverage, while also delivering accelerated profit growth by delivering higher margins.

The acquisition of Hamptons International, the Sotheby's International Realty UK franchise, and Blundells all fit these criteria, by expanding the Group's capability in high-end markets, particularly in London and the South East of the UK, and significantly increasing coverage in Yorkshire.

Acquisitions within the Lettings Division now form part of the ongoing activity of the division, which helps to deliver accelerated growth and complement organic growth given the recent opening of 176 new lettings branches and 41 acquisitions, which includes 52 branches, since 2007. The Group has taken the opportunity to grow its Lettings Division during a period of subdued purchase multiples. The Group has been financially disciplined in its strategy of acquiring businesses around the country for attractive multiples and integrating these businesses within the overall Countrywide lettings model.

Following the acquisition of Mortgage Intelligence in 2011, the Financial Services Division's market share grew to approximately 6% of the total mortgage market in the UK and approximately 10% of the UK intermediary mortgage market as at Q3 2012.

Building retail customer relationships to drive value across the lifetime of the customers' property cycle both through creating brand loyalty and maximising complementary services offerings.

The Group is aware that for most retail 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. Based on transaction statistics published by the Land Registry for England and Wales and the Registers of Scotland, the Group sold approximately 1 in 11 of all homes sold in the UK during the period from 1 January 2009 to 30 September 2012, representing a market share of approximately 9%. This provides a valuable distribution channel for the introduction of the complementary services produced by the Group's other divisions to grow its revenue and profit. For example, in 2012, each £1 of income earned by Estate Agency was matched by a further 50 pence of income generated from Estate Agency leads.

The Directors believe that this integrated service offering coupled with a customer-centric approach and centralised processes have helped the Group create more enduring relationships with its customers than is typically the case in the housing market. For example, a recent survey by one of its brands found that 94% of its customers would both use the brand again and recommend it to a friend.

Ongoing investment in technology and remote solutions.

A key strength is the Group's ongoing ability to invest significantly in technology to implement leading edge innovation in a cost-effective way. One example of this is online development, such that, in the second half of 2012, the Group's own website generated its highest proportion of customer leads into the business.

The Group has pioneered the use of tablet technology for 'door step' sign off of valuation reports and for use by its staff during market appraisals.

The Group maximises the capabilities of its service call centres to provide continuity and consistency of service to both retail customers and corporate clients by leveraging its customer database.

As a reflection of its ongoing investment in technology, the Group was the first company of its size in the UK residential property sector to achieve the internationally recognised standard for Information Security Management Systems (ISMS) formal certification — ISO/IEC 27001:2005. This certification recognises Countrywide's commitment to effective disaster recovery, risk management and robust data security.

3. The Group's strategy

The Group aims to continue to help more people move home in the UK than any other business. Since 2008, the Group has implemented and delivered on its strategic goals of growing market share, structurally reducing its cost base and increasing profits. The Directors believe that the significant investment that has been made in transforming the business while in private ownership has positioned the Group strongly for future growth across all of its core markets.

The Group's strategic objectives for the three financial years ending in 2013 to 2015 are as follows:

Capitalise upon its market-leading positions in each of the Group's core businesses.

The Group intends to focus on growing profitable market share in each of its core businesses by taking advantage of key areas of market growth or consolidation, developing innovative or differentiated propositions and assuming market-leading service and performance positions for both retail and corporate customers.

- Based on transaction statistics published by the Land Registry for England and Wales and the Registers of Scotland, the Group sold approximately 1 in 11 of all homes sold in the UK during the period from 1 January 2009 to 30 September 2012, representing a market share of approximately 9%. The Group intends to focus on increasing its share in instructions that have the highest rates of conversion from instruction to completed sales and that are optimal in terms of fee income and the sale of related products. This will include the charging of initial marketing fees to individual vendor clients to ensure a shared financial commitment to securing a buyer and to reduce the vendors' withdrawal rate.
- The Group intends to continue to identify geographic areas of under-representation where it can grow its market share through acquisition or organic branch openings. In particular, Hamptons International will seek to leverage its wider geographical recognition to expand its coverage and customer base while opening new outlets.
- The Group intends to build its position as a leading player in the L&NH sector to offer local, regional and national developers improved access to land and sales introductions via its register of prospective purchasers. In particular, Hamptons International's L&NH division will seek to leverage Hamptons International's reputation in a market which it has not fully penetrated.
- In 2012, the Group undertook the asset management of approximately 17% of all repossessed properties in the UK and seeks to continue to grow its share in this market given its track record of selling houses quickly and efficiently for the benefit of both lenders and former borrowers. While regulatory focus is on TCF, lenders need to achieve the best possible prices for properties sold and the Directors believe it is well positioned to offer a comprehensive and consistent service to deliver these.
- The Lettings Division has grown in size through a programme of targeted acquisitions which has increased the Group's network by 52 branches since 2007. During the last two years, the Group has made 29 such acquisitions. Organic growth has also been a major strategic goal and since 2010 the Group has opened 176 new lettings offices in existing estate agency branch outlets across the UK. Following this sustained period of investment, the Directors believe (based on a review of the available public resources) that the Lettings Division is now the largest lettings agency in the UK by number of dedicated branches and turnover. The Group seeks to continue to expand through each of these routes with an increase in focus around acquisitions in areas in which it is under-represented and a more tactical approach to organic openings as it focuses on the growth to maturity of the existing branch network.
- The Financial Services Division's market share in 2012, following the Mortgage Intelligence acquisition in 2011, was approximately 6% of the total mortgage market in the UK and approximately 10% of the UK intermediary mortgage market. The Group's growth in both sales and lettings offers growth opportunities for the Financial Services Division as it seeks to

provide an increasing percentage of the Group's customers with mortgages and insurance products to support customers' home moving and home ownership activity. In addition, the division intends to expand its remortgage offering by marketing remortgage products via the Group's centralised call centre.

- The Group seeks to develop and expand the products and services available to Buy-to-Let landlords so that they are provided with specialist financial software via the Group's expanded branch network. The Group also intends to expand the range of financial services products provided to customers. For example, in Q4 of 2012 the Group expanded the Group's life insurance product base to appeal to a wider range of customers.
- The Group will seek to develop and expand its products to suit customers operating in the Prestige Market. For example, it aims to increase the number of mortgage, life insurance and private conveyancing arranged through its London and Prestige Market brands (Hamptons International, UK Sotheby's, Faron Sutaria and John D Wood) via Capital Private Finance Limited.
- The Surveying Division has already developed a successful track record of securing new contracts with mortgage lenders and has the opportunity to develop this over the next two years as significant new corporate contracts come to tender. The division also intends to maintain its focus on retaining existing customers through market-leading service standards, a partnership approach and a focus on risk mitigation for its clients. The growth in direct access to consumers via the Group's online portal platform will be supported by an increasingly sophisticated pricing policy.
- The Conveyancing Division has successfully diversified its customer base away from reliance solely upon the Group's own physical distribution by securing contracts with significant corporate clients such as HSBC and Tesco Bank. It can now use the increased size and strength of its own in-house conveyancing firm and third party panelling capability, allied with the improvements seen from its flexible pricing policies and outstanding customer service to drive increased volumes from existing internal and external sources. The Group seeks to continue to provide conveyancing services to an increasing number of lenders and house builders, which the Directors believe recognise the benefits of centralised conveyancing processes with a provider that uses scalable processes that mitigate risks and improve process efficiency.
- The continued resourcing of a strong and dynamic management team is designed to ensure that the Group retains its existing corporate contracts by remaining close to its clients and responding to feedback while also taking a long-term approach to building relationships and propositions designed to identify new opportunities and win further contracts from existing and new clients.

Deliver an integrated service and product offering, positioned for growth in the current market but substantially levered to recovery.

- Lettings is a fragmented market and the Directors believe there are more opportunities to grow via acquisitions and integrate new lettings businesses at accretive earnings levels. Current competition for these acquisitions is limited. The Directors believe its ability to identify, fund and execute such acquisitions is a source of competitive advantage. The Directors believe that, during the economic downturn many other estate agency businesses have entered the lettings market to compensate for the lack of income from house sales. Unlike the Group, many other businesses do not have dedicated lettings teams. The Directors believe that following an increase in activity in the housing market, such businesses may return to their traditional core house selling business and may exit the lettings market, providing the Group with further opportunities for acquisition and expansion. The Directors believe that as the scale of the Lettings Division increases there will be further opportunities for product and service improvements and the spreading of central costs.
- The Group's Estate Agency Division benefits from a significant presence in most key population centres across the UK through locally recognised and respected brands. The business does, and is expected to continue to, benefit from its considerable exposure to the buoyant London and South East markets. The Directors believe that the division is well positioned to benefit from any recovery of the sales market in those areas most affected in terms of volume of transactions and house prices over the last five years. It is also exposed to

all sectors of the markets including L&NH, repossessions, relocations and auctions and should benefit from growth as it continues to expand its activity in each of these sectors.

- The Group will seek to expand the products offered by the Financial Services Division to the Group's existing estate agency and lettings customer base and also to attract new customers through its increasing network of mortgage brokers based within Mortgage Intelligence. The Directors believe its product offering and coverage makes a well capitalised and focused business that will continue to attract brokers looking for a professional distribution channel capable of helping them through the current period of changing regulation.
- The Group intends to expand its distribution network for financial services, including by growing its specialist London and Prestige Market brokerage and its Capital Private Finance Limited business.
- The Group has developed cross-divisional shared services including marketing, information technology, online platforms, human resources and infrastructure services, such as premises support. This centralisation of support services exploits synergies, economies of scale, improved expertise and best-practice models, to maximise efficiency, profitability and quality of support. These shared services have been designed to be scalable in order to respond quickly to growth or contraction in the Group's core markets.
- In the insurance stream, the Group intends to continue to reduce its reliance on initial sales income by increasing the proportion of income generated from renewal fees ranging from the general insurance book through to product and pricing initiatives, as well as the activities of the central retention teams.
- As a result of its scale and access to timely and granular data, the Directors believe it has developed one of the most comprehensive real-time management information systems available in the industry. The Group's management team is highly data-focused with formal daily, weekly and monthly reviews of business flows, trends and activities with an emphasis on responding speedily and decisively to changing trends, challenges or opportunities. The Group seeks to continue to refine these data sources and look for ways of monetising them both within the business and in the wider market.

Continue to re-engineer the business to deliver a scalable, diversified and robust business with significant recurring revenue streams offering a risk-mitigated position in the UK residential property market.

- The Group has re-engineered its processes to lower the fixed cost base and ensure that it remains flexible in order to respond to fluctuations in market volumes. This has allowed it to grow profitability while operating in a market around 50% in size when compared with the long-term average number of housing transactions in the years immediately preceding the financial crisis. While the savings achieved since 2006 have been significant, with the reduction of operating costs of £564 million in 2006 to £396 million in 2012 (excluding impact of significant acquisitions) or £363 million, representing a 36% reduction for that period, after deducting £33 million of the 2012 costs which the Directors believe to be expansion/acquisition costs, the Directors believe it can retain a significant proportion of these savings even in a market which sees volumes return to historical norms.
- The increased emphasis on growing the size of the Group's Lettings Division has not only grown current profitability but has also increased the scale of its recurring revenues with income from initial and renewal fees and associated income streams.
- Scalability, quality and cost efficiency have been (and it is intended that they will continue to be) improved in part as a result of outsourcing core but low value activities.
- The activities of the Financial Services Division have been designed to help create more enduring relationships with customers rather than the 'one touch' approach that is typical of the industry. The provision and growth in the number of remortgages arranged for customers reduces the reliance on housing transactions. In addition, the increasing proportion of income generated from renewal fees from the general insurance book, as a result of the Group's product and pricing initiatives, as well as the activities of the central retention teams, have reduced the dependence on initial sales income.

- The emphasis on improved processes, customer service and dynamic pricing are all aimed at improving the customer experience and as a result, increasing product holding and improving retention.
- In 2012, each £1 of income earned by Estate Agency was matched by a further 50 pence of income generated from Estate Agency leads. The Group intends to increase the number of complementary services that it makes available to its retail and corporate customers.

Build on the track record of consistently and successfully investing in growth to capture the significant opportunities that lie ahead.

- The Group will continue to ensure its employees have access to a reliable, economic and scalable infrastructure enabling delivery of a consistently high-quality service to colleagues, retail and corporate customers.
- The Group has entered into a strategic outsourcing agreement with CGI to improve its technology delivery by consolidating and upgrading existing IT hardware, systems and processes. The transformed IT services shall continue to support the Group's customer-focused business strategy and facilitate a robust acquisition strategy aimed at delivering immediate benefit. The agreement provides for a scalable support model for branch and office networks and offers enhanced protection of business and customer data. The Group will look to improve on and develop this relationship.
- Over the last three years, the Group has expanded its online capabilities with its development of Propertywide.co.uk ("**Propertywide**"). Propertywide is the Group's dedicated property portal. It was created to provide customers with online access to the Group's entire estate agency, lettings and property-related services. Propertywide has innovative search facilities that give customers access to thousands of properties for sale. It combines property information with professional property services, including mortgage services, conveyancing and surveying. The Group intends to develop this brand in order to build its online distribution capability and profitability. In addition, the Group owns a 5.86% shareholding in Zoopla Property Group Limited which operates UK market-leading websites, including Zoopla.co.uk and Primelocation.com. These websites seek to help consumers find their next home and research the market by combining hundreds of thousands of property listings with market data, local information and community tools.
- The Group's expansion of its online capabilities and its investment in, and interaction with, Zoopla Property Group Limited has diversified its source of online enquiries. In 2009, 67% of its leads came from Rightmove, 10% from Propertywide and 23% from Zoopla. By Q3 2012, 35% of its online leads came from Propertywide, 30% from Rightmove and 35% from Zoopla. The Group intends to continue its significant online investment to grow both leads from its own portals and leads from significant portals owned by third parties, thereby reducing dependency on one portal for its leads while building its own online distribution and capability.
- Expansion strategy will focus principally on lettings through acquisitions and organic growth and the Group will continue to expand its representation in identified key growth markets, which include but are not limited to London and the South East of the UK.

Continue to build, incentivise and retain a world class management team committed to the business ethos and goals.

- The success of the Group has been built around recruiting, incentivising and retaining the very best talent drawn from within the industry and from leading organisations in other industries when specific skills, knowledge or expertise is required. The management team will continue to focus on being highly data-driven, innovative, colleague and customer-centric and capable of operating at pace.
- The Group utilises talent development, management initiatives and aligned incentive and retention packages. It plans to continue to promote talent internally, supplemented by recruitment from outside the industry to introduce further innovation or skills that it perceives the property industry has historically lacked.
- For the last four years, the core distribution strategy of the business has been developed by members of the senior management who have directly owned, understood and implemented

the Group's strategy. The Group will continue to actively seek opportunities to involve management in determining the direction of the Group.

- Succession planning is the key to providing internal career prospects and ensuring seamless transitions within the Group. Succession planning for the top three layers of management is carried out through frequent succession reviews, supplemented by development centre activity. Management with high potential are encouraged to take on diverse roles or additional responsibilities both inside and outside the business to develop more general management capabilities and wider perspectives. This also develops a broader base of cover for key roles or activities. The Group will continue to invest in these activities and continually review its remuneration and incentivisation programmes to ensure it remains competitive.

Future investments.

- The Group plans to continue its transformation and identifying key investments remains integral to the Group's approach in the future. The period under private ownership witnessed sustained investment in growth, and management intends to continue to pursue key investments in 2013 and beyond.
- The Group plans to invest further in distribution and develop its distribution capabilities in order to maximise total Group value, through the development of all divisional income streams, in all geographic and price sectors where an acceptable return can be made on investment.
- Lettings remains a key investment focus for the Group and it plans to drive benefits from the maturing of existing lettings investment in a growth market while simultaneously exploiting IT and online investments to drive further lettings growth.
- The Group will continue to build on its investment strategy for L&NH. In 2012, the Company took a strategic decision to invest in its L&NH capability. It is acknowledged by Government and relevant industry bodies that the chronic shortage of housing stock and new home construction in the UK is unsustainable. As a result, it is expected to lead to an increase in house building activity in the next few years. There are also a number of recent Government initiatives that will support this sector such as the NewBuy scheme and changes in planning laws. The Group is already the largest provider of estate agency services for the L&NH sector in the UK and won 'Best New Homes Agent' at the Estate Agency of the Year Awards 2012. Its award winning L&NH team is seeking to take advantage of increased activity levels through investment in the following areas in particular: land capability, where land is sold for development with the downstream activity also secured by the team; growing expertise in the affordable housing sector; and the CBRE Joint Venture which has been successful for both parties. In addition, the Company is targeting growth in asset management services on part exchanges on behalf of the house builders. These investments are expected to bring significant benefits for the Group in 2013 and beyond.
- The Group will continue to review its footprint with a view to further investment, acquisition and/or organic growth to continue its successful investment strategy to date for future growth and profitability. The Group's investment policy remains to make the right investment decisions by evaluating the viability of each investment while continuing to drive the necessary returns on each investment and drive maximum benefits from the maturing of existing investments.

4. History and development of the Group

The Group was listed from 1986 to 2007 during which time it focused on expansion in estate agency and complementary services through organic growth and the purchase of estate agency and surveying businesses.

In February 2000, the Group was one of the original four joint venture partners in Rightmove, an internet property portal, which in 2006 was floated on the London Stock Exchange with the Group initially retaining a 21.5% stake in the business.

Private ownership and restructuring.

In May 2007, the Group was taken into private ownership by Castle HoldCo 4, Ltd. (now Countrywide Holdings, Ltd.), a special purpose vehicle beneficially owned by Apollo-Affiliated Funds. As part of that transaction, the Group's shares in Rightmove plc were largely distributed to the Group's public shareholders, with the remainder being disposed afterwards. In order to finance the acquisition and provide funding for the Group, Castle HoldCo 4, Ltd. 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. This involved the compromise and repayment of certain of the Group's debt and other financial obligations, the injection of fresh equity capital and the issue of the Senior Secured Notes (described in more detail in paragraph 7 of Part XII (*Operating and Financial Review*)). As a result of this capital restructuring, Oaktree Affiliates became the Group's largest shareholder with a controlling interest, and the Group's net debt decreased from £642 million at 31 December 2008 to £75 million at 31 December 2009 (£204 million, 31 December 2012).

Business transformation.

During its time in private ownership, the Group's overarching strategy was to develop from an unintegrated conglomeration of local branch offices and separate businesses, acquired through a series of acquisitions, into a cohesive business group with a single strategy. In particular, the Group sought to:

- **invest sustainably in future growth** with a focus on return on investment and cost and revenue synergies through:
  1. **a series of strategic acquisitions to optimise the Group's geographical footprint in key areas**. In particular, the Group expanded its reach in London and the Prestige Markets by the acquisition of Hamptons International and the right to open UK Sotheby's International Realty franchise branches. In addition, the Group developed its businesses in selected regions of the UK where it was previously under-represented, such as by the acquisition of Blundells, which is the market-leading property services business in Sheffield and South Yorkshire (measured by instructions);
  2. **significantly broadening its customer proposition** both in respect of its retail and corporate customers, with a particular focus on the expansion of its Financial Services Division, including by the acquisition of Mortgage Intelligence/Mortgage Next, a large mortgage broker network;
  3. **improved online distribution of its products** through developing its Propertywide website, mobile and tablet apps and taking a stake of approximately 6% in Zoopla, an online property search portal; and
  4. **significant investment in the Group's infrastructure and processes** to facilitate an integrated service offering and data analysis systems to drive innovation, customer satisfaction and its ability to service corporate customers.
- **focus on higher-quality revenue streams by:**
  1. **developing the Lettings Division** both within its existing estate agency branches and through acquisitions of dedicated lettings businesses, increasing the number of the Group's branches with a dedicated lettings agent within the branches from 137 as at 31 December 2007 to 370 as at 31 December 2012. The Lettings Division's contribution to the Group's revenue has increased from 7% in 2007 to 18% in 2012; and
  2. **promoting the introduction of complementary services as an integrated service provider** to enable the Group to generate revenue across the stages of home selling and lettings transactions.
- **implement cost reductions across the Group's platform**. These initiatives included:
  1. **simplifying the management structure** by developing an experienced and streamlined management team;

2. **concentrating on key brands**, being Hamptons International, John D Wood & Co., UK Sotheby's International Realty, Mann Countywide, Gascoigne-Pees, Bairstow Eves, Dixons, Bridgfords, Taylors and Slater Hogg & Howison, enabling the Group to leverage economies of scale while remaining a "local" provider;
3. **rationalising the branch network** by closing 221 underperforming branches;
4. **rationalising non-customer facing functions** by, among other things, centralising the administration operations for the Estate Agency Division through the establishment of the National Administration Centre and consolidating the Group's 143 surveying offices, as operated in 2007, into one National Operations Centre;
5. **reducing the headcount** (management as well as branch staff) in the Estate Agency Division from an average of 6,400 as at 31 December 2007 to approximately 3,700 as at 31 December 2012 and reducing the average headcount per branch from 5.4 to 4.0 over the same period;
6. **administrative savings** by outsourcing the Group's payroll functions, IT operations and finance and accounting functions, recognising cost savings in procurement and using both internal and external call centres;
7. **realigning the marketing cost** by centralising the marketing operations; and
8. **consolidating and centralising the Group's IT operations**.

As a result of such measures, reduced operating costs of £564 million in 2006 reduced to £396 million in 2012 (excluding the impact of significant acquisitions) or £363 million, representing a 36% reduction for that period, after deducting £33 million of the 2012 costs which the Directors believe to be expansion/acquisition costs. The Directors believe that at least £60 million of such savings have been removed permanently and are not anticipated to be re-incurred by the Group as and when volumes pick up.

The implementation of this strategy led to the transformation of the Group's negative EBITDA before exceptionals of £16 million in 2008, to a positive EBITDA before exceptionals of £44 million in 2009. The Group's EBITDA before exceptionals further increased to £63 million for the year ended 31 December 2012, during a period in which the UK home sales market is expected to be broadly flat. Furthermore, EBITDA before exceptionals for the year ended 31 December 2012 was £70.1 million after excluding new branches opened since the beginning of 2010. In the period from 2010 through 2012, the Group's loss for the year declined substantially, from £8.3 million in 2010 to £2.6 million in 2011 and £3.0 million in 2012.

The Group's market share has expanded from 6.9% in the estate agency business (Estate Agency Division and Hamptons International) in 2007 to 8.4% for the period January to September 2012, 27.2% in surveying in December 2007 to 31.7% in November 2012 and 2.5% in mortgage broking in 2007 (excluding Mortgage Intelligence) to 5.6% in November 2012 (including Mortgage Intelligence). Lettings market share in 2012 is estimated by management at 6-8%. The Directors believe the development of the business over the last five years has positioned it well to obtain significant gains from any future improvement in volumes.

5. Industry overview

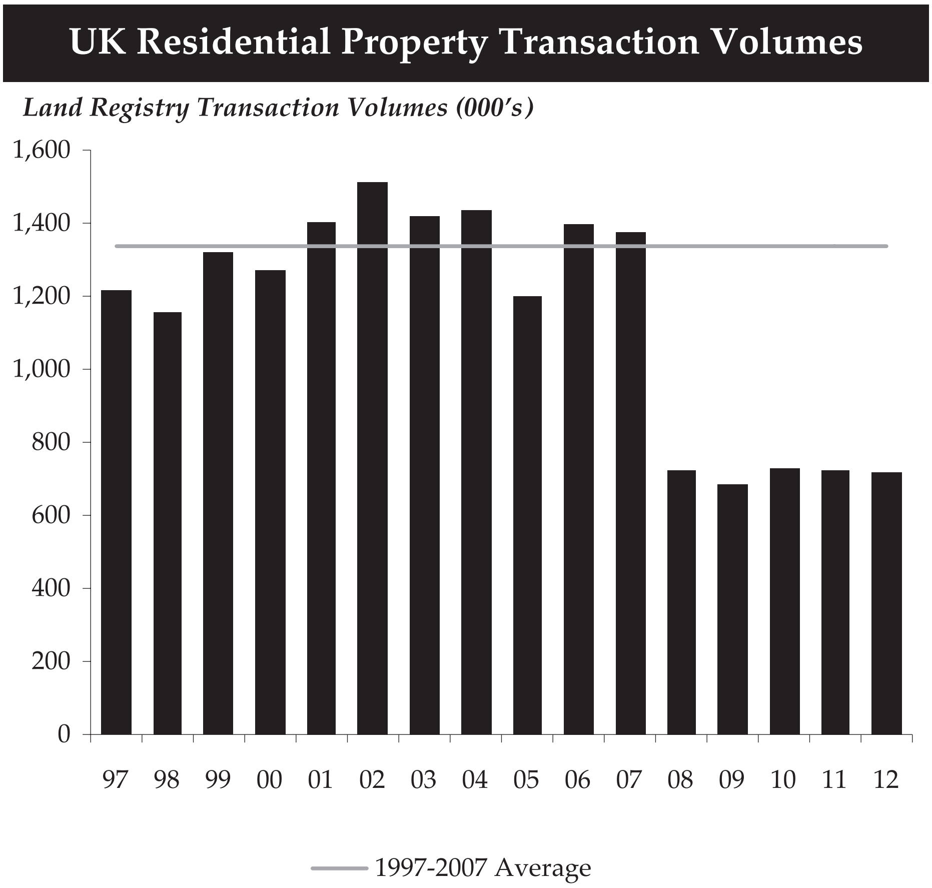
5.1 Home sales

The Group operates as part of the UK residential estate agency industry and derives most 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 and/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 impacted by decreased volume of home sales and falling prices).

The UK housing market is subject to strong cyclical forces related to a pervasive cultural tendency in the UK towards property ownership. The market, therefore, is dependent to a large extent on customer wealth and confidence, factors which are in turn heavily influenced by overall rates of growth, levels of unemployment and other macroeconomic conditions. In addition, any potential transition to a continental model of renting rather than owning a house would pose a challenge to the industry and the Group.

Transaction volumes in the UK housing market fell materially with the onset of the financial crisis in 2008, and have since remained broadly flat at that lower level throughout the UK's economic downturn. According to statistics published by the Land Registry for England and Wales and the Registers of Scotland, home sales in the UK fell from 1,428,000 in 2006 to 684,000 in 2009 (a decline of 52%), before recovering slightly to 730,000 in 2010 and 722,000 in 2011, and are expected to be broadly flat in 2012.

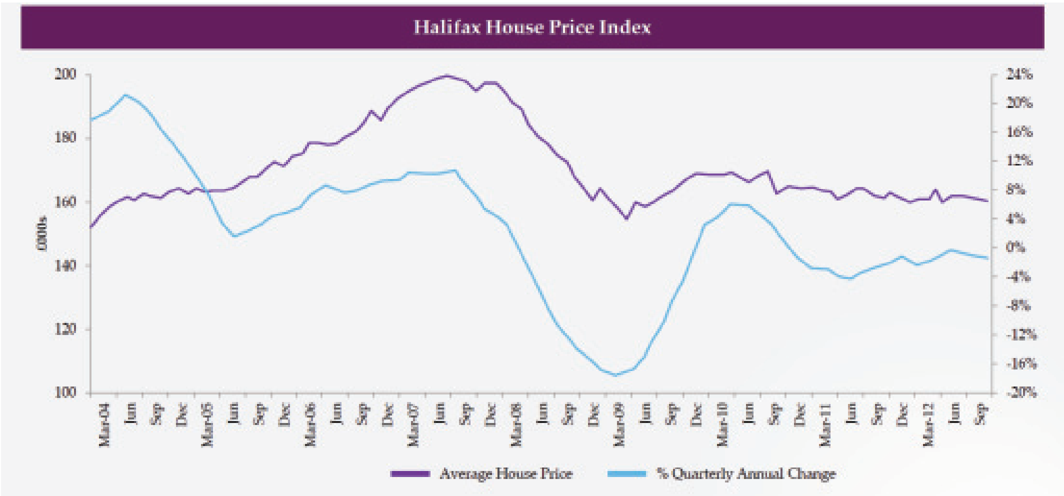
Figure: UK residential property transaction volumes, 1997 – 2012



Source: the Land Registry for England and Wales and Registers of Scotland

While volumes have broadly remained at the low levels experienced after 2007, home prices have recovered to average levels broadly equivalent to those experienced in 2004 and so, on average, commission levels per home sale have increased from the low point of March 2009. See Part II (*Risk Factors*) *"The Group is dependent on the UK's residential property market and macroeconomic conditions in the UK*".

Figure: Average house prices in the UK based on the Halifax House Price Index as published by Lloyds Banking Group



Source: Halifax monthly House Price Index

While some market commentators, such as the independent report entitled 'A New Normal in the Housing Market' commissioned by Legal and General's Mortgage Club and the Centre for Economics and Business Research, have asserted that the UK housing market has hit its trough, there remains significant uncertainty as to prospects for the housing market in particular and the UK economy in general.

5.2 Prestige Market

In addition to individuals purchasing homes as their main residence, estate agencies offering services in the Prestige Market need to cater for other groups of customers. The sustained increase in home prices over the last decade, and in particular high demand for prime real estate in London, has created opportunities for property companies seeking to invest, and capitalise on growth, in the high-end 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.

In addition, economic development in other parts of the world combined with the global financial crisis has generated demand from foreign investors who perceive the Prestige Market in the UK as a comparatively safe form of investment. 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.

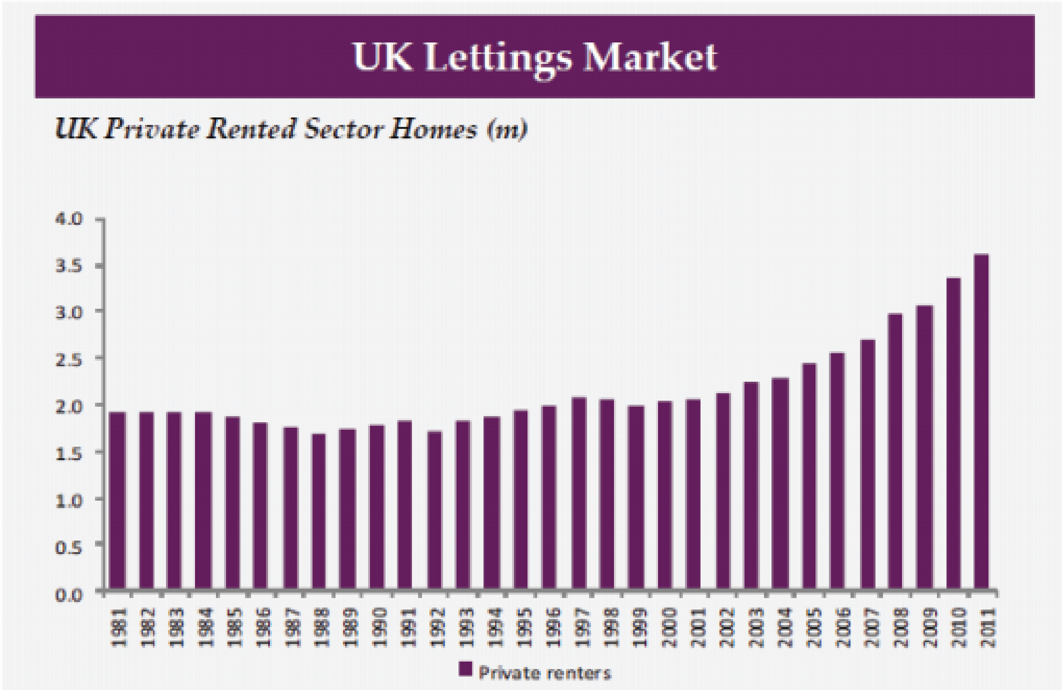
5.3 Land and New Homes

The Government has stated that producing more new build homes is one of its priorities. A number of Government initiatives have been introduced with the aim of increasing supply. In addition, the balance sheets of a number of major home builders have recently improved significantly, which indicates that more capacity is being introduced into the industry.

5.4 Lettings

Partly as a result of the declining sales market, in recent years the UK's residential lettings market has grown significantly in size. The 2011 census for England and Wales revealed that in 2011 there were 3.6 million privately rented homes, which was an increase of approximately 89% from the figures recorded in the 2001 census for England and Wales, with 15% of homes being privately rented in 2011 compared with only 9% in 2001 (source: *Office for National Statistics, 2001 Census data from KS18, 2011 Census data from KS205EW-data relating to homes privately rented from a private landlord or lettings agency as a proportion of all homes*).

Figure: UK Private Rented Sector Homes (m)



Source: Office for National Statistics

5.5 Mortgages

The Group operates in the mortgage intermediary market. Mortgage intermediaries arrange and distribute the sale of mortgage products but are not the actual mortgage lenders. If the borrower fails to repay the indebtedness, it is the mortgage lender that may suffer a loss. Mortgage intermediaries generate revenue on the distribution of mortgages by charging a fee (which may be fixed or variable) each time they sell a mortgage. The Group faces competition in the mortgage intermediary market from: Connells, John Charcol, LSL, Moneysupermarket and Sesame.

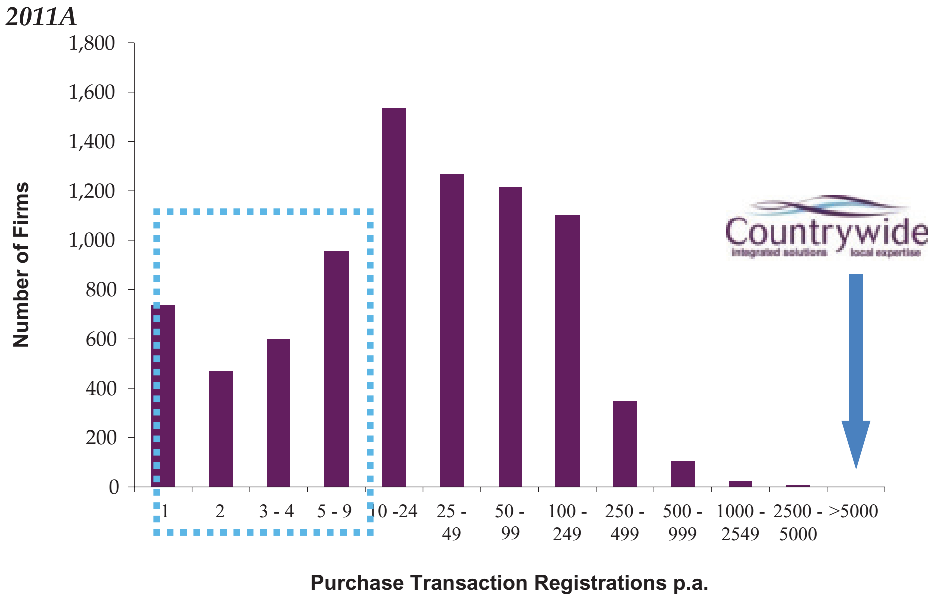
5.6 Surveying

The surveying market in the UK is highly consolidated. Activity is linked to transactions in both the housing and the remortgage markets. As a result, between 2007 and 2008, the volume of surveys fell as the volume of home sales and remortgage activity declined. Surveying fees are generated by a surveyor carrying out a survey for a potential property purchaser as well as for the purchaser and the potential mortgage lender, either separately or together.

5.7 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 Conveyancing Division was involved with over 60,000 property completions in 2012 across its in-house legal operations, 27,068 through the provision of transactional and separate legal representation services to customers, and 33,126 through its panel management network. The graph below shows that the vast majority of conveyancing firms carry out a relatively small number of transactions in a year (as indicated on the graph, 33% of conveyancers register less than 10 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 — purchase transaction registrations per firm



Source: The Land Registry for England and Wales

6. The Group's current operations

6.1 Estate Agency

The Group is the UK's largest estate agency with 931 branches (as at December 2012) throughout the UK (including 71 Hamptons International branches). Based on averages of statistics on transaction volumes from the Land Registry for England and Wales and average Group transaction volumes, the Group sold approximately 1 in 11 of all homes sold in the UK for the period from 2009 to 2011. In 2012, the Estate Agency Division sold a total of 56,874 homes (this figure excludes Hamptons International home sales). As at 31 December 2012, the Estate Agency Division employed 3,654 employees across the UK.

The Estate Agency Division is the largest division within the Group, contributing 40% of the Group's total income, 20% of the Group's EBITDA before exceptionals and a segment operating profit of £4.4 million in the year ended 31 December 2012. That changed to 39% of the Group's total income and 25% of the Group's EBITDA before exceptionals when new branches were excluded.

The Estate Agency Division's historical development has focused on acquiring local and regional estate agencies that have a strong knowledge of their market and customers. Depending on the location in relation to existing brands, the Group either rebrands acquired estate agencies to a local established trading name it operates, or retains and trades under the acquired brand name. This business model is designed to increase the likelihood that regional estate agencies acquired by the Group retain their existing customer base and profile. The Estate Agency Division is proud of its success at winning customers and selling homes. In 2012, 48% of market appraisals of homes resulted in property listings and 47% of property listings resulted in an exchange of contracts.

The Estate Agency Division operates in approximately 700 towns throughout the UK and has adopted a multi-brand strategy utilising leading and established regional trading names and styles. These include many locally recognisable high street names such as Bairstow Eves, John D Wood & Co., UK Sotheby's International Realty, Mann Countrywide, Dixons, Bridgfords, Taylors, Slater Hogg & Howison and Gascoigne-Pees. Local branding is important, as illustrated by a recent study by researchers at Newcastle University which showed that people in the North of England tend to move within three miles of their existing home and people in the South of England tend to move within six miles of their existing home. The brands are positioned in alignment to local market conditions and to optimise market shares. The Group's brands are distributed throughout the UK and, save where local conditions dictate, with minimal overlap. Several of the Group's brands would, in their own right, constitute some of the largest UK estate agency brands.

While retaining this wide geographical footprint, the Estate Agency Division has made significant cost savings of an estimated 38% of its total cost base between 2007 and 2012. As a result of these factors, the Directors believe that the division is ideally positioned to benefit from a recovery in the housing market. This cost reduction was achieved through the centralisation of support functions, a reduction in management numbers, rationalisation of the branch network and a realignment of marketing spend.

The Estate Agency Division generates its revenue by charging the sellers of residential property a commission for finding a buyer. As is common in the UK, this commission is earned on a 'no sale–no fee' basis. However, since the abolition of Home Information Packs in 2010, the division has upgraded its marketing service and since the second half of 2010 charges a non-refundable upfront fee to customers who wish to purchase "enhanced marketing packages". The enhanced marketing packages provide prospective home buyers with additional detailed information on the property they are interested in and give the Group the opportunity to obtain revenue regardless of whether a home sale ultimately occurs.

The Estate Agency Division plays the key role as the Group's distribution network and introducer to its buyers and sellers of complementary services provided by its other divisions, including financial services, conveyancing and surveying services. This ability to introduce complementary services resulted in each £1 of income earned by the Estate Agency Division in 2012 being matched by a further 50 pence of income generated from Estate Agency Division instructions of these complementary services. As a result, in 2012, the Estate Agency Division generated the following through introductions:

- approximately 20% of new residential lettings instructions;
- approximately 89% of the revenue of the Financial Services Division;
- approximately 11% of the revenue of the Surveying Division; and
- approximately 92% of the revenue of the Conveyancing Division.

The Estate Agency Division also operates one of largest land and new homes agencies ("**L&NH**") in the UK, which in 2012 completed the sale of 2,551 new homes, a volume increase of approximately 29% since 2010. The Group has invested in its L&NH team in order to benefit from the opportunity presented by the allocation of over £1 billion by the Government to the New Homes Bonus scheme, under which the Government aims to increase the number of homes by 160,000 by 2015, including 142,000 new build properties and conversions. The new homes agency generates its revenue by charging home builders a commission for finding buyers. Frequently the division operates alongside the home builders, but the Group's marketing team also adds value by finding buyers through the division's branch network. The business-to-business aspects of this division are handled by a team of over 100 dedicated new homes specialists. In 2012, Countrywide's new homes business won the Sunday Times Award for the 'Best New Homes Agency' in the UK, in recognition of its customer-focused service and comprehensive offering.

Through its Corporate Property Services ("**CCPS**") team, the Estate Agency Division provides limited LPA receivership and property management services, and manages residential portfolios for corporate clients and part-exchanged instructions from home builders. The team manages over one in six repossessed properties in the UK (source: *CML, 2012 data*). Should interest rates rise, lender forbearance rules be relaxed, or home price falls be forecast, CCPS would likely see a significant increase in activity. In January 2013, CCPS has benefited from new repossession panel appointments and increased part-exchange instructions from home builders.

In 2012, in addition to winning the 'Best Estate Agency — Large Chain' award for the fourth consecutive year at the ESTAs, the Group won the 'Grand Prix: Best Estate Agent in the UK' award.

The Estate Agency Division is committed to raising the professional standards of its people. Utilising its innovative 'AgencyPro' online distribution system, it has recently achieved City & Guilds Centre Approval to deliver qualifications, with City & Guilds Scheme Approval to deliver the new Level 2 — Technical Award in Residential Sales to its estate agency staff.

6.2 Lettings

The Lettings Division is believed by the Directors to be the largest in the UK by number of dedicated branches, as well as by revenue. It accounted for 18% of the Group's total revenue and 34% of the

Group's total EBITDA before exceptionals in the year ended 31 December 2012. In 2012, the Lettings Division contributed £95.8 million of revenue (or £86.5 million when excluding new branches opened since the beginning of 2010.) and £21.7 million of EBITDA before exceptionals (or £24.4 million when excluding new branches opened since the beginning of 2010). Its contribution to revenue, EBITDA before exceptionals and operating profit has increased significantly since the year ended 31 December 2007, reflecting the implementation of the Group's strategy to increase the Group's market share in a fragmented sector in which it has historically been underdeveloped relative to the size of the Group as a whole. The Lettings Division currently holds a 6-8% share (management estimate) of the UK lettings agency market and let 35,970 properties in 2012. It also manages approximately 42,500 retail properties on an ongoing basis.

The Lettings Division primarily provides lettings and property management services through a network of offices across the UK. Branding in the Lettings Division follows that of the Estate Agency Division but includes some lettings-only brands, such as Accord Lets, Ashton Burkinshaw and Andrew Reeves. The Group has sought to refer landlords purchasing property through the Estate Agency Division to let their properties through the Lettings Division.

The Lettings Division's operational model comprises three elements:

- its branch network, which comprises 370 branches across the UK and employs 1,348 full-time equivalent staff. This network provides the first point of reference for customers and landlords. The Group's letting agents are often incorporated within estate agency branches but form a dedicated, separate team that does not typically cross-over with the Estate Agency Division. This ensures a focus on driving the lettings business;
- its support service, which employs 152 full-time equivalent staff (with an additional 112 full-time staff provided through an outsourcing provider) and provides the customer accounting and legal services (for example, the production of tenancy agreements and provision of references) to the business; and
- the property management team which employs 134 full-time equivalent staff who deal with ongoing issues including maintenance during the term of a tenancy and the handover at the start and end of the tenancy.

The lettings and management business earns fees for a range of services provided to residential property customers. These services include: (i) full management of a property, which includes finding a tenant, concluding a tenancy agreement, collection of initial rent and deposit, ongoing collection of rent and repairs management; (ii) rent collection, which is the same as full management, but excludes ongoing repairs management; and (iii) introduction only, which includes finding a tenant, concluding a tenancy agreement and collection of initial rent and deposit but no further management service until the property is ready to be re-let. The business also offers ancillary services such as insurance brokerage services for both landlords and tenants.

In 2010, the Lettings Division introduced the New Starts programme. The programme is designed to leverage the Group's existing branch network to increase the number of lettings agencies throughout the UK. Under the programme, the Group uses a 'hub and spoke' organisation putting dedicated lettings staff in existing Group estate agency offices (hubs) creating a lettings presence in estate agency offices with dedicated staff (spokes). The New Starts programme has led to the opening of 176 additional lettings offices since July 2010. Starting in 2010, the New Starts programme has been developed in four distinct phases. Phase 1 involved 59 branches opened in 2010. These branches generated £0.4 million of revenue and EBITDA before exceptionals of £1.0 million in 2010. These branches demonstrated the expected level of growth and generated revenue of £4.8 million and EBITDA before exceptionals of £0.6 million in 2012. Phase 1 was followed by three more phases of new branch openings. The New Starts programme continues to demonstrate strong growth in line with original expectations.

The UK lettings market has continued to remain strong through the recent economic downturn and as home sales have slowed, the number of privately rented properties has increased from 1.9 million in 2001 to 3.6 million in 2011. The Lettings Division provides the Group with recurring revenue, with the Lettings Division re-letting 77% of those leases that terminate. The Group has capitalised on this, significantly growing the size of the Lettings Division, which in 2012 contributed more than double the proportion of the Group's revenue compared with 2007.

The currently fragmented lettings market presents Countrywide with significant opportunities. The Directors believe that there remains further scope to expand the business geographically through acquisition and organic growth. The Group has identified, but not engaged in discussions with, a number of possible acquisition targets consisting of predominantly small or medium-sized businesses with one to five branches. The Directors believe its recent acquisition and integration experience positions it well to exploit these opportunities.

The Lettings Division also operates an estate management business across 13 centres in England and Wales employing (as at 31 December 2012) 264 full-time equivalent staff (with an additional 18 full-time staff provided by an outsourcing provider). The business contributed 15% of revenue and 9% of the Lettings Division's EBITDA in 2012 and primarily derives fees from the management of leasehold property where fees are charged on an agreed rate depending on the complexity of the service and the size of the development. Management has strategically exited some of this business in recent periods due to margin pressures. The estate management business activities include a number of smaller operations, for example, the provision of relocation services, mainly to the insurance sector, where emergency relocation due to events such as fire and flood requires fast and efficient relocation services.

6.3 Hamptons International

Hamptons International is a residential estate agency operating in the London market and the Prestige Markets and has 77 branches in the UK. The Group acquired Hamptons International in June 2010 in order to expand its presence in the London market and the Prestige Markets. Through the Hamptons International Division, the Group has strategic overseas operations in Hong Kong and in a limited number of other overseas markets through affiliations with major real estate operators in those countries. The division operates as a stand-alone business within the Group and focuses on growth in the market for properties valued at between £500,000 and £2 million. Hamptons International offers residential estate agency services, lettings services, property development, new homes consultancy services and professional valuations. In 2012, Hamptons revenue reached £72.6 million (or £70.0 million when excluding new branches opened since the beginning of 2010) which resulted in EBITDA before exceptionals of £14 million (or £15.5 million when excluding new branches opened since the beginning of 2010).

The London market and the Prestige Markets, in which Hamptons International participates, tend to recover more quickly from downturns and perform more consistently in difficult markets than other parts of the home sales market. This is due to the large presence of international buyers, a lower reliance on mortgages and a greater turnover of stock in such markets compared with other parts of the estate agency market. The lettings function of Hamptons International utilises its reputation in sales to grow its business. The lettings business has grown significantly in the past few years as more of the housing market's focus has shifted from sales to lettings.

The residential development and investment business of Hamptons International provides consultancy services to developers and investors which identify, source and subsequently develop downstream sales for Hamptons International's estate agency business. The revenue from this part of the division grew from £3.0 million in 2010 to £5.2 million in 2012. The valuation department is also expected to continue growing.

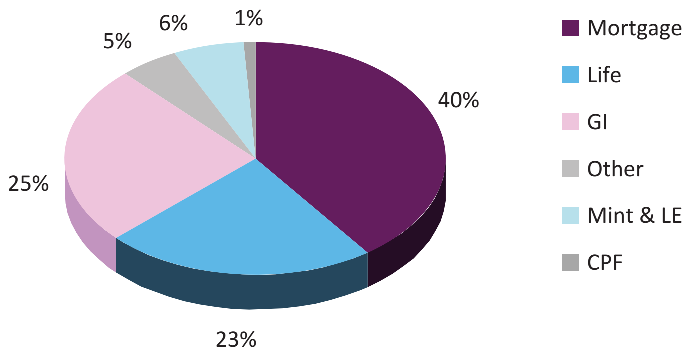
Since its acquisition, the footprint of Hamptons International's branches has expanded by more than 10%, including by the opening of a further seven branches in 2012. Meanwhile the Group has identified synergies with its other divisions and implemented cost savings, for example management estimates that staff overheads have been reduced by £1.9 million.

6.4 Financial Services

The Financial Services Division arranges financial products written by third party providers including mortgages, home and contents insurance and related financial products, particularly life insurance, income protection and critical illness cover. As at 31 December 2012, the division employed over 620 financial consultants operating from selected estate agency branches and a further 400 financial consultants who are contracted by Mortgage Intelligence network, which was acquired by the Group in 2011. As part of the cost savings implemented by the Group, the costs of the Financial Services Division were reduced by 24% between 2007 and 2012.

The Financial Services Division uses the Group's physical outlet footprint as a distribution channel. The Group's financial services products are mainly sold as complementary products following instructions from other parts of the business. Employees in the Estate Agency and Lettings Divisions are trained to offer and facilitate leads from their sectors into the Financial Services Division.

Figure: revenue breakdown in the Financial Services Division for 2012



The largest revenue source of the Financial Services Division is derived from arranging the sale of mortgages, which accounted for 40% of the division's revenue in 2012 following the acquisition of Mortgage Intelligence. The Group then had a c.10% market share of the UK intermediary market. In 2011, the Group arranged 1 in 18 of all mortgages within the UK. The Financial Services Division is integrated with the Estate Agency Division and arranged 33,300 mortgages in 2012 compared to the total of 57,000 homes sold by the Estate Agency Division in 2012. 57% of the mortgages arranged by the Financial Services Division related to home purchases, 25% to remortgages and 18% to Buy-to-Let properties.

Unlike some similar physical distribution channels (such as those within retail banks), the Financial Services Division offers customers a range of mortgage products from multiple providers. As a result, it is unusual in being able to offer mortgage advice through a distribution channel with a wide geographical footprint in the UK.

Countrywide seeks to develop ongoing relationships with its customers in order to obtain revenue from remortgaging and renewals. In 2012, 75% of the Financial Services Division's customers whose initial mortgage terms were due to expire were contacted by the Financial Services Division to review their circumstances.

The Financial Services Division also arranges the sale of life insurance products alongside mortgage products which allow a borrower's beneficiaries to use the proceeds of life policies to pay off outstanding indebtedness. In 2012, the Financial Services Division arranged 31,000 life policies written by Friends Life with whom the Group has an exclusive distribution arrangement running until 2017 (see Part II (*Risk Factors*), "*The Financial Services Division arranges for the sale of products from a limited number of third party product providers*").

The Financial Services Division arranges the sale of general insurance to homeowners to insure against risks to the contents of their property. It sold 32,300 general insurance policies in 2012. These were written by AXA, with whom the Group also has an exclusive distribution arrangement running until the end of 2015 (see Part II (*Risk Factors*), "*The Financial Services Division arranges for the sale of products from a limited number of third party product providers*").

In 2011, the Group acquired Mortgage Intelligence Limited/Mortgage Next Network Limited to add a complementary mortgage network to the Financial Services Division. Mortgage Intelligence provides compliance, IT and other services to mortgage brokers and acts as an intermediary between lenders or insurers and its mortgage brokers. The acquisition provided the Group with access to the intermediary, mortgage and insurance brokerage markets with leads generated independently through Mortgage Intelligence's third party brokers. With over 400 mortgage and insurance brokers (who are contracted by Mortgage Intelligence), the acquisition added significantly higher lender volumes at a relatively low cost. In 2012, the Group acquired the FYB Network to add further scale to Mortgage Intelligence at high profit margins.

In 2011, the Group established Capital Private Finance Limited, a joint venture with Mortgage Advice Bureau, to provide a financial services offering to Countrywide London market and Prestige Market. This business has been growing quickly and has already repaid its seed capital.

Countrywide operates robust risk management procedures. As Countrywide is not responsible for issuing loans or writing insurance itself, it maintains a lower risk profile compared to other operators in the industry. Historically, by virtue of the products it arranges (mortgages) being less exposed to PPI misselling than other financial products (e.g. credit cards), Countrywide has had a relatively low level of exposure to PPI related claims.

6.5 Surveying Services

Through its Surveying Division, the Group provides professional survey services for domestic properties provided to various UK lenders and purchasing customers. Lenders use the valuation reports produced by the Group in connection with their decisions on whether, and to what level, to finance the acquisition of a home, and buyers use the Group's valuation reports as part of their decisions to buy a home. The Group's Surveying Division is one of the leading suppliers of valuation panel management services, and of residential valuations and surveys in the UK. The division has one of the largest surveyor workforces in the UK and has a 32.4% share of the total market inclusive of panel management services for residential property valuations for 2012 (expressed as a percentage of Bank of England mortgage volumes for the same period). Today, with approximately 540 employees, including 317 in-house surveyors, the Surveying Division has coverage across the majority of the UK, with significant surveying and valuation experience.

The division generates revenue by: (i) managing panels of third party valuation firms on behalf of its lender client base, which involves allocation of work, controlling capacity, and monitoring and reporting on risk and performance (approximately 90% of the Group's instructions); and (ii) completing survey and valuation work through its own network of directly employed surveyors and non-directly employed consultant workforce. In addition to lender generated work, referrals are passed to the Surveying Division by other Group divisions, generated through the Propertywide or Countrywide websites, or provided by customers directly. In England, Wales and Northern Ireland, the business generates a small but growing amount of private survey work through the Group's estate agency branch network and online portals 4% of total revenue for the year ended 2012). In Scotland, where the business trades as Harvey Donaldson & Gibson, the estate agency business supplies the majority of referrals for the Scottish Home Report. The Group obtains approximately 10% of its instructions for survey work through direct dealings with customers. The Surveying Division completed approximately 280,000 residential valuations in 2012.

The division is contracted (typically for a three-year term) to provide panel management and valuation services for a broad section of the UK lenders, including a significant proportion of the larger UK residential lenders. The division recently has been successful in winning new valuation contracts including with HSBC, The Co-operative Bank and Tesco Bank, among others. The Group attributes these successes to the quality of the service provided by the business as well as the quality of the management team and the strength of the relationships across the lending industry. The panel management services cover the whole of the UK.

In the provision of mortgage valuation services to lenders, performance is typically measured across a number of key metrics, including turnaround times from instruction to submission of the report. Within the division, all field work is carried out by the surveyors on tablet based technology, which has helped Countrywide surveyors to maintain short turnaround times and improve productivity. In addition, the use of technology forms a key component in the mitigation valuation risk.

As well as quality of service, the Directors believe the volumes of survey work received by the business are influenced in many instances by the broader Group's relationships with UK lenders, in particular the distribution of mortgages through the Financial Services Division.

The Surveying Division has operations in two principal locations: the head office in Milton Keynes and the national operations centre in Castle Donington, near Derby (the "**National Operations Centre**"). The National Operations Centre contains the majority of the administration staff, including surveyor bookings, lender support and the panel management and technical support teams. There are seven support offices in Scotland, where the business operates as Harvey Donaldson & Gibson.

In 2011, the division acquired a 60% stake in United Surveyors, a management company which distributes surveying work to a panel of private surveying firms, thereby giving the Group access to a flexible consultant workforce. The Group has entered into a shareholders agreement pursuant to which it may acquire the remaining 40% by 2014 (see Part XVI (*Additional Information*) paragraph 8, footnote 2 for further information).

The division also has a 58% stake in Countrywide Social Housing Limited, a provider of valuation services to local authorities and housing associations around the UK.

The Surveying Division has undergone extensive restructuring with the closure of 143 non-customer facing offices and the creation, within the last two years, of the Group's National Operations Centre and the consolidation of functions within it. Part of this restructuring has been achieved by rationalising the support function that provides the Group's surveyors with information, processes their reports and organises their workload. This has enabled the Group to increase each surveyor's average number of mortgage valuations per day from 4.1 in 2008 to 5.4 in 2012. The Directors believe that, as well as generating considerable cost savings, the new centralised operational structure allows the Group to closely manage all aspects of the business including the monitoring and controlling of risk, services and productivity levels. The new structure is part of the Group's strategy to enhance the profitability of the division, and provide a sound operational platform for future growth.

The high loan to valuation mortgage lending and corresponding value work carried out by the division during the period 2004 – 2007 has led to a high volume of professional indemnity claims (see Part II (*Risk Factors*) "*The Group is the subject of a number of claims from lenders relating to the misvaluation of property and could be exposed to significant liability as well*" and paragraph 19 (*Litigation and disputes*) of Part XVI (*Additional Information*)). This resulted in significant changes in terms of approach to risk within both the Surveying Division and the Group. Since 2007, the management team within the Surveying Division has been largely replaced and a clear governance structure has been implemented throughout the division to identify, address and mitigate valuation and survey risk. Investment in technology and tactical audits at the point of valuation have been implemented and in 2012 a technology assisted valuation comparison tool was implemented. The valuation comparison tool covers all valuations (with the exception of new builds and other non-applicable AVM instructions) completed by the Surveying Division workforce and allows close monitoring of quality, identifying any concerns relating to valuations. The Group has rationalised the lender base for the division, for example, by ceasing to provide surveying services for 228 higher risk clients (such as bridging finance providers and second charge lenders). While there is considerable emphasis on mitigating claims before they arise, the procedure for when a claim is received has been overhauled with processes now in place that seek to ensure that any potential future loss is avoided or minimised.

6.6 Conveyancing Services

The Group's Conveyancing Division is the largest UK transactional conveyancing business (based on revenues) delivering approximately 27,000 transactions in 2012 through its own in-house legal operations amounting to £4.8 billion in value. There were also a further 33,000 completions through the division's panel management function.

The in-house conveyancing firm, Countrywide Property Lawyers ("**CPL**"), provides transactional conveyancing services to customers who are buying or selling property in the UK. The principal sources of instructions are from the Estate Agency Division and the Financial Services Division. In addition to core conveyancing, the legal teams offer a range of services, including new build conveyancing, repossession conveyancing, higher value personalised conveyancing service and specialist legal services.

Legal work generated through the Estate Agency Division and the Financial Services Division is carried out by the Group's in-house legal conveyancing business and by a select number of external law firms. The allocation of Countrywide generated work, as well as initial and ongoing monitoring of those selected firms, is carried out by the division's panel management business (Title Absolute Limited). Through the use of a panel of third party conveyancing firms, which supplements capacity and provides specialist legal services, the Conveyancing Division is able to maintain high productivity within the Group's in-house conveyancing business. The division outsources less work to the panel of third party conveyancing firms during the seasonally quiet months (which are early in the calendar year) with a view to enhancing profitability.

The Group also provides conveyancing services to lenders, such as Tesco, HSBC and Nationwide Building Society. These services comprise both transactional legal work and, in the case of HSBC and Tesco, panel management services.

In order to mitigate the risk of solicitor-led fraud during a transaction (a key concern for the industry over recent years with reported losses of £1.0 billion per annum), lenders may choose to employ a panel manager to provide them with visibility and control over their conveyancing panels. Panel management services typically involve setting up an agreed panel of third party law firms (which would normally include CPL), managing capacity, undertaking due diligence and compliance checks and providing monitoring controls over the selected conveyancing practitioners on behalf of lender clients. In 2012, the Conveyancing Division secured the largest transaction panel management contract in the UK by volume and completed approximately 30,000 cases for the Group's corporate customers.

A small volume of lender-introduced transactional conveyancing is completed by the Conveyancing Division through the in-house team. The Directors believe that this division is also one of the UK's largest providers of separate legal representation (the provision of legal advice for a lender separately from that provided to a purchaser). Approximately 8% of the Conveyancing Division's revenue is derived from its existing relationship with lenders.

The Directors believe that control of distribution channels and clear access to the market, which are both enhanced by the networks established through the Estate Agency and Financial Services Divisions, Propertywide and through Group lender relationships, are critical to being a successful scale operator in the conveyancing market.

The gross value of transactions completed through the Conveyancing Division's client account was approximately £9.6 billion in 2012. The Directors believe that this is a market-leading volume which offers the Group unique economies of scale.

The operations of the Conveyancing Division are split across two main centres: Manchester and Cardiff. The head office is based in Manchester and contains all of the support functions for the business as well as the panel management operations. The Cardiff centre is predominantly a legal operation with some smaller support functions. The business also has an outsourced operation in Pune, India where administrative legal tasks are performed by a team of 80 people. Managed by WNS, the Directors believe that this offshore operation gives it considerable flexibility and scalability and is seamlessly integrated into the division.

In the year ended 31 December 2012, the Conveyancing Division contributed £26 million of revenue for the Group and £8 million of EBITDA before exceptional items (5% and 13%, respectively, of the Group total), an increase of 13% and 95% since 2007. The division also contributed £7.7 million of operating profit during 2012. Between 2007 and 2012, operating costs of the Conveyancing Division reduced by 6%.

7. Employees

The table below sets out on a full-time equivalent basis the average monthly number of people, including executive directors, employed by the Group in the previous three financial years:

	Year ended 31 December		
Average number of persons employed by business division	**2012 Number**	**2011 Number**	**2010 Number**
Estate Agency	**3,889**	3,877	4,011
Lettings(1)	**1,666**	1,409	1,289
Hamptons International	**783**	713	668
Financial Services	**1,000**	974	1,049
Surveying and valuation	**538**	539	565
Conveyancing	**362**	296	306
Head Office	**217**	217	217
Totals:	**8,105**	**8,025**	**8,105**

(1) The Lettings Division experiences high levels of staff turnover as is common in the industry.

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

8. Information Technology and Intellectual Property

Certain of the Group's IT and operational support functions are outsourced to a third party but remain critical to the Group's business. The outsourcing arrangement was part of a cost reduction and rationalisation plan and included:

- centralised end-user computing, replacing traditional branch based servers, enhancing data security and disaster recovery and reducing the total cost of ownership; and
- a data centre migration programme allowing the Group to reduce the number of servers it relies upon and improve data backup, recovery and disaster recovery capabilities.

Further, the outsourcing to third parties has involved the relocation of some of the Group's back office operations to third party providers based in India (see Part II (*Risk Factors*) "*The Group depends on a number of outsourcing arrangements*" for further information). The Group is reliant in part on the continued performance, accuracy, compliance and security of all of these service providers.

The Group is dependent on the use of certain third party software and data in order to conduct its business, including in pricing of products and estate agency and lettings systems.

The information and processes the Group uses may be protected by patents, copyrights in software or other materials, rights in databases, rights in confidence or other intellectual property rights owned by third parties. The Group seeks to obtain such licences or consents in respect of any intellectual property rights owned by third parties that it may identify as necessary to the business.

The Group has systems in place in order to prevent fraud and to protect its customers. Countrywide is the first company of its kind in the UK residential property sector to achieve the internationally recognised standard for information security management systems (ISO/IEC 27001:2005). This certificate recognises the Group's commitment to effective risk management and robust data security. The certification covers three divisions of the business — surveying, conveyancing and asset management. It ensures that the confidential data of its customers and their lender customers are handled in a secure manner. The ISO/IEC 27001:2005 certification formally brings information management and, in particular, information security, under management control. Certain of the Group's corporate clients audit the Group's information security on a regular basis to monitor the Group's compliance with its contractual information security obligations to those clients.

The Group has a portfolio of approximately 108 registered trademarks in respect of the trading names used by the estate agencies, including Hamptons International, and other businesses within the Group. It routinely monitors the marketplace and has a policy of vigorously enforcing claims against infringers. As of 31 December 2012, the Group had not identified any material infringement of its registered trademarks. The Group has entered into licensing agreements to license the use of the Hamptons International trademark in certain overseas territories.

9. Recent developments and prospects

The Group commenced 2013 with a strong financial performance with results ahead of the Group's internal targets. The financial results for January 2013 were significantly ahead of the results for January 2012. The Group recorded negative EBITDA of £0.8 million in January 2013 compared to negative £2.0 million in January 2012.

The Group's key trends in the areas of house sale transactions and average house prices were in line with the trends in Q4 2012 and in line with management expectations.

In 2013, there have been signs of improvement in the housing market generally. The Halifax House Price Index for February 2013 reported an increase of 1.9% for three months to January 2013 above the previous three months.

10. Environmental issues

The Directors believe that it does not have any material environmental compliance costs or environmental liabilities.

11. Property, plant and equipment

11.1 Property

The vast majority of the estate agency branches occupy leasehold premises many of which are on 10-year terms with a five-year break option. The Group manages its leasehold estate on a geographic and historical basis, reflecting the estates inherited from its predecessor companies. For the year ended 31 December 2012, the total annual rental charge for all leasehold premises was £26.9 million.

11.2 Vehicle, plant and equipment leasing

As of 31 December 2012, the Group leased approximately 4,200 vehicles (primarily cars) for its estate agents, lettings negotiators, financial consultants, surveyors and head office staff at an annual cost, for the year ended 31 December 2012, of £13.6 million. Leases are generally no longer than four years and the Group's total leasing commitment for vehicles, plant and equipment as of 31 December 2012 was £36.5 million.

12. Liquidity and capital resources

Information on the Group's liquidity and capital resources is set out in paragraph 7 (*Liquidity and Capital Resources*) of Part XII (*Operating and Financial Review*).

13. Dividend policy

While in private ownership the Group's priority was to re-invest cash into the business and not to pay any dividends to Shareholders.

As a public company, the Directors intend to adopt a progressive dividend policy, reflecting the cash generative nature of the Group's businesses, the long-term earnings potential of the Group and the Group's ability to make value-accretive investments.

Assuming that there are sufficient distributable reserves available at the time, the Directors initially intend to target a dividend between 25% and 35% of the annual reported Group profits for the financial year after tax but before any amortisation. Subject to cash not being used for organic investment or for potential acquisitions, the Directors intend to return any excess cash to Shareholders over time.

The Directors intend that the Company will pay an interim dividend and a final dividend to be announced at the time of its interim and preliminary results in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend.

It is expected that the first dividend to be paid by the Company will be announced with the interim results for the six months ending 30 June 2013.

The Group may revise its dividend policy from time to time.

14. Working capital statement

The Company is of the opinion that, taking into account the net proceeds of the Offer receivable by the Company and the facilities available to the Group, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the publication of this Prospectus.

15. Investments

15.1 Past principal investments

(A) Investments in 2010

- In March 2010, the Group completed the acquisition of the licence to operate the Sotheby's International Realty brand throughout the UK together with a high-profile branch in Mayfair, London, under a 25-year franchise agreement, pursuant to which the Group paid an initial franchise fee and makes further payments on an ongoing basis in the form of royalty fees and global marketing fund contributions. This franchise agreement may be terminated on the fifth anniversary of the acceptance date. The UK Sotheby's International Realty brand operates in the Prestige Market. A further five branches have been opened since the acquisition. The total consideration paid for this acquisition was $2 million (£1.3 million).

- In June 2010, the Group acquired Hamptons International to expand that brand across key locations. The total consideration paid for this acquisition was £86.7 million including cash balances acquired.

(B) Investments in 2011

- In April 2011, the Group acquired Mortgage Intelligence, one of the UK's largest mortgage distribution channels (based on volume) for a consideration of £2.3 million. Mortgage Intelligence distributes c.£3 billion of mortgages per year and provides services to approximately 2,800 intermediaries under the brands "Mortgage Intelligence" and "Mortgage Next".
- In July 2011, the Group completed the acquisition of Blundells, a Yorkshire-based real estate agency for a consideration of £8.6 million. Blundells has grown to become Sheffield's leading estate and lettings agency, and is responsible for selling one in four of all properties in Sheffield and instructing on more rental properties than any other agent in Sheffield.

The total consideration paid for all acquisitions completed in 2011 was £18.3 million.

(C) Investments in 2012

There were no material individual investments in 2012.

15.2 Current principal investments

Zoopla is a privately held company whose shareholders include A&N Media (a division of the Daily Mail and General Trust), venture capital firms and some angel investors. The Group owns a 5.86% shareholding in Zoopla. The company's management team is led by founder and CEO, Alex Chesterman, and includes Countrywide's CEO, Grenville Turner, as a non-executive director.

The Zoopla Property Group was formed by the merger of Zoopla and The Digital Property Group at the end of May 2012.

Zoopla controls UK market-leading online property portals (Zoopla.co.uk, Findaproperty.com and Primelocation.com), which seek to provide property search facilities and market research by combining hundreds of thousands of property listings with market data, local information and community tools. According to its website, Zoopla.co.uk, which launched in 2008, has since been a fast growing website in the UK, now attracting over 20 million visitors per month and has collected numerous awards, including being named one of the 'Top 10 UK Tech Companies' (*the Guardian*) and one of the 'Top 10 Most Innovative UK Companies' (Smarta).

The Group owns 33% of the ordinary share capital in TM Group (UK) Ltd and has a non-executive position on the board. TM Group (UK) Ltd is one of the largest companies in the provision of searches to the property companies sector (measured by completed searches). It delivers a range of property searches and data to land and property professionals in the UK, arranges for property searches directly with specific suppliers on behalf of its own customers, and has also started to supply IT applications and products to UK mortgage lenders.

15.3 Future principal investments

The Company has not committed to any material future investments at this time.

PART VIII — DIRECTORS AND CORPORATE GOVERNANCE

1. Directors

The current members of the Board are:

Name	Position	Date of Birth
Robert Davies	Chairman	12/10/1948
Grenville Turner	CEO	15/11/1957
Jim Clarke	CFO	11/03/1960
Caleb Kramer	Non-Executive Director	17/06/1969
Sanjay Patel	Non-Executive Director	12/01/1961
Neville Richardson	Non-Executive Director	02/06/1957
Sandra Turner	Non-Executive Director	21/08/1952

The business address of each Director is: Countrywide House, 88-103 Caldecotte Lake Drive, Caldecotte, Milton Keynes, Buckinghamshire MK7 8JT.

Robert Davies was appointed to the Board in March 2013. He was previously a non-executive director, the senior independent director and the chairman of the remuneration committee at Barratt Developments PLC, where he was appointed to the board in May 2004. In July 2012, Mr. Davies was appointed as chairman of Home Group, one of the UK's leading housing associations, and is also currently the chairman of Euroports Holdings, S.á r.l. and a non-executive director of Kelda Holdings Limited. He was previously the chief executive of Arriva plc and the chairman of Biffa plc. In addition he has been a non-executive director of Northern Rock (Asset Management) plc, and of British Energy Group, and the chair of the Board of Governors of Sunderland University.

Grenville Turner has been a director in the Group since 1 August 2006, when he joined Countrywide as an executive director. He became Group CEO on 1 January 2007. Mr. Turner is also a director of Countrywide Estate Agents, a director and the executive chairman of Hamptons International, Chairman of Knightsbridge Student Housing Limited and Bellpenny Limited and a non-executive director of Zoopla. He was formerly chief executive, Intelligent Finance and chief executive, Business to Business at HBOS and previously served as a director of St James's Place Capital Plc, Sainsbury's Bank Plc and Rightmove.co.uk Limited. Mr. Turner qualified as a chartered banker in 1982 and holds an MBA from Cranfield Business School.

Jim Clarke joined the Group in November 2007. He was previously finance director and company secretary of JD Wetherspoon and has previously worked for David Lloyd Leisure (a division of Whitbread plc) and HP Bulmer Holdings plc. Mr. Clarke is a graduate of Stirling University and he qualified as a chartered accountant in 1984.

Caleb Kramer was appointed as a director in the Group in May 2009. He is a Managing Director and Portfolio Manager (Europe) at Oaktree Capital Management (UK) LLP. Prior to joining Oaktree in 2000, Mr. Kramer co-founded Seneca Capital Partners LLC, a private equity investment firm. From 1994 to 1996, Mr. Kramer was employed by Archon Capital Partners, an investment firm. Prior to 1994, Mr. Kramer was an associate in mergers and acquisitions at Dillon Read and Co. Inc. and an analyst at Merrill Lynch and Co. Inc. Mr. Kramer received a B.A. degree in Economics from the University of Virginia.

Sanjay Patel was appointed as a director in the Group in September 2010. Mr Patel joined Apollo Global Management LLC in 2010 as head of International Private Equity. He is also a member of the senior management committee, and is resident in the London office. He was previously a partner at Goldman Sachs & Co. where he was co-head of European and Indian Private Equity for the Principal Investment Area ("**PIA**"). Mr. Patel started his career at Goldman Sachs & Co. in 1983 and spent 17 years in PIA in New York and London. He also served as president of Greenwich Street Capital from 1998 to 2003. Mr. Patel serves on the board of directors of Brit Insurance and Dish TV India. Mr. Patel received an engineering degree, magna cum laude, from Harvard College and received his MBA from Stanford Graduate School of Business.

Neville Richardson was appointed to the Board in February 2013. He is currently a non-executive director and chair of the audit committee of Marks and Spencer Financial Services, a non-executive director of the Seddon Group, one of the UK's major privately owned construction companies, and a board member and chair of finance of the University of Manchester. He was formally chief executive officer of Co-operative Financial Services, a £50 billion mutual financial services firm, between 2009 and 2011 after leading the merger with Britannia Building Society in 2009. Mr. Richardson joined Britannia as a chief financial officer in 1998 from PricewaterhouseCoopers where he was a partner in its audit business for more than nine years, having joined the firm in 1977.

Mr. Richardson was also a non-executive director of Communicate Mutuality Limited and a council member of the Building Societies Association for 8 years.

Sandra Turner was appointed to the Board in March 2013. She is currently a non-executive director of Carpetright plc, McBride plc and Huhtämaki OYJ and previously held a similar role at Northern Foods plc. Mrs Turner has been involved in the retail sector throughout her career and was employed by Tesco PLC, latterly as Commercial Director for Tesco Ireland, from 1987 to 2009. Prior to this, she had previously worked in sales and marketing roles for Unilever and Wilkinson Sword.

2. Corporate governance

The UK Corporate Governance Code published by the Financial Reporting Council in September 2012 (the "**UK Corporate Governance Code**") sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company (excluding the chairman) should comprise 'independent' non-executive directors, being individuals determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgement. It also recommends that a UK company's remuneration and audit and risk committees should comprise at least three independent non-executive directors, and that its nomination committee should comprise a majority of independent directors.

The Board is committed to the highest standards of corporate governance. The Board is comprised of seven members, including the Chairman (who is considered independent at the date of his appointment), two independent Non-Executive Directors, two Executive Directors and two Non-Executive Directors who are not deemed to be independent for the purposes of the UK Corporate Governance Code. The Company regards Robert Davies, Neville Richardson and Sandra Turner as independent Non-Executive Directors, for the purposes of the UK Corporate Governance Code.

As at the date of this Prospectus, the Company does not comply with the recommendations of the UK Corporate Governance Code concerning the number of independent non-executive directors the Company should have. This is because the UK Corporate Governance Code has not applied to the Company previously (further explained in paragraph 14 of Part XVI (*Additional Information*) of this Prospectus). However, the Company continues its search for additional independent non-executive directors and expects to appoint at least two further independent directors and expects to comply with the UK Corporate Governance Code as soon as practicable and in any case by 31 August 2013.

The FSA has published a consultation paper which proposed the introduction of an amendment to the Listing Rules. If the proposals to the Listing Rules were adopted without change the Company may be required to appoint further independent Non-Executive Directors. The Company and Oaktree have indicated that they intend to be supportive of implementing such changes as may be necessary to ensure that the Company complies with any such Listing Rule, if adopted, subject to any transitional arrangements that may be permitted (see Part XVI (*Additional Information*) paragraph 14.4 for more information).

The UK Corporate Governance Code recommends that the board should appoint one of its independent non-executive directors to be the senior independent director (the "**SID**"). The SID should be available to shareholders if they have concerns that the normal channels of Chairman, CEO or other Executive Directors have failed to resolve or for which such channels of communication are inappropriate. The Company's SID is initially Neville Richardson.

3. Audit, Remuneration, Nomination and Disclosure Committees

As envisaged by the UK Corporate Governance Code, the Board has established Audit, Remuneration, Nomination and Disclosure Committees. The Audit and Remuneration Committees are not fully compliant with the UK Corporate Governance Code due to the number of independent Non-Executive Directors on them.

3.1 Audit Committee

The Audit Committee has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group's auditors in that process. It focuses in particular on compliance with accounting policies and ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee will normally meet at least three times a year at the appropriate times in the reporting and audit cycle.

The terms of reference of the Audit Committee cover such issues as membership and the frequency of meetings, as mentioned above, together with requirements of any quorum for and the right to attend meetings. The responsibilities of the Audit Committee covered in the terms of reference are: external audit, internal audit, financial reporting, internal controls and risk management. The terms of reference also set out the authority of the committee to carry out its responsibilities.

The UK Corporate Governance Code recommends that the Audit Committee comprises at least three members who are all independent non-executive directors and includes one member with recent and relevant financial experience. As at the date of the Prospectus, there are only two members of the Board who are independent Non-Executive Directors. The Audit Committee currently comprises two members who are independent Non-Executive Directors: Neville Richardson and Sandra Turner and two Non-Executive Directors who are not deemed to be independent for the purposes of the UK Corporate Governance Code: Caleb Kramer and Sanjay Patel. The committee is chaired by Neville Richardson.

3.2 Remuneration Committee

The Remuneration Committee has responsibility for determination of specific remuneration packages for each of the Executive Directors and certain senior executives of the Group, including pension rights and any compensation payments, and recommending and monitoring the level and structure of remuneration for senior management, and the implementation of share option, or other performance-related schemes. It will meet at least two times a year.

The terms of reference of the Remuneration Committee cover such issues as membership and frequency of meetings, as mentioned above, together with the requirements for quorum and the right to attend meetings. The responsibilities of the Remuneration Committee covered in its terms of reference relate to the following: determining and monitoring policy on and setting levels of remuneration, early termination, performance-related pay, pension arrangements, authorising claims for expenses from the CEO and Chairman, reporting and disclosure, share schemes and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its responsibilities.

The UK Corporate Governance Code recommends that the Remuneration Committee comprises at least three members who are all independent non-executive directors one of whom may be the Chairman (but who may not chair the Remuneration Committee). The Remuneration Committee comprises two members who are independent Non-Executive Directors: Neville Richardson and Sandra Turner, Robert Davies, and two Non-Executive Directors who are not deemed to be independent for the purposes of the UK Corporate Governance Code: Caleb Kramer and Sanjay Patel. The committee is chaired by Caleb Kramer.

3.3 Nomination Committee

The Nomination Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary. The Nomination Committee's terms of reference deal with such things as membership, quorum and reporting responsibilities. It also considers succession planning, taking into account the skills and expertise that will be needed on the Board in the future. The Nomination Committee will meet at least twice a year.

The UK Corporate Governance Code recommends that a majority of the members of the Nomination Committee should be independent non-executive directors. The Nomination Committee comprises two members who are independent Non-Executive Directors: Neville Richardson and Sandra Turner. The committee is chaired by Robert Davies.

3.4 Disclosure Committee

The Disclosure Committee is responsible for, among other things, determining the disclosure treatment of material information, and assisting in the design, implementation and periodic evaluation of disclosure controls and procedures. The Disclosure Committee will meet at such times as shall be necessary or appropriate. The Disclosure Committee shall consist of any two or more directors including at least one executive director.

The terms of reference of the Disclosure Committee cover such issues as membership, quorum and authority. The responsibilities in the terms of reference of the Disclosure Committee relate to the following: identifying insider information, resolving questions about the materiality of information, reviewing announcements dealing with significant developments in the Company's business, and considering the requirements for announcements in case of rumours relating to the Company.

4. Takeover Regulation

The City Code is issued and administered by the Takeover Panel. The Company is subject to the City Code and therefore its Shareholders are entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code when: (i) a person acquires an interest in shares, which (taken together with shares in which he and persons acting in concert with him are interested) carry 30% or more of the voting rights of a company subject to the City Code, or (ii) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30% of the voting rights of a company, but does not hold shares carrying more than 50% of the voting rights of the company subject to the City Code, and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then, in either case, that person, together with the persons acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights.

PART IX — REGULATORY OVERVIEW

The Group's businesses are subject to regulation in the UK. This Part considers the main features of the applicable UK regulatory regimes as they apply to the Group's Estate Agency, Conveyancing, Surveying and Financial Services Divisions.

1. Regulation of estate agency businesses in the UK

Principal legislation

There are three principal pieces of legislation with which the Group's Estate Agency Division is required to comply:

(A) the Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTRs**") (implementing the Unfair Commercial Practices Directive (2005/29/EC)), which apply to each division and prohibit the unfair treatment of consumers through misleading actions, misleading omissions or aggressive sales and/or marketing practices;

(B) Property Misdescriptions Act 1991 ("**PMA**") requires estate agents (using the definition of "estate agency work" in the EAA) not to publish property particulars that are false or misleading; and

(C) Estate Agency Act 1979 ("**EAA**") 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.

The EAA requires persons carrying out "estate agency work", among other things, to provide accurate particulars to buyers. Currently there is an ambiguity (which is acknowledged by the industry and Government) as to whether certain types of private sales portals fall within the scope of the EAA.

The Government carried out a consultation on the EAA and concluded that the EAA should be amended for a number of reasons. For example, during the consultation a number of major property marketing portals stated that they did not allow private sale portals to post details on their websites because of concerns that property details being provided by businesses not complying with the PMA might be inaccurate.

The amendment will, for deregulatory purposes, take "passive" private sale portals, which enable private sellers to advertise their properties and provide a means for sellers and buyers to contact and communicate with one another, out of the scope of the EAA. This will end any ambiguity as to whether passive private sale portals have to comply with the requirements of the EEA.

At the same time, the Government has stated that "private sales portals that offer any personal advice to a seller or a buyer or other ancillary services such as preparing property particulars or photographs or an Energy Performance Certificate" will continue to be within the scope of the EAA.

The Government has recognised that this is a "limited amendment" but hopes that it will stimulate competition and confidence in private intermediaries. The Directors acknowledge that the amendment (if enacted) may facilitate the marketing of transactions by private buyers and sellers. However, the Directors believe that a fundamental characteristic of the estate agency product in the UK is the personal face-to-face service provided by an estate agent. This characteristic is missing from a private sale and the Directors believe that (when considering one of the most significant transactions of their lives) property buyers and sellers will continue to seek the kind of personal, knowledgeable and intermediated service which cannot be provided by private sales websites — and is provided by Countrywide.

The CPUTRs, while providing customers with a similar kind of protection to that afforded by the PMA, are of much wider application than the PMA, as they apply to all businesses that deal with consumers. In contrast, the PMA only covers statements made in the course of an estate agency or property development business. The Government has stated that the property-specific protection provided by the PMA is no longer necessary and that it intends to lay an Order to repeal the PMA before Parliament. The repeal is not expected to come into force before October 2013. The CPUTRs have been in force since 26 May 2008. Generally, they are a more exacting regime than the PMA. Instead of setting out a strict (and therefore limited) list of facts about properties that must be disclosed by agents, the CPUTRs are principles-based and therefore broader. Agents have to consider the principles set out in the CPUTRs (for example, what might be "material information to consumers in good time") and therefore what facts might be relevant for specific customers. Consequently, the repeal of the PMA is unlikely to usher in a more burdensome regime because the legislation which will exist after the repeal of the PMA (the CPUTRs) is already in force. The Directors believe that the sale of property through branches will be largely unaffected. 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, but the Directors believe that passive sites are currently outside the ambit of the PMA anyway. Overall, therefore, the Directors do not believe that this change in the law is likely to affect its business or significantly affect the nature of the competition it faces.

The PMA repeal and the EAA amendment are on separate legislative timetables. The Government has expressed an intention to amend the EAA as soon as the Parliamentary timetable allows. The Government has laid a bill before Parliament to repeal the PMA; it is not expected to become effective until October 2013.

The OFT

The OFT is currently responsible for the operation and enforcement of the EAA. The OFT can take direct action against estate agents who do not comply with the EAA.

2. Regulation of surveying businesses in the UK

Regulation of surveying firms

If a firm offers surveying services to third parties (and 50% or more of its principals are RICS members), it must be registered for regulation with RICS; firms which have less than 50% (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 5) (the "**RICS Rules**").

The RICS Rules are principle-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 requirements. Rule 8 of the RICS Rules requires a firm to preserve the security of clients' 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 2009 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 FSA's Professional Firms sourcebook and also be included on the FSA Register. Although such firms are primarily supervised by RICS, the FSA 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 (the 'Red Book') 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 Individuals.

3. Regulation of conveyancing businesses in the UK

The Legal Services Board is responsible for overseeing legal regulators in the UK. It oversees 10 separate bodies, the 'approved regulators', who themselves regulate approximately 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 Solicitors Regulation Authority ("**SRA**") (the independent regulatory body of the Law Society) and the Council for Licensed Conveyancers ("**CLC**"). The work of both the CLC and the SRA is overseen by the Legal Services Board.

CPL has been regulated by the CLC since 1997 (when CPL was 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 clients. 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.

CLC is also a designated professional body under FSMA. This means that CLC bodies can, provided they are included on the FSA Register, undertake certain incidental general insurance mediation activities without being separately authorised and regulated by a Relevant Financial Services Regulator. Countrywide Property Lawyers Limited is shown on the FSA's Register as an exempt professional firm. The CLC is responsible for supplying details of conveyancing bodies carrying on insurance intermediation activities to the FSA 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 FSA does, however, retain certain powers of oversight including the ability to make directions to the CLC.

4. Regulation of financial services business in the UK

Principal legislation

Countrywide Principal Services Limited, Mortgage Next Network Limited, Mortgage Intelligence Limited, Life & Easy Limited and Hamptons International Mortgages Limited are each FSA authorised firms and are subject to the UK FSMA regime. They are currently supervised for these purposes by the FSA.

Countrywide Estate Agents and Countrywide Residential Lettings are currently registered as appointed representatives of Countrywide Principal Services Limited. Hurst Independent Financial Services Limited and Slater Hogg Mortgages Ltd. are currently registered as appointed representatives of Mortgage Intelligence Ltd.

In addition to FSMA, the Group and its Financial Services Division must comply with provisions, regulations, rules and/or requirements as set down in, or made under, relevant pieces of UK (primary and secondary) and (directly effective) European legislation. For example, the Group and its Financial Services Division are obliged to comply with the terms of the CCA; the Data Protection Act 1998; the Unfair Contract Terms Act 1977; the Unfair Terms in Consumer Contracts Regulations 1999; the Money Laundering Regulations 2007 and, as set out in paragraph 1 of this Part IX (*Regulatory Overview*), the CPUTRs.

Financial Services Act 2012

The FSA is currently the regulator for all persons authorised to undertake FSMA-regulated activities in the UK. The Financial Services Act 2012 will, when implemented, reform the UK's current system of financial regulation. As a result, the FSA will cease to exist in its current form and instead the following three new regulators will be established in its place:

- the Prudential Regulation Authority ("**PRA**");
- the Financial Conduct Authority ("**FCA**"); and
- the Financial Policy Committee.

The Financial Services Act 2012 received Royal Assent on 19 December 2012 and the transfer to the new regulatory structure is expected to occur on 1 April 2013 when the PRA and the FCA assume their respective responsibilities from the FSA. Persons currently authorised and regulated by the FSA will continue to be so regulated until 1 April 2013 when they will become either solely regulated by the FCA or dually regulated by both the PRA and the FCA (referred to in this Prospectus as "**Legal Cutover**"). The Group expects that its Financial Services Division will be solely regulated by the FCA. In recognition of the changes to be made by the Financial Services Act 2012, this Prospectus uses the terms "**Relevant Financial Services Regulator**" and "**Relevant Financial Services Regulator(s)**" to refer, as the context requires, to either one or more of the FSA, the FCA or the PRA.

In addition to effecting the structural reorganisation of the current UK regulatory framework and the reallocation of the FSA's powers, the Financial Services Act 2012 also confers new powers on the FCA. For example, the FCA has new early intervention powers which will enable it to intervene directly in the market and make product intervention rules with the aim of preventing harm to consumers (for example, the FCA could potentially make rules to restrict the promotion of a particular product to only certain types of consumers). These new powers have the potential to subject the Group to a regulatory regime more rigorous and intrusive than that currently supervised by the FSA.

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. Regulated activities include mortgage and insurance mediation activities (for example, dealing as agent, arranging, and advising in relation to a regulated mortgage contract or a contract of insurance (as appropriate) and, also, assisting in the administration and performance of a contract of insurance in the case of insurance mediation (in this Part IX (*Regulatory Overview*) carrying on these regulated activities is referred to as carrying on the business of a "mortgage intermediary" or an "insurance intermediary", as appropriate)).

Firms must at all times meet specified "threshold conditions" set out in FSMA, which relate to matters including the adequacy of the firm's financial and other resources and whether a firm is a fit and proper person to conduct its regulated activities, having regard to all the circumstances (including whether the firm's affairs are conducted soundly and prudently). After Legal Cutover, firms solely regulated by the FCA will need to ensure that they meet, on an ongoing basis, the FCA's threshold conditions.

Requirements for authorised firms in the UK

The FSA Handbook

Authorised persons are obliged to comply with, among other things, the FSA rules as currently set out in the FSA Handbook.

The rules in the FSA Handbook are contained in a number of sourcebooks. The most relevant sourcebooks (and parts thereof) for the Group's subsidiaries undertaking FSMA regulated activities are currently the Senior Management Arrangements, Systems and Controls Sourcebook ("**SYSC**"); the Insurance: (Conduct of Business) Sourcebook ("**ICOBS**"); the Mortgages and Home Finance: Conduct of Business Sourcebook ("**MCOB**"); and the Prudential Sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries ("**MIPRU**").

At Legal Cutover, the FSA Handbook will be split between the PRA and the FCA to form two new rulebooks, one for the PRA and one for the FCA. Most provisions of the FSA Handbook are expected to be incorporated into the PRA's rulebook, the FCA's rulebook, or both, in line with each Relevant Financial Services Regulator's set of responsibilities and objectives.

Following Legal Cutover, the Financial Services Division will principally be concerned with the FCA's suite of rules and guidance. Over time, it is likely that the FCA's suite of rules and guidance will develop its own distinctive character and will be substantially different from the current FSA Handbook.

For present purposes, references to rules and guidance contained within, for example, ICOBS, relate to the FSA Handbook as it stands at the date of this Prospectus. However, after Legal Cutover, such references will relate to successor rules and guidance as contained in the suite of rules and guidance to be issued by the FCA.

Conduct of business rules

The rules in ICOBS and MCOB apply to every authorised firm carrying on relevant regulated activities. These rules regulate the day-to-day conduct of business standards to be observed by authorised firms in carrying on insurance mediation and mortgage mediation respectively.

The scope and 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 clients. Generally speaking, however, the obligations imposed on an authorised firm by the ICOBS and MCOB rules will include the need to provide clients with information about the firm, meet certain standards of disclosure about the product and/or the offer, ensure that promotional materials which it produces are clear, fair and not misleading, assess suitability when advising on certain products, manage conflicts of interest and, where required, report appropriately to its clients.

Prudential standards

It is an ongoing requirement for authorised firms carrying on regulated activities to comply with prudential standards imposed by a Relevant Financial Services Regulator.

Rules relating to the calculation of capital resources by a mortgage intermediary and/or an insurance intermediary are currently 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. These requirements amplify FSA threshold condition 4 and Principle 4 of the FSA's Principles for Businesses which currently oblige firms to maintain, on an ongoing basis, adequate financial resources.

In addition to provisions in MIPRU, firms carrying on the activity of mortgage mediation and/or insurance mediation are required to ensure that, among other things, their employees have suitable skills, knowledge and expertise and that they have in place appropriate compliance, record keeping and audit systems.

Treating Customers Fairly

The Treating Customers Fairly initiative ("**TCF**") was initiated as part of the FSA's principles-based approach to regulation and has its roots in Principle 6 of the FSA's current Principles for Businesses (i.e. that a firm must pay due regard to the interests of its customers and treat them fairly).

The FSA's approach has been generally to refrain from making detailed rules on how to comply with TCF. It has, however, published a number of papers and case studies providing an indication of its expectations of authorised firms in areas such as product development, complaints handling, financial promotions and systems and controls. These are expected to continue to be useful guidance for firms after Legal Cutover.

The Approved Persons regime

An authorised firm is required to obtain FSA approval for any individual who carries on any specific "controlled function", such as, for example, executive or non-executive directors (of a regulated firm or its parent company when that executive or non-executive director exercises significant influence over the affairs of a FSMA authorised and regulated subsidiary) and persons responsible for risk management, internal audit or compliance. These individuals are known as "**Approved Persons**" and must comply with a set of principles which largely mirror the FSA's Principles for Businesses. The Executive Directors are Approved Persons, and it is intended that the Non-Executive Directors will become Approved Persons as they will exercise significant influence over the regulated businesses of the Group. Pending the Non-Executive Directors' approval as Approved Persons, they will not exercise a significant influence in the management and supervision of the Group's regulated businesses.

A Relevant Financial Services Regulator will only approve an individual to undertake a controlled function if that individual is assessed to be a fit and proper person. In particular, the Relevant Financial Services Regulator must be satisfied as to the person's honesty, integrity and reputation, competence and capability for the role that the person is to assume in the firm as well as their financial soundness. If an individual is applying for a "significant influence function" (which are, broadly, controlled functions relating to key management, compliance and operational roles), the FSA's assessment of the applicant may involve an interview.

Change of control regime for authorised firms

The FSMA change of control applies to the Group, its controllers and any potential acquirers. 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 FSA before doing so.

A FSMA-authorised and regulated firm must also notify the FSA when the transaction which results in that increase takes place. Any acquisition of control over the Company would be subject to this regime.

A proposed "controller" for the purposes of the controller regime is 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 a mortgage and/or insurance intermediary (i.e. a "non-directive" firm) is acquired if the acquirer (whether on an individual basis or together with others with whom he is "acting in concert"):

- holds 20% or more of the shares or voting rights in that company or its parent undertaking; or
- 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% threshold do not require FSA consent.

An existing controller of a "non-directive" firm who proposes to reduce his control over a Financial Services Entity or its parent undertakings below the 20% threshold must notify the Relevant Financial Services Regulator.

It should be noted that a similar (but, in certain respects, more onerous) regime applies to firms covered by Directive 2007/44/EC (the Acquisitions Directive) (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.

Money laundering and other financial crime

All FSA-authorised and regulated 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.

The reduction of financial crime is one of the FSA's statutory objectives. Similarly, when the FCA assumes its responsibilities from the FSA at Legal Cutover, one of its statutory objectives will be to protect and enhance the integrity of the UK financial system which includes, among other things, reducing the opportunity for the UK financial system to be used for purposes connected with financial crime.

Supervision and enforcement

FSMA provides for a Relevant Financial Services Regulator to have wide powers to supervise, and intervene in, the affairs of an authorised firm. A Relevant Financial Services Regulator can, for instance, require firms to provide particular information or documents to it, require the production of a report by a "skilled person" appointed by the Relevant Financial Services Regulator or formally investigate a firm. The nature and extent of a Relevant Financial Services Regulator's supervisory relationship with a firm depends on how much of a risk that firm is considered to pose to the Relevant Financial Services Regulator's statutory objectives.

Currently, the FSA has the power to take a range of enforcement actions, including the ability to sanction companies 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 Approved Person's status. The FSA 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 FSA can also currently impose sanctions on any person who is found to have committed market abuse and it has the power to prosecute: (i) criminal offences arising under FSMA; (ii) insider dealing under Part V of the Criminal Justice Act 1993; and (iii) breaches of the UK's money laundering legislation.

Consumer complaints

Mortgage and insurance intermediaries, along with all other FSA 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 by the FSA 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. The levy is calculated separately for each class of financial services with each class divided into sub-classes based on provider or intermediation activities (for example, "general insurance mediation" and "home finance mediation"). For the year 1 April 2012 to 31 March 2013, the Group's regulated entities contributed £0.5 million to the FSCS.

The levy operates on the basis that a sub-class makes contributions, up to a specified threshold, to compensate investors upon the default of a market participant in that sub-class. It should be noted, however, that such contributions are not restricted to failures in the sub-classes to which a particular firm belongs, as there is the possibility that cross-subsidy between sub-classes may be required.

Client monies

The Group holds money on behalf of clients participating in property transactions. This client money is held in accordance with the RICS Rules and the CLC Accounts Code. On 31 December 2012, the Group held client money totalling £158.5 million. Different divisions hold client money for different reasons. For example, the Lettings Division holds deposits made by lessees of properties, whereas the Conveyancing Division holds client money before it is used to purchase properties. This means that the rules governing how client money is held differ across the Group. Generally the regulatory framework that is applicable to the division (see above) determines the rules under which client money is held. While the laws and regulations governing the way in which the Group holds client monies could change (see Part II (*Risk Factors*) "*Some members of the Group hold client monies.*") the Group is not aware that any such change is imminent.

The Group does not recognise client money in its consolidated balance sheet. It deposits client money in interest bearing accounts and recognises the interest component as finance income in its consolidated income statement (see Part XII (*Operating and Financial Review*)).

Future developments

Mortgage Market Review

On 25 October 2012, the FSA published a Policy Statement which (i) summarised the feedback it received in response to a consultation on its proposals for the mortgage market; and (ii) sets out the final FSA Handbook text following the Mortgage Market Review ("**MMR**"). Subject to certain exceptions, the changes are expected to enter into force on 26 April 2014. The MMR is relevant for both lenders and mortgage intermediaries. The MMR will therefore be relevant to the following Group companies undertaking mortgage mediation: Countrywide Principal Services Limited; Mortgage Intelligence Ltd; Mortgage Next Network Limited; and Life and Easy Limited.

Some changes to be introduced as a result of the MMR include:

- the removal of the non-advised sales process;
- treating most interactive sales (for example, face-to-face or telephone) as advised sales;
- obliging each individual seller to hold a relevant mortgage qualification; and
- extending (although at a date yet to be confirmed) the Approved Persons regime to mortgage advisers and arrangers.

Directive on credit agreements relating to residential property

On 31 March 2011, the European Commission published a proposal for a Directive on credit agreements relating to residential immovable property for consumers. The proposed Directive applies to:

- credit agreements secured by a mortgage or comparable security commonly used in a Member State on residential immovable property, or secured by a right relating to residential immovable property;

- credit agreements the purpose of which is to finance the purchase or retention of rights in land or in an existing or proposed residential building; and
- credit agreements the purpose of which is to renovate residential immovable property and which are outside the scope of Directive 2008/48/EC (the Consumer Credit Directive).

The proposed Directive requires (among other things):

- standard information in advertising;
- standard pre-contractual information;
- adequate explanations to the borrower on the proposed credit agreement and any ancillary service;
- calculation of the annual percentage rate of charge in accordance with a prescribed formula;
- assessment of a borrower's creditworthiness;
- a right of the borrower to make early repayment of the credit agreement; and
- credit intermediaries and non-bank lenders to comply with prudential and supervisory requirements as set out in the proposed directive.

The European Parliament has announced a revised indicative date of 21 May 2013 for its first plenary session on the proposal.

Insurance Mediation Directive review

The European Commission adopted a proposal for a revised Insurance Mediation Directive ("**IMD II**") on 3 July 2012. The European Parliament has given an indicative date of 2 July 2013 for its plenary sitting. The European Commission envisages that IMD II will, among other things:

- expand the scope of application of the current IMD to all sellers of insurance products;
- include new measures designed to manage and mitigate conflicts of interest;
- enhance the suitability and objectiveness of advice; and
- ensure that sellers' professional qualifications match the complexity of the products they sell.

Regulation of consumer credit under the Consumer Credit Act 1974 (as amended)

Currently, in the UK, the licensing and regulation of consumer credit is undertaken by the OFT further to powers conferred on it under the Consumer Credit Act 1974 (as amended) (the "**CCA**").

Compliance with the CCA involves, among other things, being appropriately licensed by the OFT and complying with other requirements relating to, for example, the advertisement of consumer credit and the form and content requirements of CCA-regulated agreements. Currently, certain Group companies including Countrywide Estate Agents, Countrywide Principal Services Limited, Hamptons International Mortgages Limited, Mortgage Intelligence Limited, Life and Easy Limited and Mortgage Next Network Limited, are licensed by the OFT under the CCA.

The Government has indicated that it favours transferring responsibility for the regulation of consumer credit from the OFT to the FCA. The Financial Services Act 2012 confers on HM Treasury the power to effect such a transfer of responsibility. The Government expects to make its final decision on whether to transfer responsibility for consumer credit regulation to the FCA during the course of 2013.

If the Government decides to proceed with that transfer then the FCA has indicated that it would expect to assume that responsibility in 2014, with the introduction of an interim regime pending consultation and development of a full regime which the FCA would look to apply from 2016 onwards. How that interim or new regime will affect the Group's CCA-licensed entities is as yet unknown, but it is possible that any FCA-administered consumer credit regime could be more rigorous (and potentially more intrusive) than that overseen by the OFT.

PART X — CAPITALISATION AND INDEBTEDNESS

The tables below set out the Group's capitalisation and indebtedness as at 31 December 2012. The indebtedness figures have been extracted without material adjustment from Countrywide's accounting records underlying the financial information as set out in Part XIII (*Financial Information*). The capitalisation figures have been extracted without material adjustment from Countrywide's financial information for 2012 as set out in Part XIII (*Financial Information*).

Capitalisation and indebtedness[(1)(2)]	As at 31 December 2012
	£'000s
Total current debt	**—**
Non-current debt (excluding current portion of the long-term debt)	
Guaranteed	**—**
Secured[(3)]	**(248,774)**
Unguaranteed/unsecured	**(1,000)**
Total non-current debt	**(249,774)**
Shareholder's equity	
Share capital	**(147,657)**
Share premium account	**(47,279)**
Other reserves	**(45,511)**
Total capitalisation	**(240,447)**

(1) This statement of indebtedness has been prepared under IFRS using policies which are consistent with those used in the preparation of Countrywide's financial information for the year ended 31 December 2012, as set out in Part XIII (*Financial Information*).

(2) The Group's debt is shown net of unamortised issue costs.

(3) The debt is secured by fixed and floating charges over all of the Group's assets.

The following table sets out the Group's net indebtedness as at 31 December 2012[(1)]:

	As at 31 December 2012
	£'000s
Cash[(2)]	**16,044**
Cash equivalent	**30,500**
Liquidity	**46,544**
Current financial debt	**—**
Net current financial indebtedness	**46,544**
Non-current bank loans	**—**
Bonds issued[(3)]	**(248,774)**
Other non-current financial debt	**(1,000)**
Non-current financial indebtedness	**(249,774)**
Net financial indebtedness	**(203,230)**

(1) The Group has no indirect or contingent indebtedness as at 31 December 2012.

(2) Of the cash at bank and in hand, £1,151,000 is held by the insurance cell and not available for use as working capital.

(3) The Group's debt is shown net of unamortised issue costs.

PART XI — SELECTED FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

The table below sets out certain consolidated income statement information relating to the Group for the three years ended 31 December 2010, 2011 and 2012.

	2010	2011	2012
	£'000	£'000	£'000
Revenue	468,041	498,855	**527,355**
Other income	9,881	10,195	**12,493**
	477,922	509,050	**539,848**
Employee benefit costs	(270,464)	(283,047)	**(297,518)**
Depreciation on property, plant and equipment and amortisation on purchased computer software	(9,305)	(9,629)	**(8,647)**
Other operating costs	(157,482)	(171,136)	**(180,794)**
Share of profit from joint venture	359	314	**774**
Group operating profit before exceptional items and amortisation of intangible assets recognised through business combinations	41,030	45,552	**53,663**
Amortisation of intangible assets recognised through business combinations	(13,271)	(9,445)	**(7,709)**
Exceptional income	—	—	**7,867**
Exceptional costs	(18,992)	(16,547)	**(37,060)**
Group operating profit	8,767	19,560	**16,761**
Finance costs	(23,812)	(27,658)	**(28,531)**
Finance income	2,014	793	**999**
Net finance costs	(21,798)	(26,865)	**(27,532)**
Loss before taxation	(13,031)	(7,305)	**(10,771)**
Taxation	4,758	4,664	**7,776**
Loss for the year	(8,273)	(2,641)	**(2,995)**
Attributable to:			
Owners of the parent	(8,273)	(2,842)	**(3,417)**
Non-controlling interests	—	201	**422**
Loss attributable for the year	(8,273)	(2,641)	**(2,995)**
Earnings per share (expressed in pence per share):			
Basic loss per share	-5.02p	-1.79p	**-2.15p**
Diluted loss per share	-5.02p	-1.79p	**-2.15p**
Adjusted earnings per share	9.30p	10.50p	**14.54p**

CONSOLIDATED BALANCE SHEET

The table below sets out certain consolidated income statement information relating to the Group for the three years ended 31 December 2010, 2011 and 2012.

	2010	2011	2012
	£'000	£'000	£'000
Assets			
Non-current assets			
Goodwill	333,668	344,944	**356,517**
Other intangible assets	200,731	198,933	**193,700**
Property, plant and equipment	22,614	22,508	**23,596**
Investments accounted for using the equity method:			
Investments in joint venture	2,672	2,650	**2,676**
Available-for-sale financial assets	303	317	**14,370**
Deferred tax assets	15,766	16,088	**16,458**
Total non-current assets	575,754	585,440	**607,317**
Current assets			
Trade and other receivables	68,691	67,108	**68,178**
Cash and cash equivalents	58,907	60,636	**46,544**
Total current assets	127,598	127,744	**114,722**
Total assets	703,352	713,184	**722,039**
Capital and reserves attributable to the equity shareholders of the parent			
Share capital	147,647	147,654	**147,657**
Share premium	46,243	46,777	**47,279**
Capital redemption reserve	45,533	45,536	**45,540**
Foreign exchange reserve	(30)	(45)	**(29)**
Retained earnings	16,855	3,712	**1,351**
Equity shareholder funds	256,248	243,634	**241,798**
Non-controlling interest	—	238	**501**
Total equity	256,248	243,872	**242,299**
Non-current liabilities			
Financial liabilities – loans and borrowings	248,240	249,513	**249,774**
Defined benefit scheme liabilities	5,506	6,463	**6,612**
Provisions	27,090	20,211	**34,366**
Deferred income	12,342	16,667	**16,040**
Trade and other payables	6,295	13,029	**10,811**
Deferred tax liabilities	53,641	50,489	**43,676**
Total non-current liabilities	353,114	356,372	**361,279**
Current liabilities			
Trade and other payables	72,579	79,849	**80,318**
Deferred income	3,795	9,850	**13,213**
Provisions	16,052	21,908	**24,222**
Current tax liabilities	1,564	1,333	**708**
Total current liabilities	93,990	112,940	**118,461**
Total liabilities	447,104	469,312	**479,740**
Total equity and liabilities	703,352	713,184	**722,039**

CONSOLIDATED CASH FLOW

The table below sets out certain consolidated cash flow information relating to the Group for the three years ended 31 December 2010, 2011 and 2012.

	2010	2011	2012
	£'000	£'000	£'000
Cash flows from operating activities			
Loss before taxation	(13,031)	(7,305)	**(10,771)**
Adjustments for:			
Depreciation	6,517	6,969	**6,328**
Amortisation of intangible assets	16,059	12,105	**10,028**
Impairment	—	—	**133**
(Profit)/loss on disposal of fixed assets	(333)	(12)	**35**
Unrealised gains (exceptional income)	—	—	**(7,867)**
Income from joint venture	(359)	(314)	**(774)**
Finance costs	23,812	27,658	**28,531**
Finance income	(2,014)	(793)	**(999)**
	30,651	38,308	**24,644**
Changes in working capital (excluding effects of acquisitions and disposals of Group undertakings):			
Decrease/(increase) in trade and other receivables	4,451	6,189	**(796)**
(Decrease)/increase in trade and other payables	(10,748)	9,691	**(9,092)**
Increase/(decrease) in provisions	3,123	(3,750)	**16,356**
Cash generated from operations	27,477	50,438	**31,112**
Interest paid	(22,337)	(25,791)	**(25,564)**
Tax paid	(2,918)	(552)	**(972)**
Net cash inflow from operating activities	2,222	24,095	**4,576**
Cash flows from investing activities			
Acquisitions net of cash acquired	(85,718)	(16,328)	**(10,078)**
Purchase of property, plant and equipment	(5,348)	(5,775)	**(8,353)**
Purchase of intangible assets	(2,718)	(1,652)	**(2,177)**
Proceeds from sale of property, plant and equipment	1,895	381	**1,097**
Proceeds from sale of a subsidiary	—	500	**—**
Purchase of financial assets available-for-sale	(303)	—	**(905)**
Dividend received from joint venture	500	336	**748**
Interest received	2,105	886	650
Net cash outflow from investing activities	(89,587)	(21,652)	**(19,018)**
Cash flows from financing activities			
Proceeds from issue of share capital	160	544	**509**
Financing fees paid	(1,920)	(1,258)	**—**
Issue of bonds	75,000	—	**—**
Repayment of overseas loan	(1,070)	—	**—**
Purchase of own shares	(26,015)	—	**—**
Dividends paid	—	—	**(159)**
Net cash inflow/(outflow) from financing activities	46,155	(714)	**350**
Net (decrease)/increase in cash and cash equivalents	(41,210)	1,729	**(14,092)**
Cash and cash equivalents at 1 January	100,117	58,907	**60,636**
Cash and cash equivalents at 31 December	58,907	60,636	**46,544**

PART XII — OPERATING AND FINANCIAL REVIEW

The following discussion of the Group's financial condition and results of operations should be read in conjunction with the historical consolidated financial statements of Countrywide Holdings, Ltd. as of and for the three years ended 31 December 2010, 2011 and 2012 (also referred to herein as the "periods under review"), and related notes, included elsewhere in this Prospectus. The consolidated financial statements are prepared in accordance with IFRS issued by the IASB as adopted for use in the European Union, as set out in Part XIII (Financial Information) of this Prospectus. The Company was formed in December 2012 in connection with the Offer, and for purposes of the following discussion is not included as part of the consolidated Group.

The following discussion contains forward-looking statements that reflect the Group's plans, estimates and beliefs, and involves risks and uncertainties. The Group's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in Part II (Risk Factors) and paragraph 5 relating to forward-looking statements in Part V (Presentation of Information).

References below to "2010", "2011" and "2012" are to the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012, respectively.

The financial information set forth in this operating and financial review has been rounded for ease of presentation. Accordingly, in certain cases, the sum of the numbers in a column in a table may not conform to the total figure given for that column.

1. Overview

The Group is the leading integrated, full service estate agency and property services group in the UK, measured by both revenue and transaction volumes in 2012. The Group offers estate agency and lettings services, together with a range of complementary services.

The Group operates in five complementary businesses: (i) residential property sales; (ii) residential property lettings and property management; (iii) arranging mortgages, insurance and related financial products (provided by third parties) for participants in residential property transactions; (iv) surveying and valuation services for mortgage lenders and prospective home buyers; and (v) residential property conveyancing services. The Group seeks, through the breadth of its product offering, to capture revenue streams at each stage of a typical residential property sale or rental, from listing to completion or letting.

Together, the Group's Estate Agency Division and the Hamptons International estate agency business is the largest residential estate agency in the UK, measured by both revenue and transaction volumes in 2012. They contributed 48% of the Group's total income in 2012. The Directors believe that the Lettings Division is the largest in the UK based on the number of dedicated branches, and revenue in 2012. This division contributed 18% of the Group's total income in 2012. In June 2010, the Group acquired Hamptons International, an international residential estate and lettings agency, to increase the exposure of its estate agency and lettings businesses to the London and South East markets. The Hamptons International Division contributed 13% of the Group's total income in 2012.

Despite difficult market conditions during the periods under review, the Group's total income (revenue plus other income), EBITDA and EBITDA before exceptionals increased 13%, 4% and 23%, respectively, from 2010 to 2012. This increase included the revenue from Hamptons International for all of 2011 and 2012 and the last seven months of 2010. Excluding Hamptons International, the Lettings Division was the most significant contributor to growth in the Group's total income during the periods under review. The growth of the Lettings Division reflected the Group's acquisitions of small lettings branches, the New Starts programme (the Group's initiative to use its existing estate agency branch network to increase the number of its lettings agencies), and an increase in the volume of transactions in the existing lettings branches.

The increase in total income generated by the Lettings Division during the periods under review offset the decrease in the total income generated by the Estate Agency Division, which reflected market volume declines, loss of repossession business and commission rate pressure (primarily due to competition in the UK housing market). Although commission rate pressure also impacted Hamptons International, the value per transaction was maintained through house prices in London and the South East, and this was, and continues to be, the focus of this division. Total income generated by the Surveying Division increased during the periods under review primarily due to volume increases and the recognition of panel pass-through income. Similarly, the increase in total income generated by the Conveyancing Division reflected an increase in volume. Total income generated by the Financial Services Division increased due primarily to the acquisition by the Group of Mortgage Intelligence, one of the UK's largest mortgage distribution channels based on volume, as well as the introduction of upfront mortgage administration fees to customers, which offset some pressure on mortgage fees from lenders.

The Group's operating costs increased 11% from 2010 to 2012. Overall, most costs lines have been impacted by the Group's acquisitions (principally by the Hamptons International acquisition and other acquisitions within the Lettings Division). Employee benefit costs, the largest contributor to the Group's operating costs, increased 10% from 2010 to 2012, reflecting the Group's investment in headcount and increased commissions in growing divisions. The Group reduced headcount in the Estate Agency Division pursuant to its cost saving initiatives (See '*Significant Factors Impacting Results of Operations — Cost-saving initiatives'* below). Other operating costs increased 15% from 2010 to 2012, reflecting the Group's investment in the Surveying and Conveyancing Divisions (driven by increased activity levels in these divisions), initial costs associated with the outsourcing of human resource, finance and accounting and payroll functions, and consolidation and centralisation of the Group's IT operations (See '*Significant Factors Impacting Results of Operations — Cost-saving initiatives'* below). In addition to developments in these cost items, exceptional costs have also affected the Group's loss for the year in each of 2010, 2011 and 2012.

The following table sets out the Group's total income, loss for the year, EBITDA and EBITDA before exceptionals during the periods under review.

	2010	2011	2012
		(£ in millions)	
Total income(1)	477.9	509.1	539.8
Loss for the year	(8.3)	(2.6)	(3.0)
EBITDA(2)	32.5	39.9	33.8
EBITDA before exceptionals(2)	51.5	56.4	63.0

(1) Comprises revenue and other income, which consists of rents receivable and other operating income.

(2) The Group defines EBITDA as consolidated (loss)/profit for the year before finance income, share of profit post-tax from joint venture, depreciation and amortisation, management fee, finance costs and taxation. The Group defines EBITDA before exceptionals as EBITDA before (i) exceptional costs (including costs related to redundancies, property provisions, insurance claims and litigation, acquisition expenses, impairment of assets and other restructuring costs) and (ii) exceptional income (reflecting the decrease in value of assets subject to put options held by the Group, namely interests in Capital Private Finance Limited and United Surveyors, as well as to deferred income recognised in connection with the conversion of the warrants held by the Group into ordinary shares in Zoopla Property Group Limited each in 2012), both shown as "exceptional items" on the Group's consolidated income statement. See "*Key Income Statement Items — Exceptional Items*" below.

EBITDA and EBITDA before exceptionals are included in this Prospectus as supplemental disclosures because the Group believes that these measures, when considered in connection with cash flows from operating, investing and financing activities, provide useful comparative information to an investor and help investors evaluate the performance of the underlying business as they remove the impact of differences in (i) capital structure, including the effects of finance costs; (ii) tax rates; (iii) differences in depreciation and amortisation charges; and (iv) exceptional items, among other things. In addition, other companies in the Group's industry typically publish similarly titled data. In addition, EBITDA is used by the Group for incentive compensation purposes at the Group's senior management level.

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

The following table provides a reconciliation of EBITDA and EBITDA before exceptionals to loss for the year for the periods under review.

	2010	2011	2012
	(£ in millions)		
Loss for the year	(8.3)	(2.6)	(3.0)
Finance income	(2.0)	(0.8)	(1.0)
Share of profit post-tax from joint venture	(0.4)	(0.3)	(0.8)
Depreciation and amortisation	22.6	19.1	16.4
Management fee(1)	1.5	1.5	1.5
Finance costs	23.8	27.7	28.5
Taxation	(4.8)	(4.7)	(7.8)
EBITDA	32.5	39.9	33.8
Exceptional income(2)	–	–	7.9
Exceptional costs(2)	19.0	16.5	37.1
Exceptional items (*net*)	19.0	16.5	29.2
EBITDA before exceptionals	51.5	56.4	63.0

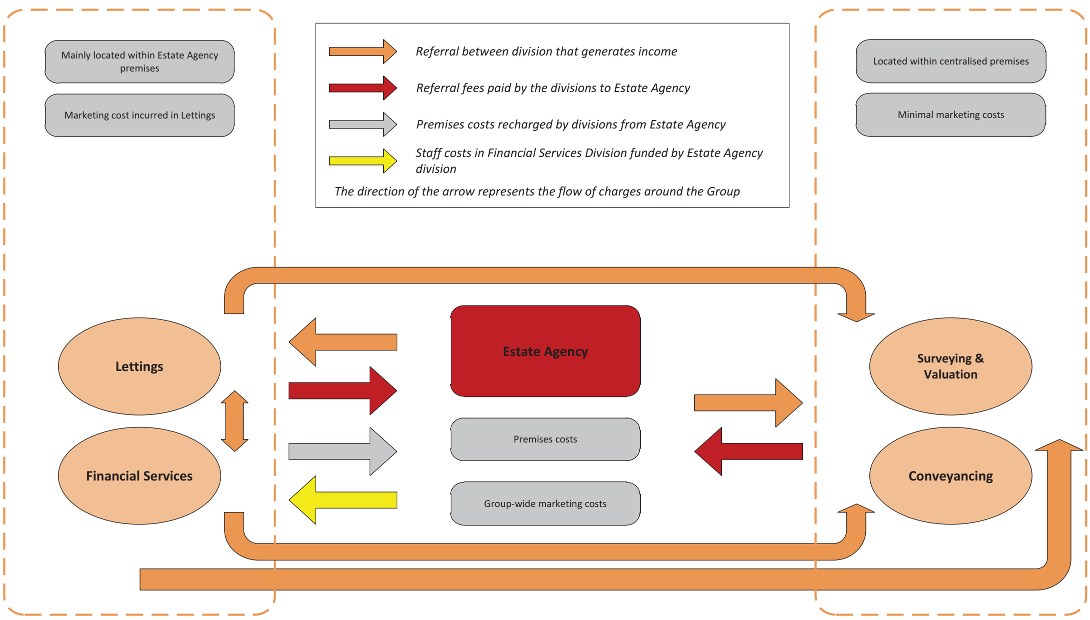
(1) Represents fees paid by the Group to two of its shareholders. See "Related Party Transactions". Upon Admission, these fees will no longer be payable.
(2) A breakdown of exceptional income and exceptional costs is included on page 103.

2. Segments

The Group has five principal operating segments: (i) estate agency; (ii) lettings; (iii) financial services; (iv) surveying and (v) conveyancing. In June 2010, the Group acquired Hamptons International. Although Hamptons International has both estate agency and lettings operations, management treats it as a separate, sixth, principal operating segment. In the future, management may choose to combine Hamptons International into one or more other segments, but no such decision has been made. The Group reports activities related to the senior management team and some central head office functions, including online marketing and corporate business development, separately under 'Other Segments'.

A key goal of the Group's transformation over the past few years has been to create an integrated, full service estate agency and property services group in the UK. The Group's Estate Agency Division and the Hamptons International Division are used as distribution channels for its complementary services, which include arranging the sale of mortgages, insurance and other financial products; surveying and valuation; and conveyancing. Segment results reflect introduction fees, premises recharges and other cost allocations that are eliminated on consolidation.

The chart below illustrates how the Group generates revenue through inter-divisional leads and referrals.



The following table sets out total income, EBITDA before exceptionals and operating profit of each of the Group's principal segments during the periods under review.

	2010	2011	2012
	(£ in millions)		
Estate Agency Division			
Total income(1)	232.2	215.4	214.3
EBITDA before exceptionals(2)	19.7	13.2	12.8
Operating profit	15.0	6.8	4.4
Lettings Division			
Total income(1)	73.6	81.3	95.8
EBITDA before exceptionals(2)	14.3	15.3	21.7
Operating profit	10.3	10.9	16.3
Hamptons International Division			
Total income(1)	40.0(3)	66.1	72.6
EBITDA before exceptionals(2)	9.5(3)	14.3	14.0
Operating profit	1.7(3)	11.9	12.2
Financial Services Division			
Total income(1)	57.2	62.1	64.7
EBITDA before exceptionals(2)	5.7	9.4	9.8
Operating profit	(0.3)	2.3	3.7
Surveying Division			
Total income (net of panel costs)(1)(4)	45.8	48.2	50.3
EBITDA before exceptionals(2)	7.4	8.6	10.2
Operating profit	(4.8)	(4.9)	(8.8)
Conveyancing Division			
Total income(1)	21.6	22.8	26.0
EBITDA before exceptionals(2)	8.5	7.7	8.0
Operating profit	7.9	7.4	7.7

(1) Total income means "total income from external customers" for purposes of segment reporting, which excludes inter-segment Group income (reflecting introduction fees paid by the Conveyancing Division to the Estate Agency and Lettings Divisions, which are eliminated on consolidation). See note 4 of section B of Part XIII (*Financial Information*).

(2) See '*Results of Operations — 2012 compared to 2011 — Group Results — EBITDA before exceptionals*' and '*Results of Operations — 2011 compared with 2010 — Group Results — EBITDA before exceptionals for calculations*' of EBITDA before exceptionals.

(3) Reflects only the portion of the results recognised in the Group's 2010 income statement following the acquisition in June 2010.

(4) Total income is net of panel survey fees of £15.1 million in 2012, £12.2 million in 2011 and £6.8 million in 2010. Panel fee income and payments vary based on the volume of panel surveys arranged.

3. Significant Factors Impacting Results of Operations

UK housing market

The Group operates in the UK residential estate agency industry and derives most of its revenue from serving the needs of sellers and buyers of existing homes. The Group's business therefore is dependent on the state of the housing market in the UK, which in turn is linked to the health of the UK economy. Market conditions are the principal driver of the Group's Estate Agency Division's commissions. While changes in house prices and commissions affect total income and profitability, these factors are not as significant as changes in market volumes, since they reduce the level of income from a given sale, while lost volumes give rise to both lost sales and lost referral income by the Financial Services, Surveying and Conveyancing Divisions. See Part II (*Risk Factors*) "*The Group is dependent on the UK's residential property market and macroeconomic conditions in the UK*".

The Group mainly generates revenue through fees and commission on house sales and lettings. The Directors believe that even modest increases in the volume and prices of house sales can have positive profit implications and that, as a result of sustained investments over the past few years, it is well positioned to take advantage of market uplifts if and when they occur. While the market conditions that tend to drive home sales have recently been lacklustre and have adversely affected the Estate Agency Division and complementary services, these market conditions have contributed to significantly favourable results for the Lettings Division during the periods under review. The Directors believe that these market conditions have had a more fundamental impact on the market such that the level of lettings is not expected to fall if and when the home sale market recovers (for example, as a greater proportion of potential first-time owners rent rather than buy).

Fundamentally, the UK housing market is driven by the forces of supply and demand. Demand for housing is influenced by demographics (population size, growth and composition of a housing unit), income levels, employment levels, pricing of housing, cost and availability of mortgage financing, consumer preferences (including a pervasive cultural tendency in the UK towards property ownership) and confidence in the market. Supply of housing is influenced by the availability and cost of land (and any land use restrictions), financing, labour and various other inputs.

Much of the UK housing market has been in a significant and prolonged downturn since 2007 (the exception being the markets in and around London). The housing market has been challenging in large part due to reduction in the availability of mortgage financing, the reluctance of households to incur debt to finance housing transactions and anticipation of further decreases in housing prices. The cost and availability of mortgage financing generally can be expected to be influenced, among other things, by interest rates. See Part II (*Risk Factors*) "*Significant increases in interest rates generally decrease the number of home sales*".

Lower interest rates generally have a beneficial impact on the housing market because they enable more consumers to be able to service a mortgage. During the periods under review, interest rates generally remained low. However, the impact of favourable interest rates was more than offset by conservative mortgage underwriting standards on the part of mortgage providers, more extensive documentation requirements, stricter scrutiny of mortgagees' income levels and capacity to repay, increased deposit requirements, maximum limits on LTV ratios, and higher cost of mortgages, all of which made obtaining mortgages more difficult. The recent financial crisis, and its ongoing repercussions, have also contributed to the reduction in the availability of credit, as banks have experienced higher costs of capital and are preparing for regulatory developments requiring them to maintain increased capital ratios. In addition, mortgage lending suffered as a result of flat or decreasing housing prices. First-time home buyers have found it particularly challenging to obtain mortgages, and this has had a knock-on effect throughout the UK housing market.

In 2012, the extended celebrations for the Queen's Diamond Jubilee and the London Olympics, as expected, also dampened demand, particularly in the Group's London market and Prestige Market, for both residential housing sales and lettings, with consequential impacts on the Group's surveying, conveyancing and financial services operations. External factors, such as the imposition of stamp duties, have affected, and any future imposition of wealth or similar taxes on real estate could affect, the housing market, for example, by accelerating or delaying sales of homes. See Part II (*Risk Factors*) "*Changes in Government policy, law and regulation may decrease the number of residential property transactions and may increase the cost of providing services related to such transactions*".

Frequently used indicators of the state of the UK housing market are the number of house sales registered with the Land Registry for England and Wales and the Registers of Scotland, and the volume of mortgages issued as published by the Bank of England. In 2010 and 2011, housing transactions were at around 50% of the previous 10-year average. The volume of mortgages issued fell by 3.7% in 2010, increased by 3.2% in 2011 and increased by 2.8% in 2012, in each case relative to the prior year. According to Halifax House Price Index, average house prices declined 1.6% year-on-year in 2010, 1.3% year-on-year in 2011 and 0.3% year-on-year in 2012. The volume of mortgages issued and average house prices in the last three years should be considered in the context of the peak reached in 2007. The volume of mortgage approvals at the peak in August 2007 was 57% higher than that in 2012 and the average house price at the peak in 2007 was 18% higher than the average house price in December 2012. On the other hand, as house sales slowed, lettings have benefited. See Part VII (*Information on the Company and the Group*) "*Industry overview*".

The Group also generates fees through its corporate property services activities in connection with repossessions undertaken on behalf of lenders, and those fees tend to track the level of repossessions in the market. The volume of repossessions in the UK housing market decreased from 48,300 in 2009 to 33,900 in 2012, with decreases of 23% in 2010, 3% in 2011 and 10% in 2012, in each case compared with the prior year (source: CML). The Directors believe the market for management of repossessed homes may continue to shrink in the short term. The Group has also invested in its L&NH team in order to benefit from what they believe is an expanding new market opportunity presented by the allocation of over £1 billion by the Government to the New Homes Bonus scheme, under which the Government aims to increase the number of homes by 160,000 by 2015, including 142,000 new build properties and conversions.

Whilst some market commentators, for example the independent report entitled 'A New Normal in the Housing Market' commissioned by Legal and General's Mortgage Club and the Centre for Economics and Business Research, have asserted that the UK housing market has hit its trough, there remains significant uncertainty as to prospects for the housing market in particular and the UK economy in general. In particular, the ongoing Eurozone crisis, public sector spending cuts and levels of unemployment continue to impact consumer confidence and, therefore, demand for house purchases. The UK economy shrank in the fourth quarter of 2012 and may be facing the possibility of a triple dip recession if growth remains negative in the first quarter of 2013. These factors, together with the reduction in the availability of mortgage financing, will continue to adversely impact demand. Pending improvements in the estate agency market, the Group is focused on growing its market share in the new homes market over the next few years. If and when market conditions turn favourable, there can be a delay of approximately four months for the recovery to be reflected in the Group's results, given the time it typically takes to move from listing to completion of house sales.

Acquisitions and other strategic initiatives

The Group has grown through acquisitions.

In 2010, the Group completed the following two principal acquisitions:

- Hamptons International and rights to expand across key locations including UK, Continental Europe and Asia. The total consideration paid was £86.7 million and goodwill recognised was £25.9 million. Hamptons International contributed 13% of the Group's total income and 22% of EBITDA before exceptionals in 2012 (2011: 13% of total income and 25% of EBITDA before exceptionals); and
- the licence to operate the UK Sotheby's International Realty brand throughout the UK together with a branch in Mayfair, London, under a 25-year franchise agreement. The total consideration paid for this acquisition was £1.27 million. In addition to the initial franchise fee, the Group makes payments on an ongoing basis in the form of royalty fees and global marketing fund contributions.

The Group sought with these acquisitions to expand its estate agency capability in the London and South East markets, and the Prestige Market.

The Group also acquired several small lettings businesses in 2010 for a total consideration of £3.6 million. With these acquisitions, the Group sought to expand its geographical footprint in previously under-exposed areas.

In 2011, the Group completed the following two principal acquisitions:

- Mortgage Intelligence, one of the UK's largest mortgage distribution channels (based on volume), which distributes over £3 billion of mortgages per year and provides services to approximately 2,800 intermediaries under the brands "Mortgage Intelligence" and "Mortgage Next". With this acquisition, the Group sought to reduce its reliance on leads from the Estate Agency Division; and
- Blundells, a Yorkshire-based real estate agency, which is Sheffield's leading estate and lettings agency (based on volume).

The total consideration paid for the two acquisitions in 2011 was £10.9 million and goodwill recognised was £6.0 million. With respect to the Blundells acquisition, the Group is required to pay deferred consideration up until June 2014 depending on the performance of the business; any such consideration will be treated in the Group's consolidated income statement as employee benefits costs paid to the former shareholders of Blundells who remain in senior management positions.

In 2011, the Group also acquired several small lettings businesses and 60% of the voting share capital of United Surveyors Limited, a company that manages a panel of surveying and valuation firms. The remaining 40% is due to be acquired in 2013 as part of an earn-out arrangement. The total consideration for these acquisitions was £7.4 million and goodwill recognised was £5.2 million. In 2011, the Group also established Capital Private Finance Limited, a financial advisory company, of which it owns 51%.

In 2012, the Group acquired 13 small lettings businesses. The total consideration paid for these acquisitions in 2012 was £10.7 million, and goodwill recognised was £9.4 million. The deferred consideration for these acquisitions is payable once certain warranties have been complied with. The

Group also acquired Life and Easy Ltd., a network of advisers operating in the mortgage and insurance markets, for an initial consideration of £1.6 million. The deferred consideration for this acquisition is additional consideration payable upon achieving agreed revenue targets.

As part of the Group's growth strategy, commencing in 2010, the Group has undertaken an initiative (known as its New Starts programme) designed to use the Group's existing estate agency branch network to increase the number of its lettings agencies throughout the UK. Under this programme, the Group puts dedicated 'lettings staff' into existing Group estate agency offices. The New Starts programme has led to the addition of 176 lettings offices to existing Group estate agency branch outlets across the UK since 2010.

Lettings branches established under the New Starts programme take a period of time to make positive contributions to the Group's profitability (generally this will happen after three years). The initial phase of openings, which started in 2010, impacted profitability in 2012. The Directors believe that the New Starts programme, which was implemented during a housing market downturn, will enhance its ability to drive returns and benefit from a market upturn.

The Group expects to make further acquisitions, in particular in its Lettings Division. It has allotted £20 million of cash on hand to fund such acquisitions in 2013. Acquisitions are subject to risks. See Part II (*Risk Factors*) "*The Group is exposed to the risks of business expansion*".

Cost structure

The Group's principal costs include rental costs for premises, fleet leasing costs and, especially, staff costs. The Group views the salaries and wages component of staff costs, a portion of marketing costs for example, internet portal fees and IT, 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 principally staff costs relating to commissions, bonuses, profit shares and contractor costs, as well as costs relating to rates and utilities, certain marketing costs (newspaper and other advertising, postage, mailing and signboards) 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's cost base is, for the most part, fixed. The Group estimates that in 2012, 72% of its costs were fixed (2011: 72%; 2010: 73%). The Group believes its fixed costs have decreased modestly as a proportion of total income during the periods under review, primarily due to the costs savings initiatives described below (see "*Cost saving initiatives*"). The Group estimates that in 2012, fixed costs represented 63% of its total income (2011: 64%; 2010: 65%).

The Directors believe that the Group's scale positions it well to identify trends and that, once such trends are identified, its cost structure provides the financial flexibility that the cyclical residential property market demands. Because variable costs tend to fluctuate with business volumes, the Group is well positioned to react quickly by decreasing such costs when it forecasts a potential downturn in business volumes or increasing such costs as the market improves. In addition, the Directors believe its cost base (which is, for the most part, fixed) would allow it to benefit from any increase in volumes of housing transactions resulting from a market upturn by increasing its EBITDA before exceptionals and improving its loss/profit for the year.

Further, due to the high turnover of the Group's estate agents, 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. However, the flexibility of the cost base is limited to normal fluctuations in the housing market; in the case of a severe downturn, the fixed cost base cannot be reduced as quickly without affecting the Group's ability to recover during an upturn in the residential market. In addition, as a result of the Group's cost base, which is, for the most part, fixed, any further decline in volumes of housing transactions would likely have an adverse impact on the Group's EBITDA before exceptionals and loss/profit for the year. In the case of a significant market upturn, the Group will need to increase its headcount to be able to compete for market share.

Cost saving initiatives

Against the backdrop of a reduction in market volumes and uncertainty on the timing of any significant recovery in the UK housing market, management has focused on implementing cost saving initiatives across the Group's segments during the periods under review.

Adopting the policy of "Fewer: Better" initiatives, the Group reduced operating costs of £564 million in 2006 to £396 million in 2012 (excluding the impact of significant acquisitions) or £363 million, representing a 36% reduction for that period, after deducting £33 million of the 2012 costs which the Directors believe to be expansion/acquisition costs. These initiatives included:

- simplification of management structure by removing layers of management;
- focusing on core brands;
- closure of underperforming and vacant branches;
- centralisation of operations through the creation of a National Administration Centre for the Estate Agency and Lettings Divisions;
- restructuring of the Surveying and Conveyancing Divisions by, among other things, consolidating all of the Group's surveyors' local offices into a National Operations Centre;
- divisional reduction in headcount;
- consolidation of Group administration, finance and premises;
- outsourcing of human resource and payroll functions and recognition of cost savings in procurement;
- consolidation, centralisation and upgrade of the Group's IT operations and infrastructure (including entering into, in July 2012, a seven-year outsourcing arrangement with CGI); and
- moving away from printed marketing in favour of online advertising.

The Group reports costs incurred in connection with its cost saving initiatives within "exceptional costs." The following table sets out such costs during the periods under review:

	2010	2011	2012
		(audited) *(£ in millions)*	
Redundancies	3.1	4.6	3.1
Property provisions[1]	1.2	2.2	2.9
Total	**4.3**	**6.8**	**6.0**

(1) Where the Group vacates a leased property prior to the expiration of the lease, a provision is established to reflect the expected lease payments that the Group will incur prior to the assignment or sublease of the property.

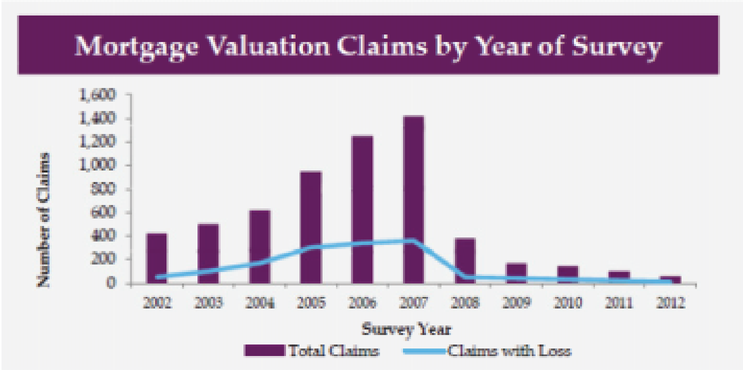
While, in the short term, costs associated with the Group's cost saving initiatives have affected and are likely to continue to affect profitability, the Directors believe that the cost saving initiatives ultimately will enhance its ability to benefit from any future market upturn.

Professional indemnity claims

Through its Surveying Division, the Group acts as a valuer and conducts valuations of properties and issues mortgage valuation reports and home buyer reports. Lenders use the Group's valuation reports in connection with their decision on whether, and to what extent, to finance the acquisition of a home, and buyers use the Group's valuation reports as part of their decisions to buy the home. Valuers are often a target of lenders and buyers looking to recover losses following a downturn in the property market.

The Group has experienced a significantly increased level of claims for surveys carried out between 2004 and 2007. This period was characterised by high volumes of residential property transactions, high residential property prices and a competitive mortgage lending environment. The LTV ratios were higher, a larger proportion of loans were self-certified, the lending criteria were relaxed and a larger proportion of lending was sub-prime (meaning mortgages issued to higher-risk borrowers at higher interest rates). These conditions generally have not been replicated since 2007. 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 during the 2004-2007 peak. As of 31 December 2012, approximately 0.26% of valuations carried out between 2004 and 2007 have resulted in a claim against the Group, of which claims 29% resulted in a loss, with an average loss to the Group for each such loss-resulting claim of £31,000.

The following table sets forth the number of mortgage valuation claims and claims resulting in loss based on the year of the survey conducted by the Group.



The limitation period for contractual claims in respect of valuations is six years from the time of the valuation. Accordingly, the limitation period for contractual claims in respect of valuations made by the Group in or before 2007 should generally be time barred in 2013. The Group expects the number of contractual claims made in respect of such valuations to continue before the limitation period ends. The expiration of the limitation period on contractual claims will, however, not impact other types of claims that can be made in relation to valuations, including claims for negligence or recklessness under tort law (See Part II (*Risk Factors*) '*The Group is the subject of a number of claims from lenders relating to the misvaluation of property and could be exposed to significant liability as a result*').

The Group recognised a charge of £11.9 million for exceptional losses in respect of professional indemnity claims at the end of 2010 and further data and trends resulted in an additional exceptional charge of £9.4 million in 2011 for these claims. During the latter part of 2012, the Group experienced substantially worsening trends in professional indemnity claims received and losses recognised on the insurance bordereau. As a result, the Group recognised a further exceptional charge of £25.2 million in 2012. As discussed in note 3 ('*Critical Accounting Judgements and Estimates*') of section B of Part XIII (*Financial Information*), the Directors based their assessment of the provision on a number of factors, including legal and professional advice, historical trends of claims received and losses incurred. During 2012, the rate of claims received and the average loss increased due to the settlement of more challenging disputes. In establishing the level of provisions made, the Group took into account that the claims received in 2012 were primarily from prime lenders, who had not previously reported losses. Moreover, as the expiry of the six-year limitation period approached for surveys carried out in 2006 and 2007, the level of claims increased as lenders sought to protect their legal position. The Group considered the experience changes in its predictive models, took account of potential worsening of positions in certain legal cases and, in 2012, in light of these developments, booked additional provisions of £25.2 million.

Of the £25.2 million charge recognised in 2012, £9.9 million relates to claims received, and £15.3 million relates to claims incurred but not yet received ("**IBNR**") and current claims not assessed by legal advisers due to lack of information available to the Group (claims incurred but not enough reported or "**IBNER**"). The provision provided for IBNR is estimated based on a future projection of historical data for all claims received based on the number of surveys undertaken to date and management's best estimate of future likely trends. It takes into account claim rate, claim liability rate and average loss per claim, and involves the exercise of considerable judgement. When making this provision, the Group has taken legal and professional advice in respect of the claims received. The Directors believe that the circumstances giving rise to these claims during 2004 and 2007 were unusual and that trends from 2008 onwards confirm management's view that these losses should not continue at these unusually high levels.

The Group has professional indemnity insurance protection for misvaluation claims; however, there are substantial excesses (pursuant to which the Group bears a substantial first portion of the loss on each claim) and maximum caps for a single claim and in the aggregate under the relevant insurance policies. Although it has now been resolved to the satisfaction of both parties, there was one occasion when an insurer questioned coverage. As a result of the settlement, the Group now self-insures entirely for claims notified in the insurance year 2008-2009.

The level of the provision for professional indemnity claims recorded in 2011 reflects a credit of £2.6 million from the release of a provision made to cover expected claims in relation to suspected pension mis-selling by entities that were formerly part of the Group, based on amounts agreed with the administrators and/or actuaries of the businesses disposed of.

The Group recognises expenses in relation to the professional indemnity claims under the "Exceptional costs" line item in the consolidated income statement.

See Part II (*Risk Factors*) "*The Group is the subject of number of claims from lenders relating to the misvaluation of property and could be exposed to significant liability as a result*", "Critical Accounting Judgments and Estimates" and note 3 of section B of Part XIII (*Financial Information*) and paragraph 17 "*Litigation and disputes*" of Part XVI (*Additional Information*).

The cost of external insurance for professional indemnity claims has increased as the scale of claims for the 2004-2007 period has become clearer.

Seasonality

Although the UK housing market is seasonal, with peaks in the summer months, the Group usually earns fairly consistent revenues throughout the year. However, the Group's EBITDA and EBITDA before exceptionals 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 are typically higher and therefore there is a higher marginal contribution over such fixed costs.

The following table sets forth half-year breakdowns of unaudited total income and unaudited EBITDA before exceptionals for the periods under review.

	Total income	EBITDA before exceptionals
	%	%
First Half 2010	46	35
Second Half 2010	54	65
First Half 2011	46	30
Second Half 2011	54	70
First Half 2012	48	31
Second Half 2012	52	69

4. Key Income Statement Items

Revenue

The Group derives revenue for services rendered from commissions and fees.

- **Estate Agency**. The Estate Agency Division generates commissions on sales of residential property (from sellers of residential property and from new house builders). The division also generates commissions from auction sales. The Group recognises these commissions as revenue on the exchange of contracts for such sales. Revenue from property transactions is determined by the interplay between house prices and commission rates. The level of commissions typically is directly affected by the house prices and, especially, the volume of house sale transactions.

  As is common in the UK, the Estate Agency Division typically earns commission on sales of residential property on a 'no sale–no fee' basis. However, since the abolition of "Home Information Packs" in 2010, the division has upgraded its marketing service and, since 2010, charges a non-refundable upfront fee, where appropriate, to customers who wish to purchase 'enhanced marketing packages'. The enhanced marketing packages provide prospective home buyers with additional detailed information on the property they are interested in and give the Group the opportunity to obtain revenue regardless of whether a house sale is ultimately consummated. The division also generates income from energy performance certificates.

The Estate Agency Division also operates a new homes agency, which generates revenue by charging home builders a commission for finding buyers. It also generates lettings income from some Estate Agency brands.

Through its CCPS team, the Estate Agency Division provides limited LPA receivership and property management services and manages residential portfolios for corporate clients (which are currently in strategically managed decline).

The Estate Agency Division also generates referral fees for generating leads for the other divisions of the Group, except Hamptons International. These fees are eliminated upon consolidation at the Group level.

- **Lettings**. The Lettings Division generates fees from the letting and management of residential properties and fees for the management of leasehold properties. Fees vary depending on the service provided, which can include letting only, collection of rent on behalf of the landlord or full property management. The Group recognises these fees as revenue when it delivers the service. For services provided in the beginning of the contract, the Group recognises revenue upfront. Residential property management revenue is deducted from rental revenue due to the landlord over the life of the tenancy agreement from the point the agreement is completed. Corporate property management revenue is recognised over the life of the management term.

  During the periods under review, increases in the average price per let were broadly offset by decreases in average price per managed unit and a strategically managed decline in the estate management part of the Lettings Division.

  Revenue in Lettings is driven by the number of lets per branch, the mix in lets between new lets income and managed retail property income, and associated fees.

- **Hamptons International**. The Group derives revenue from the Hamptons International segment from both estate agency commissions and lettings and management fees. Approximately 65% of Hamptons International's revenue in 2012 was derived from its estate agency business. It recognises sales commissions as revenue on the exchange of contracts for such sales and for lettings and management fees when it delivers the service.

- **Financial Services**. The Financial Services Division generates commissions both from the financial service provider and the customer for arranging the sale of insurance policies, mortgages and related products under contracts with financial service providers. Mortgage commission (from lenders) and mortgage fees (from lenders and customers) are recognised on the exchange date. Mortgage application fees (from lenders) in connection with mortgage valuations are recognised upon receipt of the valuation fee. Life insurance commissions (from Friends Life) are recognised on the date the policy goes on risk. General insurance commissions are recognised when monthly premiums are 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.

  Following the acquisition of Mortgage Intelligence in 2011, the largest source of revenue for the Financial Services Division has been arranging mortgages. Unlike other parts of this division, Mortgage Intelligence does not restrict the number of lenders with which it does business and, therefore, receives lower commission rates. The following table sets forth a breakdown of the contributions to revenue of the Financial Services Division for the periods under review.

	2010	2011	2012
		%	
Mortgages	36	41	39
Life insurance	28	25	24
General insurance	29	26	25
Other	7	3	4
Mint&Life and Easy	—	5	6
Capital Private Finance Limited	—	—	2
Total	**100**	**100**	**100**

The Group recognises these commissions as revenue, in the case of insurance policies, when the policies go on risk and, in the case of mortgages, when the underlying property is exchanged.

The Financial Services Division is considered to be the primary driver of cross-referral income from the Estate Agency Division.

- **Surveying**. The Surveying Division generates revenue principally by: (i) completing survey and valuation work through its own network of directly employed consultant surveyors; and (ii) managing panels of third party valuation firms on behalf of its lender client base, which involves allocation of work, controlling capacity, and monitoring and reporting on risk and performance. The division also generates a small portion of revenue from private survey work conducted through the Group's estate agency branch network and online channels, consisting mainly of home buyer reports and building surveys. It also generates revenue from issuing energy performance certificates, which can be performed in-house or by a third party, in which case the Estate Agency Division sells private surveys in store for a price, a portion of which is passed on to the Surveying Division, which then employs third party firms to perform the work for a fee. The Group recognises surveying and valuation fees as revenue on completion of the service being provided. For reporting purposes, income from surveying services provided by third party panel firms is reported on a gross basis.
- **Conveyancing**. The Conveyancing Division generates fees by providing transactional conveyancing services to customers who are buying or selling property in the UK. It also earns fees through providing separate legal representation (i.e. legal advice specifically for a lender during a transaction). In addition, the division generates fees by providing panel management services for its corporate clients and retail customers referred by such corporate clients. The majority of this division's instructions originate within the Group by providing conveyancing services primarily to the customer base of the Estate Agency and Financial Services Divisions. In 2012, the division entered into a contract with HSBC, pursuant to which the Conveyancing Division became the conveyancing panel manager for HSBC. The Group recognises the majority of conveyancing fees as revenue on completion of the service provided.

In cases where the Group receives an amount up front in respect of future income streams, it amortises the value over the period of the contract as the services are delivered and the unexpired element is reflected in the consolidated balance sheet under "other liabilities" as deferred revenue.

The Estate Agency Division was the largest contributor to the Group's revenue in the periods under review.

The following table sets forth the contribution to revenue by each segment for the periods under review:

	2010	2011	2012
		%	
Estate Agency	49	43	40
Lettings	15	16	18
Hamptons International	8	13	13
Financial Services	12	12	12
Surveying	11	12	12
Conveyancing	5	4	5
Other segments	—	—	—
Total	**100**	**100**	**100**

Other income

Other income consists of rents receivable (sublet rental income) and other operating income. Sublet rental income consists of income from rental properties that the Group sublets. Other operating income consists primarily of interest earned on deposits. The Group holds money on behalf of parties to property transactions. For example, the Lettings Division holds deposits made by lessees of properties. At 31 December 2012, the Group held cash (as its own asset) of £46.5 million and held client monies totalling £158.5 million. The Group does not recognise client monies in its consolidated balance sheet; however, it deposits such client monies in interest bearing accounts and recognises interest earned as finance income in its consolidated income statement.

The Group recognises other operating income when its receipt is assured and it has no further obligations to any other party in respect of that income. It recognises rental income from sublet properties in profit or loss on a straight-line basis over the term of the lease. It recognises lease incentives granted as an integral part of the total rental income.

The table below shows the contribution of the components of other income for the periods under review:

	2010	2011	2012
		%	
Rent receivable	15	16	11
Other operating income	85	84	89
Total other income	**100**	**100**	**100**

Total income

Total income consists of revenue and other income. The following table sets forth the contribution to total income[(1)] by each segment for the periods under review:

	2010	2011	2012
		%	
Estate Agency	49	42	40
Lettings	15	16	18
Hamptons International	8	13	13
Financial Services	12	12	12
Surveying	11	12	12
Conveyancing	5	5	5
Other segments	—	—	—
Total	**100**	**100**	**100**

(1) Total income means "total income from external customers" for purposes of segment reporting, which excludes inter-segment Group income (reflecting introduction fees paid by the Conveyancing Division to the Estate Agency and Lettings Divisions, which are eliminated on consolidation). See note 4 of section B of Part XIII (*Financial Information*).

Employee benefit costs

The Group's employee benefits costs consist of wages and salaries (including commissions), other long-term employee benefits, defined contribution pension cost, and NICs and similar taxes.

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 and total income for the periods under review.

	2010	2011	2012
Employee benefit costs (£ in millions)	270.5	283.0	297.5
Group total operating costs (£ in millions)[(1)]	427.9	454.2	478.3
Employee benefit costs as a percentage of total operating costs	63%	62%	62%
Employee benefit costs as a percentage of total income	57%	56%	55%

(1) Represents the sum of employee benefit costs and other operating costs in the Group's consolidated income statements.

The following table sets forth the components of the Group's employee benefit costs for the periods under review.

	(£ in millions)		
Wages and salaries	238.7	250.4	264.2
Other long-term employee benefits	0.5	0.7	0.5
Defined contribution pension cost[(1)]	5.3	4.6	4.1
Employer's NICs and similar taxes	25.9	27.3	28.8
Total	**270.5**	**283.0**	**297.5**

(1) The Group offers membership of the Countrywide Group plc Stakeholder Pension Scheme to eligible employees. The pensions cost for the stakeholder pension scheme in 2012 was £4.1 million (2011: £4.6 million and 2010: £5.3 million). For the defined benefit scheme, the Group has a funding programme to recover the deficit over the next eight years. During 2012, the Group paid nil in contributions to the defined benefit scheme (2011: £1.9 million; 2010: £1.9 million). Further contributions of £1.9 million will be made in each of the next six years.

The table below sets forth, on a full-time equivalent basis, the average monthly number of people, including executive directors, employed by the Group for the period under review:

	2010	2011	2012
Estate Agency	4,011	3,877	3,889
Lettings	1,289	1,409	1,666
Hamptons International	668	713	783
Financial Services	1,049	974	1,000
Surveying	565	539	538
Conveyancing	306	296	362
Other segments	217	217	194
Total	**8,105**	**8,025**	**8,432**

Starting in October 2012, all eligible workers who were not already in a qualifying workplace pension scheme were required to be automatically enrolled into such a scheme pursuant to the Pensions Act 2008. Compulsory employer contributions are phased in, starting at 1% until September 2017, then rising to 2% and then to 3% from October 2018. This percentage is based on the qualifying earnings thresholds, currently set at more than £5,564 and less than £42,475. The Group expects to incur £1.3 million in compulsory employer contributions in each of the next three years as a result of automatic enrolment.

Depreciation and amortisation

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. Freehold land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings — 50 years
- Leasehold properties and improvements — over the period of the lease
- Furniture and equipment — three to five years
- Motor vehicles — three to five years

The residual value is reassessed annually.

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 estate agency pipeline of agreed (but unexchanged) house sales at the date of acquisition has a very short life and it is charged to profit or loss over the period that it unwinds, which is typically three to four months. All goodwill and intangible assets with an indefinite useful life are tested systematically for impairment at each annual balance sheet date. Internally generated and acquired computer software is amortised over three to five years. Customer relationships on contracts are amortised over the life of the contract, typically five to 10 years.

The following table sets forth a breakdown of depreciation and amortisation charges to distinguish between depreciation and amortisation charges relating to the Group's tangible fixed assets and computer software, on the one hand, and the amortisation charges arising from the recognition of intangible assets on the acquisition of businesses on the other.

	2010	2011	2012
	(£ in millions)		
Depreciation on plant, property and equipment and amortisation on purchased computer software	9.3	9.6	8.6
Amortisation of intangible assets recognised through business combinations(1)	13.3	9.5	7.7
Total depreciation and amortisation charge	**22.6**	**19.1**	**16.3**

(1) Includes amortisation of intangible assets arising from the acquisition of the Group business by Countrywide Holdings, Ltd. in 2007 and subsequent acquisitions, principally Hamptons International and lettings businesses.

Other operating costs

The following table sets forth a breakdown of other operating costs and the proportion that each component represents of total other operating costs for the periods under review:

	2010		2011		2012	
	(£ in millions)	*%*	*(£ in millions)*	*%*	*(£ in millions)*	*%*
Direct costs(1)	15.5	10	19.7	12	22.6	13
Staff related costs(2)	35.2	22	36.8	21	39.2	22
Marketing costs(3)	22.7	15	23.2	14	25.8	14
Telephony, printing, postage and stationery costs(4)	14.5	9	14.7	9	14.1	8
IT costs(5)	6.7	4	7.6	4	9.3	5
General costs(6)	18.4	12	22.0	13	24.4	13
Establishment costs(7)	44.5	28	47.1	28	45.4	25
Total other operating costs	**157.5**	**100**	**171.1**	**100**	**180.8**	**100**

(1) Direct costs comprise primarily panel survey fees and other services purchased that are re-invoiced to customers.
(2) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.
(3) Marketing costs include costs relating to advertising, internet portal listings, brochures, signboards and direct marketing campaigns.
(4) Telephony, printing, postage and stationery costs also include the costs of photocopiers.
(5) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.
(6) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.
(7) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

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.

	2010	2011	2012
Other operating costs (£ in millions)	157.5	171.1	180.8
Group total operating costs (£ in millions)(1)	427.9	454.2	478.3
Other operating costs as a percentage of total operating costs	37%	38%	38%
Other operating costs as a percentage of total income	33%	34%	33%

(1) Represents the sum of employee benefit costs and other operating costs in the Group's consolidated income statements.

Share of profit from joint venture

At 31 December 2012, the Group had a 33.3% (2011 and 2010: 33.3%) interest in the ordinary share capital of TM Group (UK) Limited, which is one of the largest providers of searches to property companies (measured by completed searches). It delivers a range of property searches and data to land and property professionals in the UK, arranges for property searches directly with specific suppliers on behalf of its own customers, and has also started to supply IT applications and products to UK mortgage lenders.

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 income statement. When the Group's share of losses exceeds its interest in a jointly controlled entity, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a jointly controlled entity. Upon consolidation of the joint entity results, accounting policies are aligned where applicable.

Exceptional items

The Group's results of operations have been significantly affected in each of 2010, 2011 and 2012 by exceptional items, especially exceptional costs in relation to provisions for professional indemnity claims.

Exceptional items comprise exceptional income recognised by the Group in 2012, and exceptional costs recognised by the Group in each of 2010, 2011 and 2012.

The following table sets forth exceptional items during the periods under review.

	2010	2011	2012
		(£ in millions)	
Exceptional income		—	7.9
Movement in value of put options	—	—	3.3
Deferred income amortisation arising from fair valuation of Zoopla shares crystallised upon its merger in May 2012	—	—	4.6
			7.9
Exceptional costs			
Insurance claims and litigations	11.9	9.4	25.2
Redundancy costs	3.1	4.6	3.1
Property provisions(1)	1.2	2.3	2.9
Other restructuring costs	0.6	—	5.4
Impairment of assets	0.8	—	0.1
Total cost of restructuring	5.7	6.9	11.5
Acquisition expenses	1.3	0.3	0.4
Total exceptional costs	19.0	16.5	37.1
Net exceptional items	19.0	16.5	29.2

(1) Where the Group vacates a leased property prior to the expiration of the lease, a provision is established to reflect the expected lease payments that the Group will incur prior to the assignment or sublease of the property.

Exceptional income

In 2011, the Group assessed the present value of the put options in respect of Capital Private Finance and United Surveyors based on the information available at the time. The present value is the amount the Group is expected to pay to buy the non-controlling interest in those subsidiaries, upon exercise of such options by the holders thereof. Subsequently, although these businesses performed well, the lack of any significant recovery in the residential property market delayed intended expansion plans and, as a result, the Group re-evaluated the value of the assets underlying the put options at a lower amount should the put options be exercised. In accordance with IAS 39, the Group credited the reduction in value to the income statement and disclosed such reduction as exceptional income due to the size of the transaction.

In addition, in May 2012, Zoopla Property Group Limited merged with The Digital Property Group, which accelerated the exercise of a number of warrants that had been granted to the Group under an agreement to list properties on the Zoopla Property Group Limited's website. The warrants were converted into ordinary shares of Zoopla Property Group Limited. At the merger date, the Group assessed the fair value of the shares at £12.2 million, which was the most recent price paid for ordinary shares, and recognised deferred income. The deferred income is being amortised to the income statement over the period to 2015 and, accordingly, there was a catch-up recognised in respect of the period through 2011 of £2.2 million and credit in respect of 2012 of £2.4 million, both of which were recognised in 2012. The Group will credit the remaining deferred income of £7.6 million to exceptional income over the next three years.

Exceptional costs

The following comprise the exceptional costs recognised by the Group during the periods under review:

- *Insurance claims and litigation*. During the latter part of 2012, the Group experienced substantially worsening trends in professional indemnity claims received and losses recognised on the insurance bordereau. As a result, the Group recognised a further exceptional charge of £25.2 million in 2012. As discussed in note 3 (*Critical Accounting Judgements and Estimates*) of section B of Part XIII (*Financial Information*), the Directors based their assessment of the provision on a number of factors, including legal and professional advice, historical trends of claims received and losses incurred. During 2012, the rate of claims received and the average loss increased due to the settlement of more challenging disputes. The Group took into account that the claims received in 2012 were primarily from prime lenders, who previously had not reported losses. Moreover, as the six-year statute of limitations approached for surveys carried out in 2006 and 2007, the level of claims increased as lenders sought to protect their legal position. The Group considered the experience changes in its predictive models, took account of potential worsening of positions in certain legal cases and in 2012 increased the provision accordingly. Of the £25.2 million charge, £15.3 million relates to IBNR claims and IBNER claims. In the future, additional provisions may be required with respect to further claims or positions taken by the Group's insurer. As a result, ultimate losses incurred in respect of misvaluations claims could exceed the current provisions, perhaps materially.

- *Restructuring costs*. Restructuring costs related to costs incurred by the Group primarily in connection with the Group's cost saving initiatives (See '*Significant Factors Impacting Results of Operations — Cost saving initiatives*'), including redundancies and property provisions. For example, in the Estate Agency Division, the centralisation of operations and creation of a National Administration Centre resulted in the Group incurring redundancy and office closure costs. Similarly, in the Lettings Division, the consolidation of the Group's operations within the Estate Agency network resulted in the closure of branches, which caused property provisions to increase (where the Group vacates a leased property prior to the expiration of the lease, a provision is established to reflect the expected lease payments that the Group will incur prior to the assignment or sublease of the property).
- *Acquisition expenses.* The acquisition expenses incurred by the Group purchasing Hamptons and other businesses have been written off to profit and loss in accordance with the revised accounting standard: IFRS 3: Business combinations. The Group treated these costs as exceptional due to their size and nature.

Finance costs

Finance costs consist of cash payable interest and non-cash payable interest.

Cash payable interest consists primarily of interest payable on bank borrowings (including under the Group's Revolving Credit Facility), cash interest payable on the Senior Secured Notes and the Revolving Credit Facility and other interest.

Non-cash payable interest consists of amortisation of loan facilities fees, interest expense arising in the pension scheme and other finance costs relating to the unwind of discount rates.

Finance income

Finance income consists of interest receivable on bank deposits.

Taxation

The Group has recognised income tax credits of £4.8 million, £4.7 million and £7.8 million against losses after taxes of £8.3 million, £2.6 million and £3.0 million for 2010, 2011 and 2012, respectively.

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011 and was further reduced to 24% with effect from 1 April 2012. Accordingly, the Group's profits were taxed at a statutory blended rate of 26.5% for 2011 and 24.5% for 2012.

A number of further changes to the UK corporation tax system were announced in the December 2012 UK budget statement. Further reductions to the main rate are proposed to reduce the corporation tax rate to 21% by 1 April 2014. The proposed reductions are expected to be enacted separately each year. The overall effect of the change in the tax rate to 21%, if applied to the deferred tax balance at the Group's balance sheet date, would be to reduce the deferred tax liability by £2.4 million.

5. Operational Data

The Group presents certain operational data in this Prospectus. This data may not be comparable with similarly titled operational data presented by others in the Group's industry and, while the method of calculation may differ across the industry, the Directors believe 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. This operational data is not intended to be a substitute for, or superior to, any IFRS measures of performance. This operational data is based on management estimates, is not part of the Group's financial statements and has not been audited or otherwise reviewed by outside auditors, consultants or experts. The Group's key operational data includes the following:

Estate Agency Division

- **House sales exchanged**, which is defined as residential property sales transactions marketed by the Estate Agency Division where contracts have been exchanged between the seller and the buyer of the residential property in the relevant period.
- **Average house price**, which is the average price of a house subject to an exchange in the relevant period.
- **Average blended commission**, which is commissions earned in the relevant period divided by the average house price.

Lettings Division

- **Average retail properties managed**, which is the number of leasehold properties in respect of which the Group provides property management services during the year divided by 12.
- **Annual income per property**, which is the total income derived from property management in a year divided by the properties under management.

Hamptons International Division

- **House sales exchanged**, which is defined as residential property sales transactions marketed by the Hamptons International Division where contracts have been exchanged between the seller and the buyer of the residential property in the relevant period.
- **Average house price**, which is the average price of a house subject to an exchange in the relevant period.
- **Average blended commission**, which is commissions earned in the relevant period divided by the average house price.

Financial Services Division

- **Total mortgages arranged**, which is the number of mortgage contracts for house sales and remortgages that complete that the Group arranges in the relevant period.
- **Mortgage sell-through**, which is the percentage of mortgage contracts provided by the Group's mortgage providers that the Group manages to arrange in a particular period.
- **Life insurance policies arranged**, which is the number of life insurance policies that the Group arranges in the relevant period.
- **General insurance policies arranged**, which is the number of general insurance policies that the Group arranges in the relevant period.
- **Average fee per transaction**, which is the total fees earned by the Financial Services Division in a particular period divided by the number of transactions of the Financial Services Division in that period.

Surveying Division

- **Number of jobs**, which is the number of valuations and survey instructions completed by the Group in the relevant period.
- **Average net income per job**, which is the total income that the Surveying Division earns in a particular period divided by the valuations and survey instructions completed in that period.

Conveyancing Division

- **Total completions**, which is the number of cases that the Conveyancing Division completes in the relevant period. It includes all cases completed by panel management firms as well as in-house operations.
- **Average fee per completion**, which is the total fees earned by the Conveyancing Division in a particular period divided by the number of completions in that period.

The following table sets forth operational data for the Group during the periods under review.

	2010	2011	2012
		(in number)	
Estate Agency Division:			
House sales exchanged (excluding Hamptons International)	58,984	56,108	56,874
Average house price (excluding Hamptons International)	£200,558	£197,565	£204,988
Average blended commission (excluding Hamptons International)	1.93%	1.88%	1.79%
Lettings Division:			
Average retail properties managed (excluding Hamptons International)	30,486	32,787	42,530
Annual income per property (excluding Hamptons International)	£2,414	£2,478	£2,253
Hamptons International Division:			
House sales exchanged	2,181	3,274	3,498
Average house price	£808,016	£822,438	£856,036
Average blended commission	1.56%	1.59%	1.57%
Financial Services Division:			
Total mortgages arranged	37,324	53,180	53,929
Mortgage sell-through	60.6%	60.8%	58.3%
Life insurance policies arranged	31,387	35,333	38,168
General insurance policies arranged	36,100	38,475	36,238
Average fee per transaction	£1,504	£1,700	£1,834
Surveying Division:			
Valuations and survey instructions completed	250,816	271,001	281,189
Average net income per job	£179	£173	£174
Conveyancing Division:			
Total completions	31,827	30,604	59,180
Average fee per completion	£676	£729	£419

6. Results of operations

The following table presents selected historical consolidated income statement data for the Group including as a percentage of total income, for the periods indicated.

	2010		2011		2012	
	(£ in millions, except percentage)					
		%		%		%
Consolidated Income Statement Data:						
Revenue	468.0	98	498.9	98	527.4	98
Other income	9.9	2	10.2	2	12.5	2
Total income	477.9	100	509.1	100	539.8	100
Employee benefit costs	(270.5)	(57)	(283.0)	(56)	(297.5)	(55)
Depreciation on property, plant and equipment and amortisation on purchased computer software	(9.3)	(2)	(9.6)	(2)	(8.6)	(2)
Other operating costs	(157.5)	(33)	(171.1)	(34)	(180.8)	(34)
Share of profit from joint venture	0.4	—	0.3	—	0.8	—
Group operating profit before exceptional items and amortisation	41.0	9	45.6	9	53.7	10
Amortisation of intangible assets recognised through business combinations	(13.3)	(3)	(9.4)	(2)	(7.7)	(1)
Exceptional income	—		—		7.9	2
Exceptional costs	(19.0)	(4)	(16.5)	(3)	(37.1)	(7)
Exceptional items (net)	(19.0)	(4)	(16.5)	(3)	(29.2)	(5)
Group operating profit	**8.8**	**2**	**19.6**	**4**	**16.8**	**3**
Finance costs	(23.8)	(5)	(27.7)	(5)	(28.5)	(5)
Finance income	2.0	—	0.8	1	1.0	—
Net finance costs	(21.8)	5	(26.9)	(5)	(27.5)	(5)
Loss before taxation	(13.0)	(3)	(7.3)	(1)	(10.8)	(2)
Taxation	4.8	1	4.7	1	7.8	1
Loss for the year	(8.3)	(2)	(2.6)	(1)	(3.0)	(1)

2012 compared with 2011

Group Results

Revenue

Revenue increased £28.5 million, or 6%, from £498.9 million in 2011 to £527.4 million in 2012. This increase was primarily due to an increase in revenue from the Lettings, Financial Services, Surveying and Conveyancing Divisions, slightly offset by a decrease in revenue from the Estate Agency Division and Hamptons International. The Lettings Division was the most significant contributor to growth in the Group's total income in 2012. This reflected the Group's acquisitions of small lettings branches and an increase in the volume of existing lettings branches. The increase in revenue generated by the Lettings Division offset the decrease in the revenue generated by the Estate Agency Division, which reflected primarily market volume declines, loss of repossession business and commission rate pressure (due primarily to competition in the UK housing market).

Other income

Other income increased £2.3 million, or 23%, from £10.2 million in 2011 to £12.5 million in 2012. This increase was due to an increase in other operating income, which was attributable to interest earned on client money and supplier rebates.

Total income

The following table sets forth the contribution of each of the divisions to the Group's total income for the periods indicated.

	2011	2012
	(£ in millions)	
Estate Agency	215.4	214.3
Lettings	81.3	95.8
Hamptons International	66.1	72.6
Financial Services	62.1	64.7
Surveying	60.4	65.4
Conveyancing	22.8	26.0
Other segments	1.0	1.0
Total	509.1	539.8

Employee benefit costs

Employee benefit costs increased £14.5 million, or 5%, from £283.0 million in 2011 to £297.5 million in 2012. This increase was primarily due to an increase in wages and salaries (from £250.4 million in 2011 to £264.2 million in 2012), and an increase in NICs and similar taxes (from £27.3 million in 2011 to £28.8 million in 2012), as a result of an increase in the average monthly number of people employed in Hamptons International (from 713 in 2011 to 783 in 2012), Conveyancing Division (from 296 in 2011 to 362 in 2012) and Lettings Division (from 1,409 in 2011 to 1,666 in 2012). The increase in employee benefit costs was partially offset by a decrease in other long-term employee benefits (from £0.7 million in 2011 to £0.5 million in 2012) and defined contribution costs (from £4.6 million in 2011 to £4.1 million in 2012).

Depreciation on property, plant and equipment and amortisation on purchased computer software

Depreciation charges on computer software decreased £1.0 million, or 10%, from £9.6 million in 2011 to £8.6 million in 2012 as internally developed computer software, which was recognised as an intangible asset in 2007, was fully amortised at the end of 2011.

Other operating costs

Other operating costs increased £9.7 million, or 6%, from £171.1 million in 2011 to £180.8 million in 2012. This increase was primarily due to a 22% increase in IT costs, a 7% increase in staff-related costs and an 11% increase in marketing costs. The increase in IT costs was attributable primarily to the outsourcing costs associated with the CGI contract. The increase in staff-related costs was attributable primarily to increased fleet costs and increases in contract and temporary staff. The increase in marketing costs was attributable primarily to an increase in internet advertising (which partially offset a decrease in newspaper advertising). This increase was partially offset by a decrease in the telephony, printing, stationery and postage costs, which was attributable to improved contractual terms.

Share of profit post tax from joint venture

The Group's share of post-tax profit from TM Group increased from £0.3 million in 2011 to £0.8 million in 2012. This increase was due to increased profits realised by the TM Group in 2012 compared to 2011.

Amortisation of intangible assets recognised through business combinations

Amortisation charges of intangible assets recognised through business combinations decreased £1.7 million, or 18%, from £9.4 million in 2011 to £7.7 million in 2012. This decrease was attributable to a decrease relating to amortisation of intangible assets arising from the acquisition of the business by Countrywide Holdings, Ltd. in 2007.

Exceptional items

In 2012, the Group reported a net exceptional costs of £29.2 million, which included unrealised gains of £7.9 million offset by £11.5 million of redundancies and restructuring costs, £0.4 million of acquisitions costs and a further £25.2 million charge in respect of professional indemnity claims. See "*Key Income Statement Items — Exceptional Items*".

The increase in restructuring costs in 2012 was due to the outsourcing of the Group's IT systems and operations to CGI (pursuant to which the Group expects to incur transition costs in the amount of £3.4 million over the course of 18 months); the centralisation of operations in the Estate Agency Division and creation of a National Administration Centre (as a result of which the Group incurred redundancy and office closure costs of £1.5 million); restructuring of the Estate Agency Division's corporate property services operation; removal of more layers of management; closure of lettings branches; restructuring of the L&NH services within the Financial Services Division; and restructuring of the Surveying Division's claims handling operations within its National Operations Centre.

Finance costs

Finance costs increased £0.8 million, or 3%, from £27.7 million in 2011 to £28.5 million in 2012. This increase was primarily due to the payment of £0.3 million in interest on the Revolving Credit Facility, an increase of £0.3 million in interest payable on the Senior Secured Notes, an increase of £0.1 million in interest payable on borrowings, the unwind of discount rates relating to the put options held by the Group in respect of Capital Private Finance and United Surveyors, an increase of £0.4 million in amortisation of the loan facility fee and an increase of £0.5 million in other finance costs.

Finance income

Finance income increased £0.2 million, or 25%, from £0.8 million in 2011 to £1.0 million in 2012. This increase was due to higher interest income, which was attributable to improved cash flow planning and products bearing more favourable interest rates.

Taxation

In 2012, the Group recognised a tax credit of £7.8 million against a loss before taxation of £10.8 million. In 2011, the Group recognised a tax credit of £4.7 million against a loss before taxation of £7.3 million.

The tax credit of £7.8 million on a loss before taxation of £10.8 million was primarily due to two factors. The reduction in the corporation tax rate to 24% with effect from 1 April 2012 resulted in a reduction in net deferred tax liabilities of £3.6 million. Moreover, the exceptional income of £7.9 million (tax charge of £1.9 million) is derived from capital assets and liabilities that would have no tax costs or benefits in the future due to availability of capital losses. Excluding the impact of these two items, the underlying tax credit would have been £2.3 million.

Loss for the year

As a result of the foregoing factors, loss for the year increased £0.4 million, or 15%, from a loss of £2.6 million in 2011 to a loss of £3.0 million in 2012.

EBITDA before exceptionals

EBITDA before exceptionals increased £6.6 million, or 12%, from £56.4 million in 2011 to £63.0 million in 2012.

The following table provides a reconciliation of EBITDA before exceptionals to loss for the periods indicated.

	2011	2012
	(£ in millions)	
Loss for the year	(2.6)	(3.0)
Finance income	(0.8)	(1.0)
Share of profit post tax from joint venture	(0.3)	(0.8)
Depreciation and amortisation	19.1	16.4
Management fee[(1)]	1.5	1.5
Finance costs	27.7	28.5
Taxation	(4.7)	(7.8)
EBITDA[(2)]	39.9	33.8
Exceptional items	16.5	29.2
EBITDA before exceptionals[(2)]	56.4	63.0

(1) Represents fees paid by the Group to two of its shareholders. See "Related Party Transactions". Upon Admission, these fees will no longer be payable.
(2) EBITDA and EBITDA before exceptionals are supplemental measures of the Group's performance and liquidity that are not required by, or presented in accordance with, IFRS. EBITDA and EBITDA before exceptionals should not be considered as an alternative to profit or loss for the year or any other performance measure derived in accordance with IFRS, or as an alternative to cash flow from operating, investing and financing activities as a measure of the Group's liquidity as derived in accordance with IFRS. EBITDA and EBITDA before exceptionals do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of the Group's results of operations. Neither EBITDA nor EBITDA before exceptionals is intended to be indicative of future results. In addition, these measures as defined by the Group may not be comparable with other similarly titled measures used by other companies.

Segment results

The results of each of the Group's segments are presented below. As noted above, total income means "total income from external customers" for purposes of segment reporting, which excludes inter-segment Group income (reflecting introduction fees paid by the Conveyancing Division to the Estate Agency and Lettings Divisions, which are eliminated on consolidation). See note 4 of section B of Part XIII (*Financial Information*).

Estate Agency Division

	2011	2012
	(£ in millions)	
Total income	215.4	214.3
Revenue	213.8	212.6
Other income	1.5	1.7
Operating costs	(202.2)	(201.5)
EBITDA before exceptional items	13.2	12.8
Depreciation and amortisation	(4.2)	(3.4)
Operating profit before exceptional items	9.0	9.4
Exceptional costs	(2.2)	(5.0)
Operating profit	6.8	4.4
Operational data[(1)]:	*(unaudited)*	
Number of branches (excluding Hamptons International)	861	860
Average monthly headcount	3,877	3,889
House sales exchanged	56,108	56,874
Average house price	£197,565	£204,988
Average blended commission	1.88%	1.79%

(1) Operational data for 2011 includes the full year contribution of Blundells, despite the acquisition agreement being signed only in July 2011.

Total income. Total income decreased £1.1 million, or 1%, from £215.4 million in 2011 to £214.3 million in 2012. This decrease was primarily due to a decline in commission rates received from house sales transactions, with the average blended commission rates decreasing from 1.88% of the house sales price in 2011 to 1.79% of the house sales price in 2012.

The difficult market conditions resulted in more intense price competition for listings, resulting in the lower commission rates. The Estate Agency Division was nonetheless able to increase the number of house sales it carried out by 1.4%, from 56,108 in 2011 to 56,874 in 2012, and the Estate Agency Division's average house price on sale increased by 3.8%, from £197,565 in 2011 to £204,988 in 2012. The results of the Estate Agency Division also benefited from a 21% growth in the upfront fees from £5.7 million in 2011 to £6.9 million in 2012.

The volumes of repossessions continue to decrease, affecting the performance of the Estate Agency Division's asset management business.

Operating costs. Operating costs decreased £0.7 million from £202.2 million in 2011 to £201.5 million in 2012 as a slight increase in marketing and general costs was more than offset by a decrease in establishment costs. Operating costs in 2012 included £4.2 million related to UK Sotheby's International Realty.

The following table sets forth the components of operating costs of the Estate Agency Division during the periods indicated.

	2011	2012
	(£ in millions)	
Employee benefit costs	122.7	122.3
Direct costs(1)	3.5	3.5
Staff related costs(2)	14.5	15.1
Marketing costs(3)	16.1	17.3
Telephony, printing, postage and stationery(4)	8.2	7.4
IT costs(5)	3.1	3.0
General costs(6)	4.4	5.4
Establishment costs(7)	29.7	27.5
Total	**202.2**	**201.5**

(1) Direct costs comprise primarily panel survey fees and other services purchased that are re-invoiced to customers.
(2) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.
(3) Marketing costs include costs relating to advertising, internet portal listings, brochures, signboards and direct marketing campaigns.
(4) Telephony, printing, postage and stationery costs also include the costs of photocopiers.
(5) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.
(6) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.
(7) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

Employee benefit costs decreased £0.4 million from £122.7 million in 2011 to £122.3 million in 2012. This decrease was primarily due to a decrease in commissions (as a result of lower total income) in 2011. Establishment costs decreased £2.2 million, or 7.4%, from £29.7 million in 2011 to £27.5 million in 2012. This decrease was primarily due to lower utility costs. This decrease was partially offset by an increase in marketing costs, as increased spend on internet advertising partially offset the lower spend on newspaper advertising.

Depreciation and amortisation. Depreciation and amortisation charges decreased £0.8 million, or 19%, from £4.2 million in 2011 to £3.4 million in 2012. This decrease was primarily due to a lower opening net book value of fixed assets than the previous year.

Exceptional costs. Exceptional costs increased £2.8 million, from £2.2 million in 2011 to £5.0 million in 2012. This increase was primarily due to costs associated with the consolidation of regional administration centres into the National Administration Centre; the centralisation of finance and other support functions; the relocation and restructuring of the CCPS team; and the restructuring of the branch footprint and management in some of the underperforming parts of the division, such as the lower and mid-market branches in the South East.

Operating profit. As a result of the foregoing factors, operating profit of the Estate Agency Division decreased £2.4 million, or 35%, from £6.8 million in 2011 to £4.4 million in 2012.

Lettings Division

	2011	2012
	(£ in millions)	
Total income	81.3	95.8
Revenue	78.0	90.8
Other income	3.3	5.0
Operating costs	(66.0)	(74.1)
EBITDA before exceptional items	15.3	21.7
Depreciation and amortisation	(3.4)	(3.7)
Operating profit before exceptional costs	11.9	18.1
Exceptional items	(1.0)	(1.8)
Operating profit	10.9	16.3
Operational data:	*(unaudited)*	
Average monthly headcount	1,409	1,666
Average number of branches	259	343
Average retail properties managed (excluding New Starts)	32,787	42,530
Annual income per property	£ 2,478	£ 2,253

Total income. Total income increased £14.5 million, or 18%, from £81.3 million in 2011 to £95.8 million in 2012. This increase was primarily due to a 30% increase in the number of retail rental properties under management in 2012 compared to 2011. The increase in the number of retail rental properties under management reflected an increased propensity in 2012 of people to rent rather than buy houses as a result of the reduced availability of mortgage financing and higher initial deposit requirements. It also reflected the ongoing rollout of the New Starts programme, which delivered an additional £0.8 million in revenue through 63 additional offices in 2012. The increase in total income was partially offset by reduced income in the estate management business with fewer developments under management as a result of a strategic exit from parts of this business.

Operating costs. Operating costs increased £8.1 million, or 12%, from £66.0 million in 2011 to £74.1 million in 2012.

The following table sets forth the components of operating costs of the Lettings Division during the periods indicated.

	2011	2012
	(£ in millions)	
Employee benefit costs	41.4	47.8
Staff related costs[(1)]	5.5	5.6
Marketing costs[(2)]	1.8	2.2
Telephony, printing, postage and stationery[(3)]	2.3	2.8
IT costs[(4)]	1.8	1.8
General costs[(5)]	6.4	7.1
Establishment costs[(6)]	6.8	6.8
Total	**66.0**	**74.1**

(1) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.

(2) Marketing costs include costs relating to advertising, internet portal listings, brochures, signboards and direct marketing campaigns.

(3) Telephony, printing, postage and stationery costs also include the costs of photocopiers.

(4) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.

(5) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.

(6) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

Employee benefit costs increased £6.4 million, or 16%, from £41.4 million in 2011 to £47.8 million in 2012. This increase was primarily due to an increase in headcount as a result of the acquisition of several small lettings operations in 2011 and 2012 and new staff taken on to support the opening of new branches as part of the New Starts programme. The opening of new branches also drove increases of 8% and 22% in general costs and telephony, printing, postage and stationery costs, respectively.

Depreciation and amortisation. Depreciation and amortisation charges increased £0.3 million from £3.4 million in 2011 to £3.7 million in 2012. This increase was primarily due to the amortisation of customer contracts and relationships relating to the 13 acquired businesses in 2012.

Exceptional costs. Exceptional costs increased £0.8 million, or 80%, from £1.0 million in 2011 to £1.8 million in 2012. This increase was primarily due to restructuring costs, including the consolidation of premises with the Estate Agency Division.

Operating profit. As a result of the foregoing factors, operating profit of the Lettings Division increased £5.4 million, or 50%, from £10.9 million in 2011 to £16.3 million in 2012.

Hamptons International

	2011(1)	2012
	(£ in millions)	
Total income	66.1	72.6
Revenue	64.2	70.9
Other income	1.9	1.7
Operating costs	(51.8)	(58.5)
EBITDA before exceptional items	14.3	14.0
Depreciation and amortisation	(2.4)	(1.8)
Operating profit before exceptional items	11.9	12.2
Exceptional costs	—	—
Operating profit	11.9	12.2
Operational data:	*(unaudited)*	
Number of branches	68	77
Average headcount per branch	10	10
House sales exchanged	3,274	3,498
Average house price	£822,438	£856,036
Average blended commission	1.59%	1.57%

Total income. Total income increased £6.5 million, or 10%, from £66.1 million in 2011 to £72.6 million in 2012. This increase was primarily due to an increase in lettings-related income, new branches opened, a recovery in volumes in the residential sales market outside of London as well as an increase in the sales of new homes by Hamptons International in 2012.

Operating costs. Operating costs increased £6.7 million, or 13%, from £51.8 million in 2011 to £58.5 million in 2012. This increase was driven in large part by the investment in new branches, combined with an increase in staff costs, including commission-based income, in the estate agency and lettings operations of Hamptons International.

The following table sets forth the components of operating costs of the Hamptons International Division during the periods indicated.

	2011	2012
	(£ in millions)	
Employee benefit costs	34.8	39.4
Staff related costs(1)	4.5	5.0
Marketing costs(2)	3.7	4.6
Telephony, printing, postage and stationery(3)	1.7	1.5
IT costs(4)	0.6	0.7
General costs(5)	0.7	0.7
Establishment costs(6)	5.8	6.6
Total	**51.8**	**58.5**

(1) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.

(2) Marketing costs include costs relating to advertising, internet portal listings, brochures, signboards and direct marketing campaigns.

(3) Telephony, printing, postage and stationery costs also include the costs of photocopiers.

(4) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.

(5) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.

(6) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

Employee benefit costs increased £0.6 million, or 2%, from £34.8 million in 2011 to £39.4 million in 2012. This increase was primarily due to the investment in new branches combined with an increase in income-based commission costs in the estate agency and lettings operations of Hamptons International.

Establishment costs increased £0.8 million, or 14%, from £5.8 million in 2011 to £6.6 million in 2012. This increase was primarily due to the investment in new branches.

Depreciation and amortisation. Depreciation and amortisation charges decreased by £0.6 million from £2.4 million in 2011 to £1.8 million in 2012. This decrease was primarily due to historical premises and IT assets falling out of the depreciation charge.

Operating profit. As a result of the foregoing factors, operating profit increased by £0.3 million, or 3%, from £11.9 million in 2011 to £12.2 million in 2012.

Financial Services Division

	2011	2012
	(£ in millions)	
Total income	62.1	64.7
Revenue	60.8	63.0
Other income	1.3	1.7
Operating costs	(52.7)	(54.9)
EBITDA before exceptional items	9.4	9.8
Depreciation and amortisation	(5.4)	(5.4)
Operating profit before exceptional items	4.0	4.4
Exceptional costs	(1.7)	(0.7)
Operating profit	2.3	3.7
Operational data:	*(unaudited)*	
Total mortgages arranged	53,180	53,929
Value	£7.2 billion	£6.9 billion
Mortgage sell-through	60.8%	58.3%
Life insurance policies arranged	35,333	38,168
General insurance policies arranged	38,475	36,238
Average fee per transaction	£1,700	£1,834
Average monthly headcount	974	1,000

Total income. Total income increased £2.6 million, or 4%, from £62.1 million in 2011 to £64.7 million in 2012. This increase was primarily due to an 8% increase in the number of life insurance policies arranged and a 1% increase in total mortgages arranged. The increase in total mortgages arranged occurred despite the tightening of the credit markets in mid-2012 and the significant pull-back of lending volumes by Santander (a large lender through the intermediary channel). The increase in total income was also due to an 8% increase in the average fee per transaction. The introduction of a mortgage administration fee and a "Buy Smart" initiative also contributed to the increase in total income. The increase in total income was partially offset by a 6% decrease in the number of general insurance policies arranged.

Operating costs. Operating costs increased £2.2 million, or 4%, from £52.7 million in 2011 to £54.9 million in 2012. This increase was primarily due to higher staff costs. During 2012, the Group recruited more financial consultants in anticipation of an increase in mortgage market activity.

The following table sets forth the components of operating costs of the Financial Services Division during the periods indicated.

	2011	2012
	(£ in millions)	
Employee benefit costs	40.0	41.1
Staff related costs(1)	5.2	5.5
Marketing costs(2)	1.0	0.7
Telephony, printing, postage and stationery(3)	0.7	0.6
IT costs(4)	2.2	2.1
General costs(5)	2.5	3.2
Establishment costs(6)	1.1	1.7
Total	**52.7**	**54.9**

(1) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.

(2) Marketing costs include costs relating to advertising, internet portal listings, brochures, signboards and direct marketing campaigns.

(3) Telephony, printing, postage and stationery costs also include the costs of photocopiers.
(4) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.
(5) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.
(6) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

Employee benefit costs increased £1.1 million, or 3%, from £40.0 million in 2011 to £41.1 million in 2012. This increase was due to an increase in the number of financial consultants engaged by the Group during the year in anticipation of increased gross mortgage lending. The Group subsequently reduced the headcount of financial consultants because gross mortgage lending did not increase as anticipated.

Depreciation and amortisation. Depreciation and amortisation charges remained constant at £5.4 million during the two periods.

Exceptional costs. Exceptional costs decreased £1.0 million, or 59%, from £1.7 million in 2011 to £0.7 million in 2012.

Operating profit. As a result of the foregoing factors, operating profit of the Financial Services Division increased £1.4 million, or 61%, from £2.3 million in 2011 to £3.7 million in 2012.

Surveying Division

	2011	2012
	(£ in millions)	
Total income (net of panel survey costs)[1]	48.2	50.3
Revenue	48.1	50.2
Other income	0.1	0.1
Operating costs	(39.6)	(40.1)
EBITDA before exceptional items	8.6	10.2
Depreciation and amortisation	(2.4)	(0.4)
Operating profit before exceptional items	6.2	9.8
Exceptional costs	(11.1)	(18.6)
Operating profit/(loss)	(4.9)	(8.8)
Operational data:	*(unaudited)*	
Number of jobs	271,001	281,189
Average net income per job	£173	£174
Average monthly headcount	539	538

(1) Total income is net of panel survey costs paid of £15.1 million in 2012 and £12.2 million in 2011. Panel fee income and payments vary based on the volume of panel surveys arranged to be performed by third parties. The margin earned on such surveys is small compared with margins on surveys performed in-house. The volumes of surveys and valuations reported exclude panel surveys arranged to be performed by third parties. As part of the Group's operational model, the Group seeks to be appointed as a panel manager, which while giving the Group control over the surveying and valuation mandates it performs also obligates the Group to refer a proportion of the mandates to other panel firms. To the extent the Group does not have the capacity to handle certain surveying and valuation mandates, it may also refer those mandates to other panel firms. In either case, for referred mandates, the Group invoices the relevant lender, records the revenue and pays over a substantial portion, recorded as a cost, to the relevant panel firm.

Total income. Total income (net of panel survey costs) increased £2.1 million, or 4%, from £48.2 million in 2011 to £50.3 million in 2012. This increase was due to the Group's focus on efficiency covering productivity of both the in-house and consultant workforce, which resulted in a 3.8% increase in the number of jobs. The increase in total income was also due to new contract wins in 2012, including Tesco and the Co-op Group.

Operating costs. Operating costs increased £0.5 million, or 1%, from £39.6 million in 2011 to £40.1 million in 2012.

The following table sets forth the components of operating costs of the Surveying Division during the periods indicated.

	2011	2012
	(£ in millions)	
Employee benefit costs	23.1	23.9
Staff related costs(1)	5.2	5.3
Telephony, printing, postage and stationery(2)	0.7	0.6
IT costs(3)	3.2	2.8
General costs(4)	5.2	5.4
Establishment costs(5)	1.0	0.8
Total	**38.4**	**38.8**

(1) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.
(2) Telephony, printing, postage and stationery costs also include the costs of photocopiers.
(3) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.
(4) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.
(5) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

Employee benefit costs increased £0.8 million from £23.1 million in 2011 to £23.9 million in 2012. This increase was primarily due to an increase in incentive commissions. Partially offsetting this increase, telephony, printing, postage and stationery costs decreased by £0.1 million and IT costs decreased by £0.4 million due to the impact of centralisation of local operations into the National Operations Centre.

Depreciation and amortisation. Depreciation and amortisation expenses decreased £2.0 million, or 83%, from £2.4 million in 2011 to £0.4 million in 2012. This decrease was primarily due to in-house computer software recognised as an intangible asset in 2007 being fully amortised at the end of 2011. The amortisation in 2011 was £1.8 million.

Exceptional costs. Exceptional costs increased £7.5 million, or 68%, from £11.1 million in 2011 to £18.6 million in 2012. This increase was due to a higher charge for professional indemnity claims being recognised in 2012.

Operating loss. As a result of the foregoing factors, operating loss of the Surveying Division increased £3.9 million, or 80%, from £4.9 million in 2011 to £8.8 million in 2012.

Conveyancing Division

	2011	2012
	(£ in millions)	
Total income	22.8	26.0
Revenue	22.3	24.8
Other income	0.5	1.2
Operating costs	(15.1)	(18.0)
EBITDA before exceptional items	7.7	8.0
Depreciation and amortisation	(0.3)	(0.3)
Operating profit	7.4	7.7
Operational data:	(unaudited)	
Total completions	30,604	59,180
Average fee per completion	£729	£419
Average monthly headcount	296	362

Total income. Total income increased £3.2 million, or 14%, from £22.8 million in 2011 to £26.0 million in 2012. This increase was primarily due to the HSBC contract, which became effective in January 2012. The volume throughput of this higher volume but low margin contract was reflected in the Group's completion volumes, which increased 93% from 30,604 completions in 2011 to 59,180 completions in 2012. The majority of HSBC-referred work in 2012 related to separate legal representation cases, which accounted for 25% of the division's overall completions by volume (but which carry a lower average fee than transactional cases). This increase in activity also increased interest income on client deposits by £0.2 million or 76%. This increase was partially offset by a decrease in the average fee per completion from £729 in 2011 to £419 in 2012 as the mix of services provided changed.

Excluding the effect of the HSBC contract on total income in 2012, total income in 2012 was broadly consistent with 2011 as the market remained subdued. While the first quarter of 2012 witnessed increased volumes due to the ending of the first-time buyer's 'stamp duty holiday', the second and third quarters witnessed challenging market conditions as customers were faced with increased lead times in securing mortgage offers and some disruption with the summer sporting events. The fourth quarter of 2012 saw an improvement over the prior two quarters.

Operating costs. Operating costs increased £2.9 million, or 19%, from £15.1 million in 2011 to £18.0 million in 2012. This increase was primarily attributable to costs associated with the implementation of the HSBC contract and the setting up of new processes while transaction pipelines were developed. The associated increase in completion volumes was due to an increase in search costs.

The following table sets forth the components of operating costs of the Conveyancing Division during the periods indicated.

	2011	2012
	(£ in millions)	
Employee benefit costs	7.5	9.1
Staff related costs(1)	0.4	0.7
Direct costs(2)	2.5	2.8
Telephony, printing, postage and stationery(3)	0.7	0.8
IT costs(4)	1.0	1.1
General costs(5)	1.9	2.3
Establishment costs(6)	1.1	1.2
Total	**15.1**	**18.0**

(1) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.
(2) Direct costs comprise the cost of legal searches conducted as part of the conveyancing process.
(3) Telephony, printing, postage and stationery costs also include the costs of photocopiers.
(4) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.
(5) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.
(6) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

Employee benefit costs increased £1.6 million, or 21%, from £7.5 million in 2011 to £9.1 million in 2012. This increase was primarily due to increased headcount, from an average monthly headcount of 296 in 2011 to 362 in 2012, and was mainly related to servicing the HSBC contract.

General costs increased £0.4 million, or 21%, from £1.9 million in 2011 to £2.3 million in 2012. This increase was primarily due to an increase in search and outsourced costs brought about by HSBC contract volumes.

Depreciation and amortisation. Depreciation and amortisation charges remained constant at £0.3 million during the two periods.

Operating profit. As a result of the foregoing factors, operating profit increased £0.3 million, or 4%, from £7.4 million in 2011 to £7.7 million in 2012.

Other segments

	2011	2012
	(£ in millions)	
Total income	1.0	1.0
Operating costs	(13.1)	(14.6)
EBITDA before exceptional items	(12.1)	(13.6)
Management fee	(1.5)	(1.5)
Depreciation and amortisation	(0.9)	(1.3)
Share of profit from joint venture	0.3	0.8
Exceptional items	(0.6)	(3.1)
Operating profit/(loss)	(14.8)	(18.7)

Other segments comprise the senior management team and some central functions including online marketing and corporate business development. The operating costs for 2012 were £14.6 million and include costs not recharged to other divisions.

2011 compared with 2010

Group Results

Revenue

Revenue increased £30.9 million, or 7%, from £468.0 million in 2010 to £498.9 million in 2011. This increase was primarily due to the inclusion of revenue from Hamptons International (which the Group acquired with effect from 1 June 2010) for the full year in 2011 compared with only the last seven months in 2010. This increase was also due to increased revenue from the Lettings, Financial Services, Surveying and Conveyancing Divisions, and was partially offset by a decrease in revenue from the Estate Agency Division.

Other income

Other income increased £0.3 million, or 3%, from £9.9 million in 2010 to £10.2 million in 2011. This increase was due to an increase in rents receivable and other operating income.

Total income

As a result of the foregoing, the Group's total income increased £31.2 million, or 7%, from £477.9 million in 2010 to £509.1 million in 2011.

The following table sets forth the contribution of each of the divisions to the Group's total income(1) for the periods indicated.

	2010	2011
	(£ in millions)	
Estate Agency	232.2	215.4
Lettings	73.6	81.3
Hamptons International	40.0	66.1
Financial Services	57.2	62.1
Surveying	52.6	60.4
Conveyancing	21.6	22.8
Other segments	0.8	1.0
Total	**477.9**	**509.1**

(1) Total income means "total income from external customers" for purposes of segment reporting, which excludes inter-segment Group income (reflecting introduction fees paid by the Conveyancing Division to the Estate Agency and Lettings Divisions, which are eliminated on consolidation). See note (r) of section B of Part XIII (*Financial Information*).

The contribution of the Estate Agency Division, which contributes the largest proportion of the Group's total income, decreased from 2010 to 2011 primarily due to a decline in housing market transactions, which resulted in fewer house exchanges, combined with intense pressure on fees from competitors. An additional contributing factor was the cessation of revenue from Home Information Packs in 2011, which lowered revenue by £2.8 million compared to 2010.

Employee benefit costs

Employee benefit costs increased £12.5 million, or 5%, from £270.5 million in 2010 to £283.0 million in 2011. This increase was primarily due to an increase in wages and salaries (from £238.7 million in 2010 to £250.4 million in 2011), and NICs and similar taxes (from £25.9 million in 2010 to £27.3 million in 2011), as a result of the inclusion of employee benefit costs of Hamptons International for the full year in 2011 compared to only the last seven months in 2010, as well as an increase in the average monthly number of people employed in Hamptons International (from 668 in 2010 to 713 in 2011) and the Lettings Division (from 1,289 in 2010 to 1,409 in 2011).

Depreciation on property, plant and equipment and amortisation on purchased computer software

Depreciation and amortisation charges on computer software increased by £0.3 million, or 3%, from £9.3 million in 2010 to £9.6 million in 2011 due to the acceleration of depreciation of in-house developed computer software.

Other operating costs

Other operating costs increased £13.6 million, or 9%, from £157.5 million in 2010 to £171.1 million in 2011. This increase was primarily due to the impact of the inclusion of expenses of Hamptons International for the full year in 2011 compared to only the last seven months in 2010.

Share of profit post tax from joint venture

The Group's share of post-tax profit from TM Group remained constant at £0.3 million during the two periods.

Amortisation of intangible assets recognised through business combinations

Amortisation charges on intangible assets decreased £3.8 million, or 28%, from £13.3 million in 2010 to £9.4 million in 2011. This decrease was due to the amortisation in 2010 of the entire value of the pipeline of houses under offer acquired with Hamptons International. Excluding the effect of the amortisation in respect of the houses under offer acquired with Hamptons International, depreciation and amortisation charges would have remained constant during the two periods.

Exceptional items

Expenses relating to exceptional items decreased £2.5 million, or 13%, from £19.0 million in 2010 to £16.5 million in 2011.

Expenses relating to redundancies increased £1.5 million, or 48%, from £3.1 million in 2010 to £4.6 million in 2011 due to an increase in staff reorganisations, for example, relocating staff to a National Operations Centre in the Surveying Division and removing layers of management in the Estate Agency Division.

Property provisions increased £1.0 million, or 83%, from £1.2 million in 2010 to £2.2 million in 2011 due to closure of regional offices as part of the centralisation to the National Operations Centre.

As noted above, like other participants in the industry, the Group continued, during 2010 and 2011, to experience professional indemnity insurance claims in its Surveying Division arising from the surveys performed between 2004 and 2007. The Group established an estimate of these exceptional losses at the end of 2010 and further data and trends resulted in an exceptional charge of £9.4 million in 2011 (compared with £11.9 million in 2010).

Acquisition expenses decreased to £0.3 million in 2011 compared with £1.3 million in 2010, which included the expenses related to the Hamptons International acquisition.

Finance costs

Finance costs increased £3.9 million, or 16%, from £23.8 million in 2010 to £27.7 million in 2011. This increase was primarily due to a £2.5 million increase related to a full year's interest charge in respect of the £75 million of additional Senior Secured Notes issued in April 2010 under the Senior Secured Indenture. The increase in finance costs was partially offset by a decrease in the interest expense arising from the DB Scheme.

Finance income

Finance income decreased £1.2 million, or 60%, from £2.0 million in 2010 to £0.8 million in 2011. This decrease was due to a decrease in average cash balances (£64.3 million in 2011 compared with £97.6 million in 2010) and a decrease in the average rate of interest earned. Although interest rates remained low throughout 2011 the proportion of cash not required for intra-month working capital movements also decreased, which in turn affected the proportion of cash that could be placed on deposit at higher rates.

Taxation

In 2011, the Group recognised a tax credit of £4.7 million against a loss before taxation of £7.3 million, resulting in an effective tax rate of 63%. There was a non-material amount of corporation tax payable on the Group's results for 2011, and the remaining movements were in deferred tax. The reduction in the corporation tax rate in the UK from 28% to 26% created a deferred tax credit of £1.8 million for 2011. After taking this deferred tax credit into effect, together with £0.3 million in corporation tax credits in respect of 2010, the effective tax rate in 2011 for the Group would have been 34.2%.

In 2010, the Group recognised a tax credit of £4.8 million against a loss before taxation of £13.0 million, resulting in an effective tax rate of 36.5%. The effective tax rate was higher than the overall UK corporation tax rate primarily due to the reduction of the corporation tax rate in 2011 from 28% to 26%, which in turn reduced the Group's deferred tax liabilities by £1.5 million. Offsetting the decrease in the deferred tax liabilities, in 2010 the Group recognised a £1.2 million potential corporation tax liability in respect of a dispute with HMRC. Overseas losses, acquisition costs expensed and disallowed restructuring costs reduced the tax credit by £1.0 million. After taking these items into account, the effective tax rate for 2010 would have been 31.5%.

Loss for the year

As a result of the foregoing factors, loss for the year decreased £5.7 million, or 69%, from £8.3 million in 2010 to £2.6 million in 2011.

EBITDA before exceptionals

EBITDA before exceptionals increased £4.9 million, or 10%, from £51.5 million in 2010 to £56.4 million in 2011.

The following table provides a reconciliation of EBITDA before exceptionals to loss/profit for the year.

	2010	2011
	(£ in millions)	
Loss for the year	(8.3)	(2.6)
Finance income	(2.0)	(0.8)
Share of profit post tax from joint venture	(0.4)	(0.3)
Depreciation and amortisation	22.6	19.1
Management fee(1)	1.5	1.5
Finance costs	23.8	27.7
Taxation	(4.8)	(4.7)
EBITDA(2)	32.5	39.9
Exceptional items	19.0	16.5
EBITDA before exceptionals(2)	51.5	56.4

(1) Represents fees paid by the Group to two of its Shareholders. See "**Related Party Transactions**". Upon Admission, these fees will no longer be payable.

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

Segment results

The results of each of the Group's segments are presented below. As noted above, total income means "total income from external customers" for purposes of segment reporting, which excludes inter-segment Group income (reflecting introduction fees paid by the Conveyancing Division to the Estate Agency and Lettings Divisions, which are eliminated on consolidation). See note 4 of section B of Part XIII (*Financial Information*).

Estate Agency Division

	2010	2011
	(£ in millions)	
Total income	232.2	215.4
Revenue	230.6	213.8
Other income	1.6	1.5
Operating costs	(212.5)	(202.2)
EBITDA before exceptional items	19.7	13.2
Depreciation and amortisation	(3.8)	(4.2)
Operating profit before exceptional costs	15.9	9.0
Exceptional costs	(0.9)	(2.2)
Operating profit	15.0	6.8
Operational data:	*(unaudited)*	
Number of branches	880	861
Average monthly headcount	4,011	3,877
Home sales exchanged	58,984	56,108
Average home price	£200,558	£197,565
Average blended commission	1.93%	1.88%

Total income. Total income from the Estate Agency Division decreased £16.8 million, or 7%, from £232.2 million in 2010 to £215.4 million in 2011. This decrease was primarily the result of a challenging housing market, which resulted in a decrease in the number of transactions and average prices. The decrease was also due to a decrease in commissions earned on sales of remarketed residential properties repossessed by mortgage lenders and the full-year impact of the abolition of Home Information Packs in May 2010. This decrease was partially offset by the Group's introduction in certain parts of the UK of upfront marketing fees payable by clients.

The Land Registry for England and Wales and Registers of Scotland data showed a decline in housing transactions of approximately 1% (from 730,565 in 2010 to 723,503 in 2011) in 2011, making 2011 the second worst year for the housing market based on number of transactions since 2007. The number of house sales exchanged by the Estate Agency Division broadly reflected this trend, decreasing 4.9% from 58,984 in 2010 to 56,108 in 2011.

The difficult market conditions resulted in more intense price competition for listings. In addition, the Estate Agency Division's average house price on sale decreased by 1.5% to £197,565 in 2011.

A decrease in the number of repossessions processed by the Group reduced income in 2011 compared to 2010. The decrease in the volume of repossessions was largely attributable to the sale of Halifax Estate Agency Limited to the Group's competitor, LSL Property Services, in 2009. The full-year impact of the abolition of Home Information Packs in May 2010 also adversely affected income in 2011.

Operating costs. Operating costs decreased £10.3 million, or 5%, from £212.5 million in 2010 to £202.2 million in 2011.

The following table sets forth the components of operating costs of the Estate Agency Division during the periods indicated.

	2010	2011
	(£ in millions)	
Employee benefit costs	128.5	122.7
Direct costs(1)	6.3	3.5
Staff related costs(2)	15.1	14.5
Marketing costs(3)	16.5	16.1
Telephony, printing, postage and stationery(4)	8.9	8.2
IT costs(5)	3.0	3.1
General costs(6)	4.5	4.4
Establishment costs(7)	29.7	29.7
Total	**212.5**	**202.2**

(1) Direct costs comprise primarily panel survey fees and other services purchased that are re-invoiced to customers.
(2) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.
(3) Marketing costs include costs relating to advertising, internet portal listings, brochures, signboards and direct marketing campaigns.
(4) Telephony, printing, postage and stationery costs also include the costs of photocopiers.
(5) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.
(6) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.
(7) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

Employee benefit costs decreased £5.8 million, or 5%, from £128.5 million in 2010 to £122.7 million in 2011. This decrease was due to a 7.5% decrease in average headcount (on a full-time equivalent basis, excluding acquisitions) to 3,705, as well as a decrease in commissions (as a result of lower total income) in 2011.

Direct costs decreased £2.8 million, or 44%, from £6.3 million in 2010 to £3.5 million in 2011. This decrease was primarily due to cost-reduction initiatives (including redundancies and branch closures) and lower direct costs for HIPs products that were discontinued.

Depreciation and amortisation. Depreciation and amortisation charges increased £0.4 million, or 11%, from £3.8 million in 2010 to £4.2 million in 2011. This increase was due to amortisation of intangible assets recognised in the acquisition of Blundells.

Exceptional costs. Exceptional costs increased £1.3 million from £0.9 million in 2010 to £2.2 million in 2011. This increase was due to restructuring initiatives undertaken in 2011, including the removal of layers of management and closure of non-profitable branches.

Operating profit. As a result of the foregoing factors, operating profit of the Estate Agency Division decreased £8.2 million, or 55%, from £15.0 million in 2010 to £6.8 million in 2011.

Lettings Division

	2010	2011
	(£ in millions)	
Total income	73.6	81.3
Revenue	70.2	78.0
Other income	3.4	3.3
Operating costs	(59.3)	(66.0)
EBITDA before exceptional items	14.3	15.3
Depreciation and amortisation	(3.6)	(1.8)
Operating profit before exceptional costs	10.7	13.5
Exceptional costs	(0.4)	(1.0)
Operating profit	10.3	12.5

	2010	2011
Operational data:	*(unaudited)*	
Average monthly headcount	1,289	1,409
Average number of branches	195	259
Average properties managed	30,486	32,787
Annual income per property	£2,414	£2,478

Total income. Total income from the Lettings Division increased £7.7 million, or 11%, from £73.6 million in 2010 to £81.3 million in 2011. This increase was primarily due to a 12% increase in the number of retail rental properties under management in 2011 compared with 2010, reflecting an increased propensity in 2011 of people to rent rather than buy houses as a result of the reduced availability of mortgage financing and higher initial deposit requirements. The increase in total income in 2011 was also due to additional revenue of £3.8 million generated by the additional lettings offices set up in 2011 and 2010 under the New Starts programme, compared with £0.4 million of additional revenue in 2010 generated by the lettings offices set up under the programme in 2010.

The increase in total income was partially offset by reduced revenue in the estate management business with fewer developments under management.

Operating costs. Operating costs increased £6.7 million, or 11%, from £59.3 million in 2010 to £66.0 million in 2011.

The following table sets forth the components of operating costs of the Lettings Division during the periods indicated.

	2010	2011
	(£ in millions)	
Employee benefit costs	36.9	41.4
Staff related costs(1)	5.3	5.5
Marketing costs(2)	2.2	1.8
Telephony, printing, postage and stationery(3)	2.3	2.3
IT costs(4)	1.7	1.8
General costs(5)	4.9	6.4
Establishment costs(6)	6.0	6.6
Total	**59.3**	**66.0**

(1) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.
(2) Marketing costs include costs relating to advertising, internet portal listings, brochures, signboards and direct marketing campaigns.
(3) Telephony, printing, postage and stationery costs also include the costs of photocopiers.
(4) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.
(5) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.
(6) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

Employee benefit costs increased £4.5 million, or 12%, from £36.9 million in 2010 to £41.4 million in 2011. This increase was primarily due to an increase in headcount as a result of the acquisition of several small lettings businesses in 2011 and new staff taken on to support the opening of new branches as part of the New Starts programme.

General costs increased £1.5 million, or 31%, from £4.9 million in 2010 to £6.4 million in 2011. This increase primarily reflected higher outsourcing costs and inventory checks of properties being sold, both of which increased due to an increase in sales.

Depreciation and amortisation. Depreciation and amortisation charges decreased £1.8 million, or 50%, from £3.6 million in 2010 to £1.8 million in 2011. This decrease was due to the Group recording catch-up acceleration of amortisation of intangible assets in 2010 in respect of certain acquisitions completed in 2009.

Exceptional costs. Exceptional costs increased £0.6 million from £0.4 million in 2010 to £1.0 million in 2011. This increase was due to the closure of premises (as part of cost-reduction and centralisation initiatives).

Operating profit. As a result of the foregoing factors, operating profit of the Lettings Division increased £2.2 million, or 21%, from £10.3 million in 2010 to £12.5 million in 2011.

__Hamptons International__

	2010(1)	2011
	(£ in millions)	
Total income	40.0	66.1
Revenue	39.5	64.2
Other income	0.5	1.9
Operating costs	(30.5)	(51.8)
EBITDA before exceptional items	9.5	14.3
Depreciation and amortisation	(6.1)	(2.4)
Operating profit before exceptional items	3.4	11.9
Exceptional costs	(1.7)	—
Operating profit	1.7	11.9
Operational data:	*(unaudited)*	
Number of branches	67	68
House sales exchanged	2,181	3,274
Average house price	£808.016	£822,438
Average blended commission	1.56%	1.59%

(1) Portion of the results recognised in the Group's 2010 income statement following the acquisition in June 2010.

Total income. Total income increased £26.1 million, or 65%, from £40.0 million in 2010 to £66.1 million in 2011. This increase was due to the recognition of a full year of total income from the Hamptons International group in 2011 compared with only seven months in 2010. This increase was due to strong demand in London for residential sales and lettings.

Operating costs. Operating costs increased £21.3 million, or 70%, from £30.5 million in 2010 to £51.8 million in 2011. This increase was due to the recognition of a full year of operating costs of the Hamptons International group in 2011 compared with only seven months in 2010.

The following table sets forth the components of operating costs of the Hamptons International Division during the periods indicated.

	2010	2011
	(£ in millions)	
Employee benefit costs	20.7	34.8
Staff related costs(1)	2.5	4.5
Marketing costs(2)	2.1	3.7
Telephony, printing, postage and stationery(3)	1.0	1.7
IT costs(4)	0.6	0.6
General costs(5)	0.4	0.7
Establishment costs(6)	3.2	5.8
Total	**30.5**	**51.8**

(1) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.

(2) Marketing costs include costs relating to advertising, internet portal listings, brochures, signboards and direct marketing campaigns.

(3) Telephony, printing, postage and stationery costs also include the costs of photocopiers.

(4) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.

(5) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.

(6) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

Employee benefit costs increased £14.1 million, or 68%, from £20.7 million in 2010 to £34.8 million in 2011. This increase was specifically driven by an increase in commissions and bonuses and higher revenue.

Depreciation and amortisation. Depreciation and amortisation charges decreased by £3.7 million from £6.1 million in 2010 to £2.4 million in 2011. This decrease was due to amortisation of pipeline recognised in the acquisition of Hamptons International in the first three months of 2010.

Exceptional costs. The Group recognised an exceptional charge of £1.7 million in 2010 in connection with the closure of Hamptons International's overseas businesses and redundancies.

Operating profit. Operating profit increased by £10.2 million from £1.7 million in 2010 to £11.9 million in 2011.

Financial Services Division

	2010	2011
	(£ in millions)	
Total income	57.2	62.1
Revenue	55.7	60.8
Other income	1.5	1.3
Operating costs	(51.5)	(52.7)
EBITDA before exceptional items	5.7	9.4
Depreciation and amortisation	(5.5)	(5.4)
Operating profit/(loss) before exceptional items	0.1	4.0
Exceptional costs	(0.4)	(1.7)
Operating profit/(loss)	(0.3)	2.3
Operational data:	*(unaudited)*	
Total mortgages arranged	37,324	53,180
Value	£4.3 billion	£7.2 billion
Mortgage sell-through	60.6%	60.8%
Life insurance policies arranged	31,387	35,333
General insurance policies arranged	36,100	38,475
Average fee per transaction	£1,504	£1,700
Average monthly headcount	1,289	974

Total income. Total income from the Financial Services Division increased £4.9 million, or 9%, from £57.2 million in 2010 to £62.1 million in 2011. This increase was primarily due to the roll out of mortgage administration fees across the business and the inclusion of revenue from the Mortgage Intelligence group, which the Group acquired in April 2011. This increase was also due to a 13% increase in the number of life insurance policies arranged and a 7% increase in the number of general insurance policies arranged, in each case as a result of cross-sales from other divisions in the Group.

Income growth from the acquisition of the Mortgage Intelligence group was not at the same rate as transaction volumes (i.e. total mortgages arranged) that were attributable to the Mortgage Intelligence group as applicable revenue recognition accounting policies recognise marginal income only.

Operating costs. Operating costs increased £1.2 million, or 2%, from £51.5 million in 2010 to £52.7 million in 2011.

The following table sets forth the components of operating costs of the Financial Services Division during the periods indicated.

	2010	2011
	(£ in millions)	
Employee benefit costs	39.2	40.0
Staff related costs(1)	5.6	5.2
Marketing costs(2)	1.2	1.0
Telephony, printing, postage and stationery(3)	0.7	0.7
IT costs(4)	2.1	2.2
General costs(5)	1.2	2.4
Establishment costs(6)	1.5	1.1
Total	**51.5**	**52.7**

(1) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.

(2) Marketing costs include costs relating to advertising, internet portal listings, brochures, signboards and direct marketing campaigns.

(3) Telephony, printing, postage and stationery costs also include the costs of photocopiers.

(4) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.

(5) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.

(6) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

Employee benefit costs increased £0.8 million, or 2%, from £39.2 million in 2010 to £40.0 million in 2011. This increase was primarily due to increased bonuses in 2011.

General costs increased £1.3 million, or 108%, from £1.2 million in 2010 to £2.5 million in 2011. This increase was primarily due to higher FSA fees and outsourcing costs for services transferred towards the end of 2010.

Depreciation and amortisation. Depreciation and amortisation charges decreased slightly from £5.5 million in 2010 to £5.4 million in 2011.

Exceptional costs. Exceptional costs increased £1.3 million from £0.4 million in 2010 to £1.7 million in 2011. This increase was due to a change in accounting methodology relating to the estimation of consultants' commissions payable.

Operating profit. As a result of the foregoing factors, operating profit of the Financial Services Division increased £2.6 million from an operating loss of £0.3 million in 2010 to an operating profit of £2.3 million in 2011.

Surveying Division

	2010	2011
	(£ in millions)	
Total income (net of panel survey costs)(1)	45.8	48.2
Revenue	45.7	48.1
Other income	0.1	0.1
Operating costs	(38.4)	(39.6)
EBITDA before exceptional items	7.4	8.6
Depreciation and amortisation	(2.1)	(2.4)
Operating profit before exceptional items	5.3	6.2
Exceptional costs	(10.1)	(11.1)
Operating profit/(loss)	(4.8)	(4.9)
Operational data:	*(unaudited)*	
Number of jobs	250,816	271,001
Average net income per job	£179	£173
Average monthly headcount	565	539

(1) Total income is net of panel survey costs paid of £12.2 million in 2011 and £6.8 million in 2010. Panel fee income and payments vary based on the volume of panel surveys arranged. The margin earned is small compared with margins on surveys performed in-house. The volumes of surveys and valuations reported exclude panel surveys arranged. As part of the Group's operational model, the Group seeks to be appointed as a panel manager, which while giving the Group control over the surveying and valuation mandates it performs also obligates the Group to refer a proportion of the mandates to other panel firms. To the extent the Group does not have the capacity to handle certain surveying and valuation mandates, it may also refer those mandates to other panel firms. In either case, for referred mandates, the Group invoices the relevant lender, records the revenue and pays over a substantial portion, recorded as a cost, to the relevant panel firm.

Total income. Total income (net of panel survey costs) for the Surveying Division increased £2.4 million, or 5%, from £45.8 million in 2010 to £48.2 million in 2011. This increase was due to the impact of new contract wins, the Group's continued focus on other routes to market via the Group's Estate Agency Division and online presence, and improved operational efficiencies and capacity. The increased productivity of the surveyor team as a result of changes in remuneration incentive schemes and improvements in working practices resulted in an 8% increase in valuations and survey instructions completed in 2011 compared to 2010.

Operating costs. Operating costs increased £1.2 million, or 3%, from £38.4 million in 2010 to £39.6 million in 2011.

The following table sets forth the components of operating costs of the Surveying Division during the periods indicated.

	2010	2011
	(£ in millions)	
Employee benefit costs	23.2	23.1
Staff related costs(1)	4.6	5.2
Telephony, printing, postage and stationery(2)	0.6	0.7
IT costs(3)	3.3	3.2
General costs(4)	4.3	5.2
Establishment costs(5)	1.5	1.0
Total	**37.5**	**38.4**

(1) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.
(2) Telephony, printing, postage and stationery costs also include the costs of photocopiers.
(3) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.
(4) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.
(5) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

Employee benefit costs decreased £0.1 million, or 1%, from £23.2 million in 2010 to £23.1 million in 2011. This increase was primarily due to an increase in incentive commissions.

Staff related costs increased £0.6 million, or 13%, from £4.6 million in 2010 to £5.2 million in 2011. This increase was primarily due to an increase in temporary staff costs arising from the outsourcing of certain functions in the preparation of survey reports. General costs increased £0.9 million, or 21%, from £4.3 million in 2010 to £5.2 million in 2011. This increase was primarily due to higher professional indemnity insurance premiums.

Depreciation and amortisation. Depreciation and amortisation expenses increased £0.3 million, or 14%, from £2.1 million in 2010 to £2.4 million in 2011. This increase was due to the writedown of computer software in 2011.

Exceptional costs. Exceptional costs increased £1.0 million, or 10%, from £10.1 million in 2010 to £11.1 million in 2011. This increase was due to a professional indemnity charge across the Group.

Operating loss. As a result of the foregoing factors, operating loss of the Surveying Division increased £0.1 million, or 2%, from £4.8 million in 2010 to £4.9 million in 2011.

Conveyancing Division

	2010	2011
	(£ in millions)	
Total income	21.6	22.8
Revenue	21.2	22.3
Other income	0.3	0.5
Operating costs	(13.1)	(15.1)
EBITDA before exceptional items	7.4	7.7
Depreciation and amortisation	(0.6)	(0.3)
Operating profit	7.9	7.4
Operational data:	*(unaudited)*	
Total completions	31,827	30,604
Average fee per completion	676	729
Average monthly headcount	306	296

Total income. Total income increased £1.2 million, or 6%, from £21.6 million in 2010 to £22.8 million in 2011. This increase reflected increased search fees (which also increased operating costs, discussed below) charged to customers. Excluding the effects of the additional search fees, total income decreased by £0.4 million in 2011 compared with 2010 due to a 4% decrease in the number of completions. Reduced opening pipelines from suppressed instruction activity in the fourth quarter of 2010 resulted in a challenging first half of 2011, although activity improved in the second half of 2011 with the seasonal market uplift.

Operating costs. Operating costs increased £2.0 million, or 15%, from £13.1 million in 2010 to £15.1 million in 2011. This increase was primarily due to increased search costs compared with 2010. The increase in operating costs was also due to further investment in the panel management operation in preparation for the launch of a panel management contract with HSBC in January 2012.

The following table sets forth the components of operating costs of the Conveyancing Division during the periods indicated.

	2010	2011
	(£ in millions)	
Employee benefit costs	7.7	7.5
Staff related costs(1)	0.3	0.4
Direct costs(2)	1.1	2.5
Telephony, printing, postage and stationery(3)	0.7	0.7
IT costs(4)	1.1	1.0
General costs(5)	1.3	1.9
Establishment costs(6)	0.9	1.1
Total	**13.1**	**15.1**

(1) Staff related costs comprise car leasing costs, motor expenses, travel and subsistence costs, staff recruitment, temporary staff and other staff benefits.
(2) Direct costs comprise the cost of legal searches conducted as part of the conveyancing process.
(3) Telephony, printing, postage and stationery costs also include the costs of photocopiers.
(4) IT costs include the costs of external services data centres, wide area network charges, computer software and hardware maintenance.
(5) General costs include legal and professional fees, outsourcing charges, professional indemnity insurance and claims charges and trade receivables impairment charges.
(6) Establishment costs comprise rent, rates, utilities, cleaning, waste management and repairs and maintenance of premises.

Employee benefit costs decreased £0.2 million, or 3%, from £7.7 million in 2010 to £7.5 million in 2011. This decrease was primarily due to decreased headcount (from an average monthly headcount of 306 in 2010 to 296 in 2011) as a result of the Group's cost saving initiatives.

Direct costs increased £1.4 million from £1.1 million in 2010 to £2.5 million in 2011. This increase was due primarily to a change in services offered to clients. From mid-2010, the conveyancing business procured and re-charged clients for searches and other direct conveyancing costs, therefore incurring additional direct costs.

Depreciation and amortisation. Depreciation and amortisation charges decreased £0.3 million, or 50%, from £0.6 million in 2010 to £0.3 million in 2011. This decrease was due to decreased software and hardware amortisation charges.

Operating profit. Operating profit decreased £0.5 million, or 6%, from £7.9 million in 2010 to £7.4 million in 2011. Despite a 4% decrease in completions, operating profit was protected to a substantial degree by maintaining the in-house pipeline and completion volumes and by reducing volumes of instructions sent to the panel network.

Other segments

	2010	2011
	(£ in millions)	
Total income	0.8	1.0
Operating costs	(14.3)	(13.1)
EBITDA before exceptional items	(13.5)	(12.1)
Management fee	(1.5)	(1.5)
Depreciation and amortisation	(1.0)	(0.9)
Share of profit from joint venture	0.4	0.3
Exceptional items	(5.5)	(0.6)
Operating profit/(loss)	(21.1)	(14.8)

Other segments comprise the senior management team and some central functions including online marketing and corporate business development. The operating costs for 2011 were £1.2 million lower than in 2010 owing to reduced bonus accruals of £0.6 million and other non-recurring costs recognised in 2010.

7. Liquidity and Capital Resources

Overview

During the periods under review, the principal sources of funds for the Group were cash generated from operations, amounts received from the issuance of £250 million of Senior Secured Notes (in 2009 and 2010) and borrowings under a £25 million Revolving Credit Facility (which the Group obtained in September 2011). Concurrently with this Offer, the Group expects to replace the Revolving Credit Facility with a £25 million revolving credit facility that forms part of the New Facility. The net proceeds of the Offer, together with borrowings under the term loan tranche of the New Facility, are to be applied to redeem the Senior Secured Notes (not earlier than 8 May 2013) at a redemption price of 101% of their principal amount, plus accrued and unpaid interest.

The Group's principal uses of funds are to fund working capital and interest payments in respect of the Senior Secured Notes and borrowings. The Group manages its cash on a daily basis with a view to minimising the amounts drawn down under its Revolving Credit Facility.

The Directors believe that the Group is strongly cash generative with low levels of operating capital requirements. The Directors also believe that the Group requires a low level of capital expenditure in order to support its planned strategy. The Directors believe that the Group's acquisition activities are inherently flexible and may easily be forgone to preserve working capital and liquidity should that become necessary.

The Company 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.

Cash Flow

The following table sets forth information relating to the Group's consolidated cash flows for the periods under review.

	2010	2011	2012
		(£ in millions)	
Consolidated Cash Flow Statement Data:			
Cash and cash equivalents at the beginning of the year	100.1	58.9	60.6
Net cash inflow from operating activities	2.2	24.1	4.6
Net cash outflow from investing activities	(89.6)	(21.7)	(19.0)
Net cash inflow/(outflow) in financing activities	46.2	(0.7)	0.4
Cash and cash equivalents at the end of the year	58.9	60.6	46.5
Net increase/(decrease) in cash and cash equivalents	(41.2)	1.7	(14.1)

Cash Flow from Operating Activities

Net cash inflow from operating activities decreased by £19.5 million from £24.1 million in 2011 to £4.6 million in 2012. This decrease was primarily due to decreased cash generated from operations (from £50.4 million in 2011 to £31.1 million in 2012) primarily as a result of a decrease in trade and other payables of £9.1 million in 2012 compared to an increase in trade and other payables of £9.7 million in 2011, an increase in trade and other receivables of £0.8 million in 2012 compared to a decrease of £6.2 million in 2011 and the increase in provisions of £16.4 million compared to a decrease of £3.8 million in 2011.

Net cash inflow from operating activities increased by £21.9 million from £2.2 million in 2010 to £24.1 million in 2011. This increase was primarily due to increased cash generated from operations (from £27.5 million in 2010 to £50.4 million in 2011) as a result of an increase in trade and other payables of £9.7 million in 2011 compared to a decrease in trade and other payables of £10.7 million in 2010 due to the receipt of £10 million in deferred income from a counterparty (which amortises over a period of three years). The increase was also due to lower taxes paid in 2011 compared with 2010 (£0.5 million compared with £2.9 million).

Cash Flow from Investing Activities

Net cash outflow from investing activities decreased £2.7 million from £21.7 million in 2011 to £19.0 million in 2012. This decrease was primarily due to a decreased outflow on acquisitions (£16.3 million in 2011 compared to £10.1 million in 2012).

Net cash outflow from investing activities decreased £67.9 million, or 76%, from £89.6 million in 2010 to £21.7 million in 2011. This decrease was primarily due to the decreased outflow on acquisitions (£85.7 million in 2010 compared with £16.3 million in 2011).

Cash Flow from Financing Activities

Cash flow from financing activities increased by £1.1 million from an outflow of £0.7 million in 2011 to an inflow of £0.4 million in 2012. The outflow in 2011 was primarily due to financing fees paid in connection with the Revolving Credit Facility in 2011. The inflow in 2012 was due to the issuance of shares to management.

Cash flow from financing activities decreased by £46.9 million from an inflow of £46.2 million in 2010 to an outflow of £0.7 million in 2011. The inflow in 2010 was primarily due to the issuance of £75 million of Senior Secured Notes, which was partially offset by £26.0 million used by Countrywide Holdings, Ltd. to purchase its own shares.

Borrowings

As of 19 March 2013 (the latest practicable date prior to the date of this Prospectus), the Group's total borrowings were £249,846,000.

Senior Secured Notes

In 2009, Countrywide Holdings, Ltd. issued £175 million in principal amount of 10% Senior Secured Notes under the Senior Secured Indenture. In 2010, it issued a further £75 million in principal amount of Senior Secured Notes pursuant to the Senior Secured Indenture. The Senior Secured Notes are guaranteed by Countrywide Group plc and various other subsidiaries.

The Senior Secured Notes mature on 7 May 2018. Interest on the Senior Secured Notes is due semi-annually on each 1 June and 1 December. The Senior Secured Notes bear interest payable in cash (the "**cash interest**") at a rate of 10.0% per annum (the "**cash interest rate**") except for any interest period with respect to which a Negative Projected Fixed Charge Ratio Event, as defined below, has occurred. For any interest period in which a Negative Projected Fixed Charge Ratio Event has occurred, Countrywide Holdings, Ltd. may elect to pay interest on the Senior Secured Notes (i) entirely by increasing the principal amount of the Senior Secured Notes or (ii) issuing new Senior Secured Notes (in either case, "**PIK Interest**"). PIK Interest will accrue at 12.0% per annum.

The Senior Secured Notes are secured on a first-priority basis by all of the equity interests held by Countrywide Holdings, Ltd. and substantially all of the assets that are owned by Countrywide Holdings, Ltd. and the guarantors of the Senior Secured Notes.

Countrywide Holdings, Ltd. may redeem some or all of the Senior Secured Notes at the redemption prices set forth below if redeemed during the 12-month period commencing on 8 May of the years set forth below.

Period	Redemption Price
2012	102.000%
2013	101.000%
2014 and thereafter	100.000%

The Senior Secured Indenture restricts the manner in which the Group's business is conducted, including the incurrence of additional indebtedness, the making of investments, the payment of dividends or the making of other distributions, entering into certain affiliate transactions and the sale of assets. In addition, the Senior Secured Indenture provides that if the Group experiences an event treated as a 'change of control', Countrywide Holdings, Ltd. would be required to offer to repurchase the Senior Secured Notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to the date of the purchase.

The net proceeds of the Offer, together with drawings under the term loan tranche of the New Facility, are to be applied to redeem the Senior Secured Notes (not earlier than 8 May 2013) at a redemption price of 101% of their principal amount, plus accrued and unpaid interest.

Revolving Credit Facility

On 20 September 2011, certain members of the Group and two banking institutions entered into the £25 million Revolving Credit Facility pursuant to which each of the banking institutions made Revolving Credit Facility commitments of £12.5 million available to the Group. The obligations of the borrowers under the Revolving Credit Facility are secured against the assets of the Group but that security is subordinated to the security that secures Countrywide Holdings, Ltd.'s obligations under the Senior Secured Notes. As at 19 March 2013 (the latest practicable date prior to the date of this Prospectus), £8.1 million of the Revolving Credit Facility was being utilised by way of letters of credit. Of that amount, £2.0 million expires on 25 May 2013, £2.0 million expires on 13 December 2013 and £4.1 million expires on 2 January 2014.

The Revolving Credit Facility contains covenants that are substantially similar to those in the Senior Secured Indenture.

The Group will repay any amounts outstanding under the Revolving Credit Facility (and cancel the Revolving Credit Facility) by or immediately following the first utilisation of the New Facility.

Unsecured loan notes

The Group assumed the unsecured loan notes with an outstanding aggregate amount of £1 million when it purchased Mortgage Intelligence. The loan notes are repayable in 2029 and do not bear interest.

New Facility

On 20 March 2013, the Company and Countrywide Group plc (as "**Borrowers**") and various members of the Group (the "**Facility Guarantors**") entered into the £100 million New Facility with a syndicate of banking institutions, pursuant to which those banking institutions have made a £75 million term loan facility and a £25 million revolving credit facility available to the Group.

The first utilisation under the New Facility is subject to conditions precedent, including evidence that (i) the Offer has completed and has raised at least £190 million in gross proceeds, (ii) the Revolving Credit Facility has been, or will be repaid in full and cancelled by or immediately following the date of such utilisation and (iii) the Senior Secured Notes have been, or will be, redeemed and cancelled in full before or within two business days following the date of such utilisation. Therefore, as at 19 March 2013 (the latest practicable date prior to the date of this Prospectus), the New Facility was undrawn. The term loan tranche of the New Facility is available for drawing until 18 July 2013 and the revolving credit facility is available for drawing until 20 February 2017. Drawings under the term loan tranche of the New Facility are repayable by instalments on 20 March in each year, beginning on 20 March 2014. Unless prepaid by the Company in accordance with the terms of the New Facility, the term loan tranche of the New Facility will be repayable in instalments as follows:

Date	Instalment
20 March 2014	£ 5,000,000
20 March 2015	£10,000,000
20 March 2016	£15,000,000
20 March 2017	£45,000,000

The obligations of the Borrowers under the New Facility are unsecured. The lenders have the benefit of guarantees from the Facility Guarantors. The Facility Guarantors must comprise 90% of consolidated gross assets, consolidated revenue and consolidated EBITDA of the Group (excluding FSA regulated subsidiaries) at all times. Each material company of the Group (other than FSA regulated subsidiaries) must become a Facility Guarantor. (A material company is one that has gross assets, revenues or EBITDA constituting 5% or greater of the consolidated gross assets, revenues or EBITDA of the Group.)

The New Facility restricts the manner in which the Group's business is conducted, including the incurrence of additional indebtedness, creation of security, restriction on disposals and restriction on large acquisitions. The New Facility also contains financial covenants, requiring that the ratio of total net debt to EBITDA (before taking into account exceptional items) does not exceed 2.5:1 and that the ratio of EBITDA (before taking into account exceptional items) to total net cash interest payable is at least 5:1, each as tested semi-annually on 30 June and 31 December of each year. The New Facility contains customary conditions precedent, representations, covenants, events of default (including an event of default if a material adverse event occurs) and prepayment events. The New Facility also provides that if the Group experiences an event treated as a 'change of control,' any lender under the New Facility may cancel its commitments and require the repayment of its participations in all outstanding utilisations (the Offer and the related restructuring does not constitute such a change of control).

Capital expenditure

The Group's capital expenditures consist of leasehold improvements, furniture and equipment, and computer software. Acquisitions are not recognised as part of capital expenditures. For costs related to acquisitions during the periods under review, see Part XII (*Operating and Financial Review*) "*Significant factors impacting results of Operations — Acquisitions and other strategic initiatives*".

Particularly in light of challenging market conditions, the Group seeks to control its capital expenditures. In 2012, the Group opened 15 branches of Hamptons, Sotheby's and John D Wood and, as a result, the investment in leasehold premises and furniture and equipment increased as the branches were refitted to a high specification. In 2011, the Group invested in five new branches for Hamptons International and three new branches for UK Sotheby's International Realty, each of which required a higher specification of re-fit compared with the majority of its branch network. In 2010, following two years of limited investment in the real estate network, the Group undertook some refurbishment programmes. It also opened its new corporate offices in Milton Keynes at a cost of £0.8 million.

The following table sets forth details of the Group's capital expenditure for the periods under review.

	2010	2011	2012
	(£ in millions) *(unaudited)*		
Leasehold improvements	1.6	1.0	**2.0**
Furniture and equipment	3.8	4.8	**6.3**
Computer software	1.4	1.7	**2.2**
Total	6.8	7.4	**10.5**

8. Off-balance sheet arrangements

The Group has no off-balance sheet arrangements.

9. Contractual obligations

The following table sets forth as of 31 December 2012 on a pro forma basis, giving effect to the Offer and the use of the proceeds thereof; the entering into of the New Facility and the cancellation of the Revolving Credit Facility, a summary of the Group's key contractual obligations and payments that it will be obligated to make under its financial obligations.

	Less than 1 year	1-3 years	3-5 years	After 5 years	Total
		(£ in millions)			
Contractual obligations					
Property(1)	20.3	30.4	16.1	15.2	82.0
Vehicles, plant and equipment(2)	17.9	17.5	1.1	—	36.5
Pension funding(3)	1.9	5.7	3.8	—	11.4
Obligations under New Facility(4)	8.1(5)	30.0	45.0	—	83.1
Total	48.2	83.6	65.9	15.2	213.0

(1) Reflects minimum lease payments on leasehold facilities (including branches), primarily in connection with the Group's Estate Agency and Lettings branch network.
(2) Principally reflects minimum lease payments on vehicles and IT equipment.
(3) The current pension funding plan commits the Group to contribution of £1.9 million per year until 2017.
(4) Excludes interest payments and amounts that could be drawn in the future under the £25 million revolving credit facility.
(5) Consists of amounts that are expected to be drawn under the Revolving Credit Facility tranche of the New Facility upon the repayment of amounts owed under, and the cancellation of, the Revolving Credit Facility.

The table above does not include obligations to acquire non-controlling interests in United Surveyors Limited and Capital Private Finance Limited upon exercise of put options by the holders thereof and commitments under the contract with CGI. See note 19 and note 15, respectively, of section B of Part XIII (*Financial Information*).

10. Pensions

The Group offers membership of the Scheme to eligible employees. The Scheme has two sections of membership, defined contribution and defined benefit. The defined benefit section is now closed to new entrants and future accrual.

The pensions cost for the defined contribution scheme in 2012 was £4.1 million (2011: £4.6 million; 2010: £5.3 million). The defined benefit scheme has a deficit of £6.6 million as of 31 December 2012. The Group has a funding programme to recover the deficit. During 2012, the Group paid a nil contribution to the defined benefit scheme (2011: £1.9 million; 2010: £1.9 million). Further contributions of £1.9 million will be made in each year, until 2017. See Part II (*Risk Factors*) "*The Group has funding risks relating to its pension schemes*."

The Group immediately recognises the actuarial gains and losses as shown in the consolidated statement of comprehensive income. See note 7(d) of section B of Part XIII (*Financial Information*) for further details.

11. Qualitative and quantitative disclosures on market risk

The Group's activities expose it to market risk in the form of interest rate risk.

The interest payable on the Senior Secured Notes is fixed. Interest under the Revolving Credit Facility is based on LIBOR. At 31 December 2012, £7.6 million had been drawn down under the Revolving Credit Facility. Because the expected level of interest payable, should the balance be drawn, is not material, the Group has not hedged its exposure to interest rate fluctuations.

See note 29 of section B of Part XIII (*Financial Information*), which includes a table demonstrating the sensitivity to a reasonably positive change in interest rates on the portion of liabilities exposed to the floating rates.

12. Post-balance sheet events

As at 19 March 2013 (the latest practicable date prior to the date of this Prospectus), the Group acquired three small lettings businesses for a total consideration of £3.3 million.

13. Related party transactions

During each of 2011 and 2012, the Group paid an aggregate of £1.5 million in management fees to two of its Shareholders. Upon Admission these fees will no longer be paid.

Additionally, save as disclosed in the financial information set out in the related party transaction notes to the financial statements for 2010, 2011 and 2012 contained in Part XIII (*Financial Information*), the Company has entered into no material transactions with related parties during 2010, 2011 and 2012.

For the period between 1 January 2013 and 19 March 2013, the latest practicable date prior to the publication of this Prospectus, the Group has entered into no related party transactions.

14. Critical accounting estimates

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

Management considers that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Group's consolidated financial statements.

Claims and litigation

When evaluating the impact of potential liabilities arising from claims against the Group, the Group takes legal and professional advice to assist it in arriving at its estimation of the liability taking into account the probability of the success of any claims and also the likely development of claims based on recent trends. The Group has made provision for claims received under its professional indemnity insurance arrangements. The provision can be broken down into three categories:

- 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 bordereau. Where there is insufficient information on which to assess the potential losses, the Group may set initial reserves at an initial level to cover investigative costs or nil. The Group makes further provisions for specific large claims that may be subject to litigation and the Group assesses the level of these provisions based on legal advice and the likelihood of success.
- Provision for the losses on known claims to increase. It can take 1-2 years for claims to develop after they are initially notified to the Group. For this reason, the Group creates a provision based on historical loss rates for closed claims and average losses for closed claims.
- Provision for IBNR. The Group also provides for future liabilities arising from IBNR claims for mortgage valuation reports and home buyer reports performed by the Surveying Division. The Group estimates this provision based 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, 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 Group has identified a separate sub-population of claims received that is tracked separately from the normal level of claims. Management has defined this sub-group. This sub-population has been defined as claims received since 2008 for surveys carried out between 2004 and 2007.

The estimates of these provisions by their nature are judgemental. The three key inputs, claim rate, claim liability rate and average loss, are very sensitive to small movements. A 10% increase in the claim rate could lead to a £3.4 million increase in future claims. During 2012, the rate of claims experienced was significantly higher than historical trends and this contributed to a large increase in the charge to the income statement in 2012. While the modelled rate builds on the historical trends and now predicts a 3% increase in the rate of claims for surveys in respect of the period 2004 – 2007, the Group did not consider it appropriate to increase the rate further for IFRS provisioning purpose as it believes that these surveys are reaching the end of the statute of limitation for contract claims and that the Jackson reforms in respect of legal fees should create a disincentive for certain claims.

The claim liability rate worsened during the latter part of 2012 but was not materially different to the predicted rates. Nevertheless, a 10% increase would result in future claims increasing by £2.2 million and known claims reserves increasing by £0.7 million. The Group has reviewed the claim liability rates and, as the modelled rate for future claims has increased only by 0.1% in 2012, the Group did not consider it appropriate for IFRS provisioning purposes to assume any further deterioration in the claim liability rate. There is the risk that mortgage interest rates may rise, which could lead to an increase in repossessions and potential losses being incurred by the lenders; however, since there are no macroeconomic indicators that this is a reasonable likelihood in the short term, the Group does not consider it appropriate to provide for additional claims due to macroeconomic changes.

The average loss per claim significantly increased during 2012, which severely impacted the Group's losses recorded in the year and resulted in increased provisions at 31 December 2012. A further increase in the average loss by 10% would add a further £1 million to the provisions for known claims to increase and future claims. The Group has concluded that it would be prudent to assume an increase in average settlement costs and the provision has been adjusted accordingly.

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 and contingent liabilities assumed are measured at their fair value at the acquisition date. Judgements and estimates are made in respect of the measurements of the fair values of assets and liabilities acquired and considered transferred. Where necessary, the Group engages external valuation experts to advise on fair value estimates, or otherwise performs estimates internally.

Impairment of goodwill and indefinite lived intangible assets

For the Group to determine whether goodwill and indefinite lived intangible assets are impaired it needs to estimate the value in use of the cash-generating units to which the assets have been allocated. Calculating the cash flows requires the Group to use judgements and estimates that the Group included in its strategic plans and long-range forecasts. In addition, significant judgement is required to estimate the appropriate interest rate to be used to discount the future cash flows. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins. Further details of impairment reviews are set out in note 1 of section B of Part XIII (*Financial Information*).

Post-retirement benefits

The actuarial gain or loss attributable to the movement in the deficit of the defined benefit pension scheme that is charged to the consolidated statement of comprehensive income is subject to a number of assumptions and uncertainties. The calculated liabilities of the scheme are based on assumptions regarding inflation rates, discount rates and the long-term expected return on the scheme's assets and member longevity. Details of the assumptions used are shown in note 6(c) of section B of Part XIII (*Financial Information*). Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes.

Provisions and other contingencies

Onerous contracts

When any of the Group's businesses vacate a leased property prior to the expiration of the lease, the Group makes a provision to reflect the expected lease payments that it will incur prior to the assignment or sublease of the property. Such a calculation requires a judgement as to the timing and duration of the expected vacancy periods. When making these judgements, the Group considers a number of factors, including the location and condition of the property, the terms of the lease and the current economic environment.

Property repairs

The Group occupies a significant number of leased properties across the country. These leases contain dilapidation obligations. The Group takes the advice of the in-house surveyors in assessing the level of the future obligation. When assessing the level of dilapidation required for the Group's retail properties, the Group takes into account the likelihood of exiting each property.

Clawback provisions

The Group calculates the clawback provision in respect of life insurance commissions earned. If the policy lapses within 24 months of commencement, a proportion of the commission is repayable. To determine the provision for clawback, the Group uses a model that has been developed over several years. The model is based on historical information collating clawback data in quarterly cohorts. The Group uses this data, together with latest market trends, to make a judgement as to the future clawback rates to be applied.

Options to acquire non-controlling interests

The Group recognises options to acquire non-controlling interests in the future at present value of redemption amount in trade and other payables. The assessment is the present value of the future redemption amount requires management to assess the likely future performance of the business to which the options relate.

Impairment of available-for-sale equity investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires the Group to exercise significant judgement. In exercising this judgement, the Group evaluates, among other factors, the duration and extent to which fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. If, in a subsequent period, the period fair value of a debt increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the Group reverses the impairment loss through the consolidated income statement.

Fair value of available-for-sale financial assets

The fair value of available-for-sale financial assets that are not traded on an active market, such as the shares of Zoopla received in connection with the Zoopla contract, is derived using a combination of valuation techniques and the most recent purchase price for these assets. (See note 14(c) of section B of Part XIII (*Financial Information*)).

15. Recent accounting pronouncements

See note 2(c) of section B of Part XIII (*Financial Information*).

Section A: Accountant's report on the historical financial information of the Operating Group

pwc

The Directors
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20 March 2013

Dear Sirs

Countrywide Holdings, Ltd., (the "Operating Company" and together with its subsidiaries the "Operating Group")

We report on the financial information set out in Section B of Part XIII as at and for the years ending 31 December 2010, 31 December 2011 and 31 December 2012 (the "**Operating Group Historical IFRS Financial Information**"). The Operating Group Historical IFRS Financial Information has been prepared for inclusion in the prospectus dated 20 March 2013 (the "**Prospectus**") of Countrywide plc (the "**Company**") on the basis of the accounting policies set out in note 2 of the Operating Group Historical IFRS Financial Information. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Operating Group Historical IFRS Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Operating Group Historical IFRS Financial Information gives a true and fair view, for the purposes of the Prospectus and to report our 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

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PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH T: +44 (0) 20 7583 5000, F: +44 (0) 20 7212 4652, www.pwc.co.uk 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.

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 an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion, the Operating Group Historical IFRS Financial Information gives, for the purposes of the Prospectus dated 20 March 2013, a true and fair view of the state of affairs of the Operating Company as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Section B: Operating Group historical financial information

Countrywide Holdings, Ltd.

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December 2010, 2011 and 2012

	Note	2010	2011	2012
		£'000	£'000	£'000
Revenue		468,041	498,855	**527,355**
Other income	5	9,881	10,195	**12,493**
	4	477,922	509,050	**539,848**
Employee benefit costs	6(a)	(270,464)	(283,047)	**(297,518)**
Depreciation on property, plant and equipment and amortisation on purchased computer software	14(b),15	(9,305)	(9,629)	**(8,647)**
Other operating costs	7	(157,482)	(171,136)	**(180,794)**
Share of profit from joint venture	16(b)	359	314	**774**
Group operating profit before exceptional items and amortisation of intangible assets recognised through business combinations		41,030	45,552	**53,663**
Amortisation of intangible assets recognised through business combinations	14(b)	(13,271)	(9,445)	**(7,709)**
Exceptional income	10	—	—	**7,867**
Exceptional costs	10	(18,992)	(16,547)	**(37,060)**
Group operating profit		8,767	19,560	**16,761**
Finance costs	8	(23,812)	(27,658)	**(28,531)**
Finance income	9	2,014	793	**999**
Net finance costs		(21,798)	(26,865)	**(27,532)**
Loss before taxation		(13,031)	(7,305)	**(10,771)**
Taxation	12	4,758	4,664	**7,776**
Loss for the year		(8,273)	(2,641)	**(2,995)**
Attributable to:				
Owners of the parent		(8,273)	(2,842)	**(3,417)**
Non-controlling interests		—	201	**422**
Loss attributable for the year		(8,273)	(2,641)	**(2,995)**
Earnings per share (expressed in pence per share):				
Basic loss per share	13	-5.02p	-1.79p	**-2.15p**
Diluted loss per share	13	-5.02p	-1.79p	**-2.15p**
Adjusted earnings per share	13	9.30p	10.50p	**14.54p**

The notes on pages 146 to 193 are an integral part of these consolidated financial statements.

Countrywide Holdings, Ltd.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2010, 2011 and 2012

	Note	2010 £'000	2011 £'000	2012 £'000
Loss for the year		(8,273)	(2,641)	**(2,995)**
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to the income statement				
Foreign exchange rate (losses)/gains		(30)	(15)	**16**
Change in value of available-for-sale financial assets	16(c)	—	—	**953**
Items that will not be subsequently reclassified to the income statement				
Actuarial (loss)/gain arising in the pension scheme, net of tax	6(d)	(244)	(1,912)	**103**
Total other comprehensive (loss)/income		(274)	(1,927)	**1,072**
Total comprehensive loss for the year, net of tax		(8,547)	(4,568)	**(1,923)**
Attributable to:				
Owners of the parent		(8,547)	(4,769)	**(2,345)**
Non-controlling interests		—	201	**422**
		(8,547)	(4,568)	**(1,923)**

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 12.

The notes on pages 146 to 193 are an integral part of these consolidated financial statements.

Countrywide Holdings, Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Non-controlling interests £'000	Total equity £'000
		Attributable to owners of the company						
Balance at 1 January 2010		**156,703**	**46,086**	**36,474**	**—**	**51,387**	**—**	**290,650**
Loss for the year		—	—	—	—	(8,273)	—	(8,273)
Other comprehensive loss								
Currency translation differences		—	—	—	(30)	—	—	(30)
Actuarial loss in the pension fund	6(d)	—	—	—	—	(336)	—	(336)
Deferred tax movement relating to pension	23	—	—	—	—	92	—	92
Total other comprehensive loss		—	—	—	(30)	(244)	—	(274)
Total comprehensive loss		—	—	—	(30)	(8,517)	—	(8,547)
Transactions with owners								
Issue of new shares for cash	24	3	157	—	—	—	—	160
Repurchase of shares	24	(9,059)	—	9,059	—	(26,015)	—	(26,015)
Transactions with owners		(9,056)	157	9,059	—	(26,015)	—	(25,855)
Balance at 31 December 2010		**147,647**	**46,243**	**45,533**	**(30)**	**16,855**		**256,248**
(Loss)/profit for the year		—	—	—	—	(2,842)	201	(2,641)
Other comprehensive loss								
Currency translation differences		—	—	—	(15)	—	—	(15)
Actuarial loss in the pension fund	6(d)	—	—	—	—	(2,601)	—	(2,601)
Deferred tax movement relating to pension	23	—	—	—	—	689	—	689
Total other comprehensive loss		—	—	—	(15)	(1,912)	—	(1,927)
Total comprehensive (loss)/ income		—	—	—	(15)	(4,754)	201	(4,568)
Transactions with owners								
Options to acquire non-controlling interests	19	—	—	—	—	(8,389)	—	(8,389)
Issue of new shares for cash	24	10	534	—	—	—	—	544
Cancellation of shares	24	(3)	—	3	—	—	—	—
Movement in non-controlling interests		—	—	—	—	—	37	37
Transactions with owners		7	534	3	—	(8,389)	37	(7,808)
Balance at 31 December 2011		**147,654**	**46,777**	**45,536**	**(45)**	**3,712**	**238**	**243,872**

The notes on pages 146 to 193 are an integral part of these consolidated financial statements.

Countrywide Holdings, Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

		Attributable to owners of the company						
	Note	Share capital	Share premium	Capital redemption reserve	Foreign exchange reserve	Retained earnings	Non-controlling interests	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2012		**147,654**	**46,777**	**45,536**	**(45)**	**3,712**	**238**	**243,872**
(Loss)/profit for the year		—	—	—	—	(3,417)	422	(2,995)
Other comprehensive income								
Currency translation differences		—	—	—	16	—	—	16
Movement in fair value of available-for-sale financial assets	16(c)	—	—	—	—	953	—	953
Actuarial gain in the pension fund	6(d)	—	—	—	—	137	—	137
Deferred tax movement relating to pension	23	—	—	—	—	(34)	—	(34)
Total other comprehensive income		—	—	—	16	1,056	—	1,072
Total comprehensive income/(loss)		—	—	—	16	(2,361)	422	(1,923)
Transactions with owners								
Issue of new shares for cash	24	7	502	—	—	—	—	509
Cancellation of shares	24	(4)	—	4	—	—	—	—
Dividends paid		—	—	—	—	—	(159)	(159)
Transactions with owners		3	502	4	—	—	(159)	350
Balance at 31 December 2012		147,657	47,279	45,540	(29)	1,351	501	242,299

The notes on pages 146 to 193 are an integral part of these consolidated financial statements.

Countrywide Holdings, Ltd.

CONSOLIDATED BALANCE SHEET

As at 31 December 2010, 2011 and 2012

	Note	2010	2011	2012
		£'000	£'000	£'000
Assets				
Non-current assets				
Goodwill	14(a)	333,668	344,944	**356,517**
Other intangible assets	14(b)	200,731	198,933	**193,700**
Property, plant and equipment	15	22,614	22,508	**23,596**
Investments accounted for using the equity method:				
Investments in joint venture	16(b)	2,672	2,650	**2,676**
Available-for-sale financial assets	16(c)	303	317	**14,370**
Deferred tax assets	23	15,766	16,088	**16,458**
Total non-current assets		575,754	585,440	**607,317**
Current assets				
Trade and other receivables	17	68,691	67,108	**68,178**
Cash and cash equivalents	18	58,907	60,636	**46,544**
Total current assets		127,598	127,744	**114,722**
Total assets		703,352	713,184	**722,039**

The notes on pages 146 to 193 are an integral part of these consolidated financial statements.

Countrywide Holdings, Ltd.

CONSOLIDATED BALANCE SHEET *(continued)*

As at 31 December 2010, 2011 and 2012

	Note	2010	2011	2012
		£'000	£'000	£'000
Capital and reserves attributable to the equity shareholders of the parent				
Share capital	24	147,647	147,654	**147,657**
Share premium		46,243	46,777	**47,279**
Capital redemption reserve		45,533	45,536	**45,540**
Foreign exchange reserve		(30)	(45)	**(29)**
Retained earnings		16,855	3,712	**1,351**
Equity shareholder funds		256,248	243,634	**241,798**
Non-controlling interest		—	238	**501**
Total equity		256,248	243,872	**242,299**
Non-current liabilities				
Financial liabilities – loans and borrowings	20	248,240	249,513	**249,774**
Defined benefit scheme liabilities	6(d)	5,506	6,463	**6,612**
Provisions	22	27,090	20,211	**34,366**
Deferred income	21	12,342	16,667	**16,040**
Trade and other payables	19	6,295	13,029	**10,811**
Deferred tax liabilities	23	53,641	50,489	**43,676**
Total non-current liabilities		353,114	356,372	**361,279**
Current liabilities				
Trade and other payables	19	72,579	79,849	**80,318**
Deferred income	21	3,795	9,850	**13,213**
Provisions	22	16,052	21,908	**24,222**
Current tax liabilities		1,564	1,333	**708**
Total current liabilities		93,990	112,940	**118,461**
Total liabilities		447,104	469,312	**479,740**
Total equity and liabilities		703,352	713,184	**722,039**

The notes on pages 146 to 193 are an integral part of these consolidated financial statements.

Countrywide Holdings, Ltd.

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2010, 2011 and 2012

	Note	2010 £'000	2011 £'000	2012 £'000
Cash flows from operating activities				
Loss before taxation		(13,031)	(7,305)	**(10,771)**
Adjustments for:				
Depreciation	15	6,517	6,969	**6,328**
Amortisation of intangible assets	14	16,059	12,105	**10,028**
Impairment	14	—	—	**133**
(Profit)/loss on disposal of fixed assets		(333)	(12)	**35**
Unrealised gains (exceptional income)	10	—	—	**(7,867)**
Income from joint venture	16(b)	(359)	(314)	**(774)**
Finance costs	8	23,812	27,658	**28,531**
Finance income	9	(2,014)	(793)	**(999)**
		30,651	38,308	**24,644**
Changes in working capital (excluding effects of acquisitions and disposals of Group undertakings):				
Decrease/(increase) in trade and other receivables		4,451	6,189	**(796)**
(Decrease)/increase in trade and other payables		(10,748)	9,691	**(9,092)**
Increase/(decrease) in provisions		3,123	(3,750)	**16,356**
Cash generated from operations		27,477	50,438	**31,112**
Interest paid		(22,337)	(25,791)	**(25,564)**
Tax paid		(2,918)	(552)	**(972)**
Net cash inflow from operating activities		2,222	24,095	**4,576**
Cash flows from investing activities				
Acquisitions net of cash acquired	26	(85,718)	(16,328)	**(10,078)**
Purchase of property, plant and equipment	15	(5,348)	(5,775)	**(8,353)**
Purchase of intangible assets	14(b)	(2,718)	(1,652)	**(2,177)**
Proceeds from sale of property, plant and equipment		1,895	381	**1,097**
Proceeds from sale of a subsidiary		—	500	**—**
Purchase of financial assets available-for-sale	16(c)	(303)	—	**(905)**
Dividend received from joint venture	16(b)	500	336	**748**
Interest received		2,105	886	650
Net cash outflow from investing activities		(89,587)	(21,652)	**(19,018)**
Cash flows from financing activities				
Proceeds from issue of share capital		160	544	**509**
Financing fees paid		(1,920)	(1,258)	**—**
Issue of bonds		75,000	—	**—**
Repayment of overseas loan		(1,070)	—	**—**
Purchase of own shares		(26,015)	—	**—**
Dividends paid		—	—	**(159)**
Net cash inflow/(outflow) from financing activities		46,155	(714)	**350**
Net (decrease)/increase in cash and cash equivalents		(41,210)	1,729	**(14,092)**
Cash and cash equivalents at 1 January		100,117	58,907	**60,636**
Cash and cash equivalents at 31 December		58,907	60,636	**46,544**

The notes on pages 146 to 193 are an integral part of these consolidated financial statements.

Countrywide Holdings, Ltd.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Countrywide Holdings, Ltd. (the '**Operating Company**') is a company incorporated and domiciled in the Cayman Islands. The address of the registered office is: 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands. The Operating Company is the holding company of Countrywide Group plc and its subsidiaries (collectively, the "**Operating Group**"), whose principal activity is the provision of services to the residential property market in the UK.

Corporate Reorganisation

On 21 December 2012, Countrywide Newco Ltd was incorporated and registered in England and Wales with registered number 08340090. The registered office and head office of the Company is 17 Duke Street, Chelmsford, Essex CM1 1HP, UK.

The Company was subsequently re-registered as a public limited company on 19 March 2013 with the name Countrywide plc (the "**Company**").

In preparation for effecting the Admission of the Group, the Company undertook a corporate reorganisation on 18 and 19 March 2013 (the "**Corporate Reorganisation**") involving the following steps:

- all shares in the Operating Company were transferred from its existing shareholders to the Company through a share for share exchange;
- the Company's issued shares were reclassified, subdivided and consolidated into Ordinary Shares; and
- the share capital of the Company was subject to a capital reduction.

The Company has not undertaken transactions since its incorporation other than those set out above and for matters in connection with the Admission.

2. ACCOUNTING POLICIES

(a) Basis of preparation

This historical financial information presents the financial track record of the Operating Group for the three years ended 31 December 2012 and is prepared for the inclusion in the prospectus of Countrywide plc for the purposes of admission to Premium listing on the main market operated by the London Stock Exchange. This special purpose financial information has been prepared in accordance with the requirements of item 20.1 of Annex I to the Prospectus Directive regulation, the Listing Rules, International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS.

This consolidated historical financial information is prepared in accordance with IFRS under the historical cost convention, as modified for the revaluation of certain financial instruments. The historical financial information is presented in thousands of pounds sterling ("**£**") except when otherwise indicated.

The principal accounting policies adopted in the preparation of the consolidated financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Going concern

This historical financial information relating to the Operating Group set out in this Part XIII has been prepared on the going concern basis, assuming the receipt of the IPO proceeds.

(c) New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted by the Operating Group:

IFRSs expected to be applicable, insofar as this is currently known, to the first annual financial statements of the Operating Group, which will be for the year ended 31 December 2013, have been applied. The accounting policies adopted in the presentation of the consolidated historical financial information reflect the adoption of the following new standards as of 1 January 2012:

- **IAS 1 (amendment), 'Financial statement presentation'** (effective 1 July 2012). This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The amendment does not have a material impact on the consolidated financial information.
- **IAS 12 (amendment), 'Income taxes' on deferred taxes** (effective 1 January 2013). This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The amendment does not have a material impact on the consolidated financial statements.
- **IAS 19 (revised 2011), 'Employee benefits'** (effective 1 January 2013). This amendment introduces changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The amendment did not have a material impact on the amounts of defined benefit scheme liabilities and related costs and gains/(losses) recognised in the consolidated financial statements. Additional disclosures are provided to comply with requirements of the revised standard.
- **IFRS 7 (amendment), 'Financial instruments — Disclosures' on asset and liability offsetting** (effective 1 January 2013). This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The amendment does not have a material impact on the consolidated financial information.
- **IFRS 13 'Fair value measurement'** (effective 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard did not have a material impact on the consolidated financial information.
- **Annual improvements 2011** (effective 1 January 2013). These annual improvements include changes to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. These amendments did not have material impact on the consolidated financial information.

Standards, amendments and interpretations which are not effective or early adopted by the Operating Group:

- **IAS 27 (revised 2011), 'Separate financial statements'** (effective 1 January 2014). This clarifies that the consequential amendments from IAS 27 to IAS 21 'The effect of changes in foreign exchanges rates', IAS 28 'Investments in associates', and IAS 31 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2009. The amendment is not expected to have a material impact on the consolidated financial information.
- **IAS 28 (revised 2011), 'Investments in associates and joint ventures'** (effective 1 January 2014). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The amendment is not expected to have a material impact on the consolidated financial information.
- **IAS 32 (amendment), 'Financial instruments — Presentation' on asset and liability offsetting** (effective 1 January 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Operating Group is yet to assess the impact of IAS 32 on its consolidated financial information.
- **IFRS 10 'Consolidated financial statements'** (effective 1 January 2014). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard is not expected to have a material impact on the consolidation of subsidiaries.

- **IFRS 11 'Joint arrangements'** (effective 1 January 2014). This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed. The standard is not expected to have a material impact on the consolidated financial information, as the Operating Group has historically applied the equity method to account for its joint venture interests.
- **IFRS 12 'Disclosure of interests in other entities'** (effective 1 January 2014). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Operating Group is yet to assess the impact of IFRS 12 on the consolidated financial information.
- **Amendments to IFRS 10, IFRS 11 and IFRS 12** (effective 1 January 2014). These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. These amendments are not expected to have a material impact on the consolidated financial information.
- **IFRS 9 'Financial instruments', on 'Classification and measurement'** (effective 1 January 2015). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Amortised cost accounting will also be applicable for most financial liabilities, with bifurcation of embedded derivatives. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Operating Group is yet to assess the impact of IFRS 9 on its consolidated financial information.

(d) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Operating Company. Control exists when the Operating Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Control is generally accompanied by a shareholding of more than one half of the voting rights. The financial information of subsidiaries is included in the consolidated financial information from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for acquisitions and the cost of acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date. Acquisition costs are written off to the income statement. The accounting policies of subsidiaries acquired are changed, where necessary, to ensure consistency with policies operated by the Operating Group.

The Operating Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Jointly controlled entities (Joint ventures)

A jointly controlled entity is an undertaking in which the Operating Group has a long-term interest and over which it exercises joint control. Jointly controlled entities are equity accounted, meaning that the Operating Group's share of the profits and losses of jointly controlled entities is included in the consolidated income statement and its share of net assets is included in investments in the consolidated balance sheet. When the Operating Group's share of losses exceeds its interest in a jointly controlled entity, the Operating Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Operating Group has incurred legal or constructive obligations or made payments on behalf of a jointly controlled entity. Upon consolidation of the joint entity results, accounting policies are aligned where applicable.

Transactions eliminated on consolidation

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information. Gains arising from transactions with jointly controlled entities are eliminated to the extent of the Operating Group's interest in the entity. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

(e) Foreign currency translation

The functional currency of the Operating Company is pounds sterling because that is the currency of the primary economic environment in which the Operating Group operates. The Operating Group's presentation currency is pounds sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other income' or 'other operating costs'.

Operating Group companies

The results and financial position of all the Operating Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

The following exchange rates were applied for £1 at 31 December:

	2010	2011	2012
Hong Kong Dollars	11.890	12.040	12.277
Indian Rupees	68.000	69.900	69.930
Euros	1.180	1.165	1.222
Barbadian Dollars	3.100	3.100	3.100

(f) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Operating Group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Leased assets

Leases under which the Operating Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases is recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less depreciation and any impairment.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in the other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment under finance leases is depreciated over the shorter of the useful life of the asset and lease term.

Depreciation

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 is not depreciated. The estimated useful lives are as follows:

- Freehold buildings — 50 years
- Leasehold properties and improvements — over the period of the lease
- Furniture and equipment — 3 to 5 years
- Motor vehicles — 3 to 5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(g) Intangible assets

Goodwill

Goodwill has been recognised on acquisitions of subsidiaries and joint ventures. Goodwill represents the excess of the cost of an acquisition over the fair value of the Operating Group's share of the net identifiable assets of the acquiree at the date of acquisition and the value of the non-controlling interest in the acquiree. Acquisition costs are written off to the income statement.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.

In respect of joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the associated undertakings and joint ventures.

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost arising on an acquisition is recognised in the income statement.

Other intangible assets

Intangible assets other than goodwill that are acquired by the Operating Group, principally acquired brand names, customer contracts and relationships, computer software, pipeline and other intangibles, are stated at cost less accumulated amortisation where charged, and impairment losses. Brand names are considered to have indefinite lives.

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internal costs that are incurred during the development of significant and separately identifiable computer software for use in the business are capitalised where the software is integral to the generation of future economic benefits. Internal costs that are capitalised are limited to incremental costs specific to the project.

Amortisation

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 — 3 to 5 years
- Brand names — indefinite life

  Assets are tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.
- Customer contacts and relationships — 5 to 10 years
- Pipeline (Agreed but un-exchanged house sales at date of acquisition) — 3 to 4 months
- Other intangibles — 25 years

(h) Impairment of non-financial assets

The carrying amounts of the Operating Group's non-current assets are reviewed for impairment annually or whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

In respect of goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each annual balance sheet date. The recoverable amount is the higher of fair value less costs to sell and value in use.

Impairment losses represent the amount by which the carrying value exceeds the recoverable amount; they are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Financial assets

Classification

The Operating Group classifies its financial assets as loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are recognised are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables comprise mainly cash and cash equivalents and trade and other receivables.

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date; the date on which the Operating Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Operating Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Operating Group's right to receive payments is established.

Impairment of financial assets

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Operating Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other operating costs in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

In the case of assets classified as available-for-sale the impairment losses are recognised in the consolidated income statement and arise from objective evidence that these assets have declined in value such as a significant or prolonged decline in the fair value of the security below its cost.

(j) Trade and other receivables

Trade and other receivables are stated initially at fair value and subsequently at their amortised cost less impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the Operating Group will not be able to collect all amounts due according to the original terms of the receivables.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Operating Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities.

(l) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost.

(m) Borrowings

Borrowings are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest payable while liability is outstanding.

(n) Options to acquire non-controlling interest

Options to acquire non-controlling interests in the future are initially recognised at present value of the redemption amount with a corresponding charge directly to equity. Such options are subsequently measured at present value of redemption amount in order to accrete the liability up to the amount payable under the option at the date at which it becomes exercisable. The adjustment to the recognised liability arising is recorded in the income statement and the liability is shown in accruals and other payables. The risks and rewards of ownership of the non-controlling interests remain with the sellers and therefore the non-controlling interest is recognised by the Operating Group. The put options are contractual puts at the discretion of the sellers.

(o) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

Defined benefit plans

The Operating Group's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods. That benefit is discounted to determine its present value, and the fair value of the plan assets is deducted. The discount rate is the yield at the balance sheet date of corporate bonds that have maturity dates approximating to the terms of the Operating Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

As permitted by IAS 19: Employee Benefits, actuarial gains and losses are recognised immediately in other comprehensive income. The expected return on the scheme's assets and the increase or decrease during the year in the present value of the scheme's liabilities arising from the passage of time are included in the finance costs.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Share-based payment transactions

Certain members of the management team are subscribed to the Management Incentive Plan. Under the terms of the Management Incentive Plan, the senior management are entitled to purchase C shares. The shares granted to employees under the Management Incentive Plan are treated as share based payments.

The fair value of the share-based payment award under the plan is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares.

Where the terms and conditions of the awards under the plan are modified before they vest, an additional expense is recognised for any modification that increases the total fair value of the share-based payment award, or is otherwise beneficial to the employee as measured at the date of modification.

(p) Provisions

A provision is recognised in the balance sheet when the Operating Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material and provisions are determined by discounting the expected future cash flows at a pre-tax rate, that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised in finance costs.

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(r) Revenue

Services rendered

Revenue comprises mainly commission and fees receivable. Commission earned on sales of residential and commercial property is accounted for on the exchange of contracts for such sales, because the sales are considered probable at the exchange of the contract and the amount of commission can be measured reliably. Survey, valuation and conveyancing fees are accounted for on completion of the service being provided. Commission earned on sales of insurance policies, mortgages and related products is accounted for when the policies go on risk or the mortgage is exchanged. Commissions and fees earned under lettings contracts are recognised at the point of delivery of the service.

Deferred income

Where the Operating Group receives an amount upfront in respect of future income streams, the value of the receipt is amortised over the period of the contract as the services are delivered and the unexpired element is disclosed in other liabilities as deferred revenue.

(s) Other income

Other income is recognised when its receipt is assured and the Operating 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. Dividend income is recognised when the right to receive payment is established.

(t) Operating lease payments

Payments under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

(u) Net finance costs

Finance costs

Finance costs comprise interest payable on borrowings, unwinding of discount rate on pension scheme liabilities, offset by the expected return on scheme assets, and the unwinding of the discount rates in respect of financial liabilities and provisions, premiums payable on settlement or redemption, direct issue costs, and foreign exchange losses.

Finance income

Finance income comprises interest receivable on funds invested, dividend income and foreign exchange gains. Interest income is recognised in profit or loss as it accrues using the effective interest method.

(v) Exceptional items

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

(w) Income tax

Income tax for the years presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially 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.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Operating Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the Operating Committee which has been identified as the chief operating decision maker. The Operating Committee consists of the Executive Directors and the Head of Operational Divisions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Operating Group's consolidated financial information under IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the consolidated financial information.

Accounting for acquisitions

All business combinations are accounted for under the purchase method. Under the purchase method, the identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair value at the acquisition date. Judgements and estimates are made in respect of the measurement of the fair values of assets and liabilities acquired and consideration transferred. Where necessary, the Operating Group engages external valuation experts to advise on fair value estimates, or otherwise performs estimates internally. Further details are presented in note 26.

Impairment of goodwill and indefinite lived intangible assets

Determining whether goodwill and indefinite lived intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the assets have been allocated. Calculating the cash flows requires the use of judgements and estimates that have been included in the strategic plans and long-range forecasts. In addition significant judgement is required to estimate the appropriate interest rate to be used to discount the future cash flows. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins. Further details of impairment reviews are set out in note 14.

Post-retirement benefits

The actuarial gain or loss attributable to the movement in the deficit of the defined benefit pension scheme that is charged to the consolidated statement of comprehensive income is subject to a number of assumptions and uncertainties. The calculated liabilities of the scheme are based on assumptions regarding inflation rates, discount rates and the long term expected return on the scheme's assets and member longevity. Details of the assumptions used are shown in note 6(d). Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes.

Provisions and other contingencies

Onerous contracts

When any of the Operating Group's businesses vacate a leased property prior to the expiration of the lease, a provision is established to reflect the expected lease payments that the Operating Group will incur prior to the assignment or sublease of the property. Such a calculation requires a judgement as to the timing and duration of the expected vacancy periods. When making these judgements, the Directors consider a number of factors including the location and condition of the property, the terms of the lease and current economic environment.

Property repairs

The Operating Group occupies a significant number of leased properties across the country. These leases contain dilapidation obligations. The Directors take the advice of the in-house surveyors in assessing the level of the future obligation. When assessing the level of dilapidation required for the retail properties, the likelihood of exiting each property is taken into account.

Clawback provisions

The clawback provision in respect of life insurance commissions earned is calculated using a model that has been developed over several years. The model is based on historical information collating clawback data in quarterly cohorts. The Directors use this data, together with latest market trends, to make a judgement as to the future clawback rates to be applied.

Claims and litigation

When evaluating the impact of potential liabilities arising from claims against the Operating Group, the Directors take legal and professional advice to assist them in arriving at their 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 Operating Group has made provision for claims received under its professional indemnity insurance arrangements. The provision can be broken down into three categories:

- Reserves for known claims. These losses are recommended by the Operating 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 insurance bordereaux. Where there is insufficient information on which to assess the potential losses, initial reserves may be set at an initial level to cover investigative costs or nil. Further provisions are also made for specific large claims which may be subject to litigation and the Directors assess the level of these provisions based on legal advice and the likelihood of success.
- Provision for the losses on known claims to increase. It can take 1-2 years for claims to develop from when they were initially notified. For this reason the Directors create a provision based on historical loss rates for closed claims and average losses for closed claims.
- Finally the Operating Group also provides for future liabilities arising from claims Incurred But Not Received ("**IBNR**") for mortgage valuation reports and home buyer reports performed by the Surveying Division. This provision is estimated on a future projection of historical data for all claims received based on the number of surveys undertaken to date. This projection takes into account the historical claim rate, claim liability rate and the average loss per claim. In view of the significant events in the financial markets and the UK property market in recent years, the Directors have identified a separate sub-population of claims received which is tracked separately from the normal level of claims. This sub-population has been defined as claims received since 2008 for surveys carried out between 2004 and 2007.

The estimate of these provisions by their nature are judgemental. The three-key inputs; claim rate, claim liability rate and average loss, are very sensitive to small movements. A 10% increase in the claim rate could lead to a £3.4 million increase in future claims. During 2012, the rate of claims experienced was significantly higher than historical trends and this contributed to a large increase in the charge to the Income Statement in 2012. While the modelled rate builds on the historical trends and now predicts a 3% increase in the rate of claims for surveys in 2004 – 2007, the Directors do not consider it appropriate to increase the rate further as they believe that these surveys are reaching the end of the statute of limitation and that the Jackson reforms in respect of legal fees will result in a reduction in claims.

The claim liability rate worsened during the course of 2012 but was not materially different to the predicted rates. Nevertheless, a 10% increased would result in future claims increasing by £2.2 million and known claims reserves by £0.7 million. The Directors have reviewed the claim liability rates and as the modelled rate for future claims only increased by 0.1% in 2012, they do not consider it appropriate to assume a further deterioration in the claim liability rate. There is the risk that mortgage interest rates rise and this leads to an increase in repossessions and potential losses being incurred by the lenders. But since there are no macroeconomic indicators that this is a reasonable likelihood, the Directors do not consider it appropriate to provide for additional claims due to macro-economic changes.

The average loss per claim significantly increased during 2012 and this has severely effected the Operating Group's losses recorded in the year and the resulted in increased provisions at 31 December 2012. A further increase in the average loss of 10% would add a further £1 million to the provisions for known claims to increase and future claims. The Directors have concluded that it would be prudent to assume an increase in average settlement costs and the provision has been adjusted accordingly.

Options to acquire non-controlling interests

Options to acquire non-controlling interests in the future have been recognised at present value of redemption amount in trade and other payables. The assessment is the present value of the future redemption amount requires management to assess the likely future performance of the business to which the options relate.

Impairment of available-for-sale equity investments

The Operating Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Operating Group evaluates, among other factors, the duration and extent to which fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If, in a subsequent period, the period fair value of a debt increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

Fair value available-for-sale assets

The fair value of available-for-sale financial assets which are not traded on an active market are derived using a combination of valuation techniques and the most recent purchase price for these assets. (See note 16 (c)).

4. SEGMENTAL REPORTING

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

The Operating Committee considers the business to be split into six main types of revenue-generating business (i) Estate Agency, (ii) Lettings, (iii) Financial Services, (iv) Surveying and Valuation and (v) Conveyancing and (vi) Hamptons International, and all other segments comprise central head office functions.

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

Total income from external customers arising from activities in the UK was £539,492,000 (2011: £508,780,000, 2010: £477,579,000) and arising from activities overseas £356,000 (2011: £270,000 and 2010: £343,000).

The assets and liabilities for each operating segment represent those assets and liabilities arising directly from the operating activities of each division. Pension assets and liabilities are not allocated to each operating segment. Liabilities arising from the issue of the Senior Secured Notes are not allocated to operating divisions. All inter-segment pricing is done on an arm's length basis. Non-current assets attributable to the UK of £607,261,000 (2011: £585,408,000; 2010: £575,754,000) are included in the total assets in the tables below. Non-current assets of £56,000 (2011: £32,000; 2010: £nil) are attributable to the overseas operations. The equity investment in joint venture is disclosed within other segments; £2,676,000 (2011: £2,650,000; 2010: £2,672,000).

The available-for-sale assets are disclosed within other segments; £14,370,000 (2011: £317,000; 2010: £303,000).

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

	2010							
	Estate Agency	Lettings	Financial Services	Surveying and Valuation	Conveyancing	Hamptons	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income								
Total income	234,797	73,559	58,209	52,621	21,558	40,015	829	481,588
Inter-segment revenue	(2,640)	—	(1,026)	—	—	—	—	(3,666)
Total income from external customers	232,157	73,559	57,183	52,621	21,558	40,015	829	477,922
EBITDA before exceptional items	19,697	14,307	5,654	7,418	8,459	9,474	(13,533)	51,476
Management fee	—	—	—	—	—	—	(1,500)	(1,500)
Depreciation and amortisation	(3,805)	(3,564)	(5,517)	(2,091)	(576)	(6,043)	(980)	(22,576)
Share of profit from joint venture							359	359
Exceptional costs	(870)	(413)	(438)	(10,087)	—	(1,707)	(5,477)	(18,992)
Segment operating profit/(loss)	15,022	10,330	(301)	(4,760)	7,883	1,724	(21,131)	8,767
Finance income								2,014
Finance cost								(23,812)
Loss before taxation								(13,031)
Total assets	238,864	106,478	149,580	216,966	49,101	107,733	(165,370)	703,352
Total liabilities	50,329	32,167	24,714	66,306	2,634	15,233	255,721	447,104
Additions in the year								
Goodwill	64	2,786	—	—	—	25,929	—	28,779
Intangible assets	2,356	541	50	34	30	66,564	668	70,243
Property, plant and equipment	3,036	475	86	51	30	6,943	1,221	11,842

	2011							
	Estate Agency	Lettings	Financial Services	Surveying and Valuation	Conveyancing	Hamptons	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income								
Total income	217,841	81,255	63,017	60,391	22,843	66,065	1,037	512,449
Inter-segment revenue	(2,451)	—	(948)	—	—	—	—	(3,399)
Total income from external customers	215,390	81,255	62,069	60,391	22,843	66,065	1,037	509,050
EBITDA before exceptional items	13,181	15,291	9,398	8,592	7,714	14,292	(12,101)	56,367
Management fee	—	—	—	—	—	—	(1,500)	(1,500)
Depreciation and amortisation	(4,177)	(3,372)	(5,433)	(2,361)	(337)	(2,395)	(999)	(19,074)
Share of profit from joint venture							314	314
Exceptional costs	(2,212)	(995)	(1,675)	(11,104)	—	—	(561)	(16,547)
Segment operating profit/(loss)	6,792	10,924	2,290	(4,873)	7,377	11,897	(14,847)	19,560
Finance income								793
Finance cost								(27,658)
Loss before taxation								(7,305)
Total assets	296,652	43,205	84,711	118,379	50,632	116,327	3,278	713,184
Total liabilities	42,580	16,779	31,225	30,160	2,696	10,041	335,831	469,312
Additions in the year								
Goodwill	3,466	4,139	3,145	526	—	—	—	11,276
Intangible assets	7,146	2,005	73	186	362	197	338	10,307
Property, plant and equipment	4,070	841	396	295	219	1,275	136	7,232

	2012							
	Estate Agency	Lettings	Financial Services	Surveying and Valuation	Conveyancing	Hamptons	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income								
Total income	216,738	95,806	65,697	65,408	26,048	72,590	960	543,247
Inter-segment revenue	(2,451)	—	(948)	—	—	—	—	(3,399)
Total income from external customers	214,287	95,806	64,749	65,408	26,048	72,590	960	539,848
EBITDA before exceptional items	12,799	21,733	9,806	10,200	8,022	14,043	(13,567)	63,036
Management fee	—	—	—	—	—	—	(1,500)	(1,500)
Depreciation and amortisation	(3,412)	(3,669)	(5,384)	(448)	(347)	(1,809)	(1,287)	(16,356)
Share of profit from joint venture							774	774
Exceptional income	—	—	—	—	—	—	7,867	7,867
Exceptional costs	(4,961)	(1,812)	(699)	(18,559)	—	—	(11,029)	(37,060)
Segment operating profit/(loss)	4,426	16,252	3,723	(8,807)	7,675	12,234	(18,742)	16,761
Finance income								999
Finance costs								(28,531)
Loss before taxation								(10,771)
Total assets	200,399	69,430	85,168	119,684	51,454	118,886	77,018	722,039
Total liabilities	37,816	23,947	25,894	38,483	3,030	10,700	339,870	479,740
Additions in the year								
Goodwill	329	8,690	2,131	80	—	343	—	11,573
Intangible assets	700	2,927	242	243	373	—	310	4,795
Property, plant and equipment	4,123	1,269	192	366	117	1,936	678	8,681

5. OTHER INCOME

	2010	2011	2012
	£'000	£'000	£'000
Rent receivable	1,473	1,637	**1,405**
Other operating income	8,408	8,558	**11,088**
	9,881	10,195	**12,493**

6. EMPLOYEES AND DIRECTORS

(a) Staff costs for the Operating Group during the year:

	2010	2011	2012
	£'000	£'000	£'000
Wages and salaries	238,686	250,360	**264,154**
Other long-term employee benefits	526	730	**544**
Defined contribution pension cost (note 6(d))	5,310	4,612	**4,064**
Employer's national insurance contributions and similar taxes	25,942	27,345	**28,756**
	270,464	283,047	**297,518**

Average monthly number of people (including Executive Directors) employed:

	2010	2011	2012
By reportable segment			
Estate agency	4,011	3,877	**3,889**
Hamptons	668	713	**783**
Lettings	1,289	1,409	**1,666**
Financial services	1,049	974	**1,000**
Surveying and valuation	565	539	**538**
Conveyancing	306	296	**362**
Other (Head office)	217	217	**194**
	8,105	8,025	**8,432**

(b) Key management compensation

The following table details the aggregate compensation paid in respect of the members of the Operating Committee including the Executive Directors.

	2010	2011	2012
	£'000	£'000	£'000
Wages and salaries	2,781	2,400	**2,981**
Short-term non-monetary benefits	54	30	**47**
Post-employment benefits	83	104	**104**
	2,918	2,534	**3,132**

There are no defined benefit schemes for key management. Pension costs under defined contribution schemes are included in the post-employment benefits disclosed above. The disclosures of shares granted under the long-term incentive schemes are included in note 6(c).

(c) Share-based payments

As set out in Note 24, the Operating Company invited the senior management of the Operating Group to subscribe for C shares in the Operating Company, under the terms of the Management Incentive Plan. Participants, who leave the Operating Group's employment prior to four year post subscription, are entitled to receive the cost or fair value of their investment dependent on the conditions of their departure. Under the terms of the Plan these awards are considered to be equity-settled.

Management who entered into the Plan in 2009 and early 2010 were sold shares at their fair market value at the date of grant. Therefore, the application of IFRS 2, 'Share-based Payments' gave rise to no charge to the Income Statement on the initial allocation and no requirement for annual re-measurement.

Management, who subsequently purchased shares between 2010 and 2012, subscribed at a cost of 65p per share. At the grant date the shares had a value of £1.62 per share and as such this gave rise to a charge of less than £100,000 under IFRS 2 which would be required to be spread over the vesting period, of four years.

In light of the proposed admission to Premium listing on the Main Market on the London Stock Exchange, it was agreed by the Board in February 2013 that the Management Incentive Plan arrangements will continue to apply for existing members of the plan. The value of the C shares to which the members of the plan are entitled will be crystallised by exchanging the current C shares for the new C shares of the new listed entity. As a consequence of this modification to the terms of the award, an uplift (if there is one) in the fair value of the share based payments is expected to arise in 2013. The uplift in the fair value of the awards granted will be charged to the income statement over the remaining vesting period from the date of modification, as well as the original charge.

(d) Retirement benefits

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

Defined contribution pension arrangements

The pensions cost for defined contribution schemes in the year was £4,064,000 (2011: £4,612,000 2010: £5,310,000).

Defined benefit pension arrangements

In the past the Operating Group offered a defined benefit pension arrangement, however, this was closed to new entrants in 1988 and subsequently closed to further service accrual at the end of 2003. Members of the defined benefit arrangements earned benefits are linked to final pensionable salary and service at the date of retirement or date of leaving the scheme if earlier. The average duration of the defined benefit pension scheme is 17 years.

The defined benefit pension arrangements provide pension benefits to its members based on earnings at the date of leaving the scheme. The Scheme is established and administered in the UK and ultimately overseen by the Pensions Ombudsman. The Operating Group is responsible for ensuring that the pension arrangements are adequately funded and the Directors have agreed a funding plan to bring down the deficit over the next six years. For the defined benefit scheme, the Operating Group has a funding programme to recover the deficit over the next six years. During the year the Operating Group paid £nil contribution to the defined benefit scheme (2011: £1.9 million; 2010: £1.9 million). Further contributions of £1.9 million will be made in each of the next six years. During the year which commenced on 1 January 2013, the employer is expected to pay contributions of £1,900,000.

The Operating Group's obligations under the pension arrangements are subject to inherent estimation uncertainty. While the Trustees and the Actuary assess the value of the Scheme assets, and the extent of the liabilities, they are obliged to make a number of assumptions, sensitivities to which are detailed later on. Furthermore, the Scheme assets under defined benefit pension arrangements are exposed to risks in the equities and bond markets and similarly the liabilities can fluctuate according to gilt or corporate bond rate.

The Scheme assets under defined benefit pension arrangements are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees are required to act in the best interests of the Scheme's beneficiaries and they take independent professional advice when deliberating matters relating to the Scheme.

The liabilities of the Scheme under defined benefit pension arrangements are measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit method, which is an accrued benefits valuation method.

The defined benefit liabilities set out in this note have been calculated by an independent actuary based on the results of the most recent full actuarial valuation at 5 April 2012, updated to 31 December 2012. The results of the calculations and the assumptions adopted are shown below.

The Operating Group immediately recognises the actuarial gains and losses directly in the other comprehensive income as shown in the consolidated statement of comprehensive income.

The amounts recognised in the balance sheet are as follows:

	2010	2011	2012
	£'000	£'000	£'000
Present value of funded obligations	(39,394)	(44,534)	**(44,518)**
Fair value of plan assets	33,888	38,071	**37,906**
Net liability recognised in the balance sheet	(5,506)	(6,463)	**(6,612)**

Reconciliation of Scheme assets:

	2010	2011	2012
	£'000	£'000	£'000
At 1 January	31,536	33,888	**38,071**
Expected return on Scheme assets	1,517	1,841	**1,731**
Actuarial gain/(loss)	186	1,660	**(513)**
Employer contributions	1,900	1,900	**—**
Benefits paid	(1,251)	(1,218)	**(1,383)**
At 31 December	33,888	38,071	**37,906**

The actual return on plan assets in 2012 was a gain of £1,218,000 (2011: £3,501,000, 2010: £1,703,000). This represents the combination of the expected return on Scheme assets of £1,731,000 (2011: £1,841,000, 2010: £1,517,000) and the actuarial losses arising on those assets during the year of £513,000 (2011: gain of £1,660,000, 2010: gain of £186,000).

The fair values of the major categories of Scheme assets under defined benefit arrangements are:

	2010		2011		2012	
	Quoted on the active market	Unquoted	Quoted on the active market	Unquoted	Quoted on the active market	Unquoted
	£'000	£'000	£'000	£'000	£'000	£'000
Cash	—	2,711	—	4,949	**—**	**6,065**
UK Equities	7,455	—	1,523	—	**1,516**	**—**
Overseas Equities	—	—	5,711	—	**6,444**	**—**
UK Fixed interest	3,050	—	3,046	—	**3,032**	**—**
Corporate bonds	12,539	—	14,086	—	**12,130**	**—**
Other – insured pensioners	—	8,133	—	8,756	**—**	**8,719**
	23,044	10,844	24,366	13,705	**23,123**	**14,784**

The Operating Group does neither have any of its own transferable financial instruments nor any property occupied, or other assets used held as plan assets.

Reconciliation of the defined benefit Scheme liabilities:

	2010	2011	2012
	£'000	£'000	£'000
At 1 January	37,991	39,394	**44,534**
Interest cost	2,132	2,097	**2,017**
Actuarial losses from changes in financial assumptions	1,021	4,237	**1,150**
Actuarial gains from changes in demographic assumptions	—	—	**(644)**
Changes due to experience adjustments	(499)	24	**(1,156)**
Benefits paid	(1,251)	(1,218)	**(1,383)**
At 31 December	39,394	44,534	**44,518**

The amounts recognised in the income statement are:

	2010	2011	2012
	£'000	£'000	£'000
Unwinding of discount rate on scheme liabilities	2,132	2,097	**2,017**
Expected return on scheme assets	(1,517)	(1,841)	**(1,731)**
Included within finance costs	615	256	**286**
Total charge to the income statement	615	256	**286**

The amounts recognised in the statement of comprehensive income are:

	2010	2011	2012
	£'000	£'000	£'000
Actuarial gain/(loss) on defined benefit scheme assets	186	1,660	**(513)**
Actuarial (loss)/gain on defined benefit scheme liabilities:			
Actuarial losses from changes in financial assumptions	(1,021)	(4,237)	**(1,150)**
Actuarial gain from changes in demographic assumptions	—	—	**644**
Experience adjustments	499	(24)	**1,156**
Other comprehensive income	(336)	(2,601)	**137**
Deferred tax adjustment arising on the pension scheme assets and liabilities	92	689	**(34)**
	(244)	(1,912)	**103**
Cumulative actuarial loss recognised in the statement of comprehensive income	(3,926)	(5,838)	**(5,735)**

The principal assumptions made by the actuaries were:

	2010	2011	2012
Discount rate	5.40%	4.60%	**4.40%**
Expected return on Scheme assets	5.52%	4.63%	**4.40%**
RPI inflation	3.40%	3.00%	**2.60%**
CPI inflation	2.90%	2.00%	**1.90%**
Rate of increase in pensions in payment			
Fixed	In line with Scheme Rules	In line with Scheme Rules	**In line with Scheme Rules**
LPI (max 5%) . .	3.15%	2.90%	**2.60%**
LPI (min 4%, max 5%) . . .	4.30%	4.20%	**4.10%**
Pre-retirement mortality	PC*A00 Year of Birth MC 1% pa min	PC*A00 Year of Birth MC 1% pa min	**95% of SAPS tables with CMI (2011) projections with 1.25% minimum improvement**
Post retirement mortality	PC*A00 Year of Birth MC 1% pa min	PC*A00 Year of Birth MC 1% pa min	**95% of SAPS tables with CMI (2011) projections with 1.25% minimum improvement**
Withdrawals	n/a	n/a	**n/a**
Cash commutation . . .	Nil	Nil	**20% of pension value**
Life expectancy of male aged 65 now	22.40	22.40	**22.70**
Life expectancy of male aged 65 in 20 years	24.30	24.30	**24.50**
Life expectancy of female aged 65 now	24.80	24.80	**25.00**
Life expectancy of female aged 65 in 20 years	26.70	26.70	**26.90**

To develop the expected long-term rate of return on assets assumption, the Operating Group considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target assets allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

Sensitivity analysis

The results of the calculations are sensitive to the assumptions used. The defined benefit obligation position revealed by IAS 19 calculations must be expected to be volatile, principally because the market value of assets (with a significant exposure to equities) is being compared with a liability assessment derived from corporate bond yields.

The table below illustrates the sensitivity of the IAS 19 Defined benefit obligation position to small changes in some of the assumptions. Where one assumption has been changed, all the other assumptions are kept the same as disclosed above.

	Defined benefit obligation	Change from disclosed deficit
	£'000	£'000
Defined benefit obligation	44,518	—
Discount rate less 0.25%	46,254	1,736
RPI inflation and linked assumptions plus 0.25% pa	44,741	223
Members living one year longer than assumed	46,165	1,647

7. OTHER OPERATING COSTS

	2010	2011	2012
	£'000	£'000	£'000
Rent	26,596	26,545	**26,918**
Other establishment costs	16,560	19,167	**17,429**
Marketing expenditure	22,694	23,181	**25,787**
Direct costs of sales	8,657	7,501	**7,488**
Survey panel fees	6,838	12,238	**15,120**
Vehicles, plant and equipment hire	13,291	13,103	**14,948**
Fleet and other staff related costs	22,329	24,060	**25,638**
Telephones, printing, postage and stationery	14,346	14,488	**12,946**
Repairs to premises	1,494	1,175	**880**
IT related costs	6,674	7,560	**9,252**
Trade receivables impairment	986	923	**1,840**
(Profit)/loss on disposal of plant, property and equipment	(333)	(12)	**35**
Other	17,350	21,207	**22,513**
	157,482	171,136	**180,794**

8. FINANCE COSTS

	2010	2011	2012
	£'000	£'000	£'000
Interest costs:			
Interest payable on borrowings	59	40	**122**
Interest payable on the notes	22,821	25,263	**25,515**
Interest payable on revolving credit facility	—	—	**336**
Interest arising from finance leases	18	16	**9**
Other interest paid	—	1,648	**1,000**
Cash payable interest	22,898	26,967	**26,982**
Amortisation of loan facility fee	160	332	**705**
Net interest costs arising on the pension scheme	615	256	**286**
Other finance costs	139	103	**558**
Non-cash payable interest	914	691	**1,549**
Finance costs	23,812	27,658	**28,531**

9. FINANCE INCOME

	2010	2011	2012
	£'000	£'000	£'000
Interest income	2,014	793	**999**

10. EXCEPTIONAL ITEMS

The following table provides a breakdown of the other exceptional items:

	2010	2011	2012
	£'000	£'000	£'000
Exceptional income			
Movement in value of put options	—	—	**3,252**
Deferred income amortisation arising from fair valuation of Zoopla shares crystallised upon the merger in May 2012	—	—	**4,615**
	—	—	**7,867**
Exceptional costs			
Insurance claims and litigation	11,934	9,351	**25,223**
Redundancy costs	3,117	4,641	**3,066**
Property provisions	1,169	2,227	**2,903**
Impairment of assets	802	—	**133**
Other restructuring costs	657	—	**5,358**
Total cost of restructuring	5,745	6,868	**11,460**
Acquisition expenses	1,313	328	**377**
Total exceptional costs	18,992	16,547	**37,060**
Net exceptional items	18,992	16,547	**29,193**

2010 exceptional costs

Costs of restructuring

In light of the continuing poor housing market conditions, the management team embarked on further operational restructuring plans; removing layers of management and closing non-customer facing offices. The costs of these restructurings, included in the amounts above, total £5.7 million of which £1.7 million related to Hamptons.

Acquisition expenses

The acquisition expenses incurred purchasing Hamptons and other businesses have been written off to profit and loss in accordance with the revised accounting standard: IFRS 3: Business combinations. These costs have been treated as exceptional due to their size and nature.

Insurance claims and litigation

During 2010 the Operating Group received an abnormal increase in the number of professional indemnity claims, primarily from mortgage lenders, who had been active in the sub-prime market prior to the collapse of the housing market in 2007. The Operating Group robustly defends each and every claim but reserves were set, where appropriate for these claims taking into account the information available. In addition, the volume of these claims received in 2010 impacted the estimation of potential future claims not yet notified. Consequently the Operating Group increased its overall potential liability in respect of professional indemnity claims. This, together with expenditure connected with litigation, has resulted in an overall exceptional charge of £11.9 million.

2011 exceptional costs

Costs of restructuring

Against the back drop of a reduction in market volumes and uncertainty on the timing of any significant recovery, management continued to focus on further structured cost saving initiatives. This resulted in additional restructuring including some branch closures and the acceleration of the plan to consolidate surveyors local offices into a National Operations Centre.

Insurance claims and litigation

In common with others in the industry the Operating Group continued to experience professional indemnity insurance claims in the Surveying division arising from the property market between 2004 and 2007. An estimate of these exceptional losses was established at the end of 2010 and further data and trends have resulted in an exceptional charge of £9.4 million in 2011.

2012 exceptional income

Put-options

In 2011 the Operating Group assessed the present value of the put options in respect of Capital Private Finance and United Surveyors based on the information available at the time. The present value is the amount Countrywide is expected to pay to buy out the non-controlling interest in those subsidiaries. Subsequently, these businesses have performed well, although the lack of any significant recovery in the residential property market has delayed the intended expansion plans and consequently the Put Options have been reassessed at a lower amount. In accordance with IAS 39 the reduction in value has been credited to the income statement and disclosed as exceptional income due to the size of the transaction.

Zoopla shares

In May 2012 Zoopla Limited merged with The Digital Property Group crystallising a number of warrants, which were granted to the Operating Group under a service agreement to list properties on the Zoopla website, which converted to ordinary shares. At the merger date, the Operating Group fair valued these shares were estimated at £12.2 million. The shares were consideration for services provided to Zoopla over a period of time from July 2010 to 2015 and therefore recognised as deferred income. This deferred income is being amortised to the income statement over the period from July 2010 to 2015; as a result there has been a catch up to the end of 2011 of £2.2 million and credit in respect of 2012 of £2.4 million, both of which are being recognised in 2012. The remaining deferred income will be credited to exceptional income over the next three years. Refer to note 16 (c).

2012 exceptional costs

Insurance claims and litigation

During the latter part of 2012 the Operating Group experienced substantially worsening trends in terms of Professional Indemnity (PI) claims received and losses recognised on the insurance bordereaux. As a consequence of this the Operating Group has recognised a further exceptional charge of £25.2 million. As discussed in note 3, (*'Critical Accounting Judgements and Estimates*'), the Directors base their assessment of the provision on a number of factors; legal and professional advice, historical trends of claims received and losses incurred. During 2012 the rate of claims received increased and the average loss also rose due to the closure of the more challenging disputes. The Directors noted that the claims received in 2012 were mainly from prime lenders, who until now had not reported losses. Furthermore, as the six year statute of limitations approached for surveys in 2006 and 2007, the level of claims increased as lenders sought to protect their position. The Directors have reflected the experience changes in the predictive models, taken account of potential worsening of positions in certain legal cases and increased the provision accordingly. Of the £25.2 million charge, £15.3 million relates to claims not yet received or current claims not assessed by the professional legal advisers due to lack of information.

Cost of restructuring

The management team has continued to restructure its cost base and as a result recognised a further exceptional cost of £11.5 million.

During 2012, management announced the outsourcing of its IT function to CGI. The costs to transition to CGI over the course of 18 months is expected to be £3.4 million. In addition to the transition to CGI, there are a number of transformational initiatives and investment that will be implemented during the course of 2013. The benefits of both the transition and transformation are expected to be realised from 2014.

In the Estate Agency Division, the centralisation of operations and creation of a National Administration Centre incurred redundancy and office closure costs of £1.5 million. The benefits of this strategy will be recognised in 2013 and beyond. Restructuring of the division's corporate property services operation and the removal of more layers of management increased the one off charge in 2012 by £3.3 million.

The Lettings Division has closed some branches as it consolidates its operations within the Estate Agency network in order to benefit from efficiencies and closer working ties in the future, incurring a charge of £0.8 million in 2012. The Financial Services Division restructured its Land and New Homes services and restructured some operations at a cost of £0.6 million. The Surveying Division took the opportunity to restructure its claims handling operations within its National Operations Centre as the contract with external providers expired and further senior management layers were removed; the cost of both was £0.9 million.

11. AUDITOR REMUNERATION

During the year the Operating Group (including its overseas subsidiaries) obtained the following services from the Operating Company's auditors at costs as detailed below:

	2010	2011	2012
	£'000	£'000	£'000
Fees payable to Operating Company's auditor and its associates for the audit of consolidated financial statements	121	125	**125**
Fees payable to Operating Company's auditor and its associates for other services:			
– The audit of Operating Company's subsidiaries	196	257	**206**
– Non-audit services	180	97	**7**
– Tax advisory services	10	10	**28**
– Services relating to corporate finance transactions entered into or proposed to be entered into on behalf of the Operating Company	—	—	**6**
	507	489	**372**

12. TAXATION

	2010	2011	2012
	£'000	£'000	£'000
Analysis of credit in year			
Current tax on profits for the year	1,184	74	**113**
Adjustments in respect of prior years	1,276	(303)	**(64)**
Total current tax	2,460	(229)	**49**
Deferred tax on profits for the year			
Origination and reversal of temporary differences	(3,684)	(2,612)	**(4,439)**
Impact of change in tax rate	(1,505)	(1,775)	**(3,615)**
Adjustments in respect of prior years	(2,029)	(48)	**229**
Total deferred tax (note 23)	(7,218)	(4,435)	**(7,825)**
Income tax credit	(4,758)	(4,664)	**(7,776)**
Tax on items credited to other comprehensive income			
Deferred tax adjustment arising on the pension scheme assets and liabilities	(92)	(689)	**34**

The tax charge for the year differs from the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%, 2010: 28%). The differences are explained below:

	2010	2011	2012
	£'000	£'000	£'000
Loss on ordinary activities before tax	(13,031)	(7,305)	**(10,771)**
Loss on ordinary activities multiplied by the rate of corporation tax in the UK of 24.5% (2011: 26.5%, 2010: 28%)	(3,649)	(1,936)	**(2,639)**
Effects of:			
Profits from joint venture	(101)	(83)	**(190)**
Other expenses not deductible	807	325	**964**
Depreciation not deductible	276	223	**136**
Tax relief on purchased goodwill	—	(585)	**(517)**
Utilisation of unprovided losses	(5)	(21)	**(28)**
Rate change on deferred tax provision	(1,505)	(1,775)	**(3,615)**
Income not subject to tax due to the availability of capital losses	—	(480)	**(1,927)**
Adjustments in respect of prior years	(755)	(351)	**165**
Overseas losses	174	19	**(125)**
Total taxation credit	(4,758)	(4,664)	**(7,776)**

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Operating Company's profits for the 2012 accounting period are taxed at a statutory blended rate of 24.5% and will be taxed at 23%, falling to 21% in the future.

In addition to the changes in rates of corporation tax disclosed above a further change to the UK corporation tax system was announced in the December 2012 UK Budget Statement. A reduction to the main rate is proposed to reduce the rate by 1% per annum to 21% by 1 April 2014. This further change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1% per year to 21% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the change in the tax rate to 21%, if applied to the net deferred tax balance at the balance sheet date, would be to reduce the net deferred tax liability by £2.4 million.

13. EARNINGS PER SHARE

	2010	2011	2012
	£'000	£'000	£'000
Loss for the year attributable to owners of the parent	(8,273)	(2,842)	**(3,417)**
Weighted average number of ordinary shares in issue for the basic earnings per share	164,739,332	158,507,223	**158,795,505**
There is no difference between the basic and fully diluted number of shares			
Basic earnings/(loss) per share (in pence per share)	-5.02p	-1.79p	**-2.15p**
Diluted earnings/(loss) per share (in pence per share)	-5.02p	-1.79p	**-2.15p**
Loss for the year attributable to owners of the parent	(8,273)	(2,842)	**(3,417)**
Adjusted for amortisation arising on intangibles recognised through business combinations	9,555	6,942	**5,820**
Exceptional income, net of taxation	—	—	**(7,867)**
Exceptional costs, net of taxation	14,042	12,543	**28,557**
Adjusted earnings, net of taxation	15,324	16,643	**23,093**
Adjusted earnings per share (in pence per share)	9.30p	10.50p	**14.54p**

14. INTANGIBLE ASSETS

(a) Goodwill

	2010 £'000	2011 £'000	2012 £'000
Cost			
At 1 January	722,245	751,024	**762,300**
Arising on acquisitions (note 26)	28,779	11,276	**11,573**
At 31 December	751,024	762,300	**773,873**
Accumulated impairment			
At 1 January	417,356	417,356	**417,356**
Charge for the year	—	—	**—**
At 31 December	417,356	417,356	**417,356**
Net book amount	333,668	344,944	**356,517**

Carrying amount of goodwill by operating unit	2010 £'000	2011 £'000	2012 £'000
Estate Agency	64	3,530	**3,859**
Lettings	64,057	68,196	**76,897**
Financial Services	70,634	73,779	**75,900**
Surveying and Valuation	132,285	132,811	**132,890**
Conveyancing	40,699	40,699	**40,699**
Hamptons	25,929	25,929	**26,272**
Total goodwill in subsidiary companies	333,668	344,944	**356,517**

b) Other intangible assets

	2010					
	Computer software £'000	Brand names £'000	Customer contracts and relationships £'000	Pipeline £'000	Other intangibles £'000	Total £'000
Cost						
At 1 January	41,174	122,368	81,656	—	—	245,198
Acquisitions through business combinations (note 26)	1,572	58,773	2,772	4,408	—	67,525
Additions	1,446	—	—	—	1,272	2,718
Disposals	(1,325)	—	—	—	—	(1,325)
At 31 December	42,867	181,141	84,428	4,408	1,272	314,116
Accumulated amortisation and impairment						
At 1 January	32,272	33,844	32,531	—	—	98,647
Charge for the year	4,169	—	7,440	4,408	42	16,059
On disposals	(1,321)	—	—	—	—	(1,321)
At 31 December	35,120	33,844	39,971	4,408	42	113,385
Net book amount						
At 31 December	7,747	147,297	44,457	—	1,230	200,731

	2011					
	Computer software	Brand names	Customer contracts and relationships	Pipeline	Other intangibles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January	42,867	181,141	84,428	4,408	1,272	314,116
Acquisitions through business combinations (note 26)	13	6,494	1,909	239	—	8,655
Additions	1,652	—	—	—	—	1,652
Disposals	(1,124)	—	—	—	—	(1,124)
At 31 December	43,408	187,635	86,337	4,647	1,272	323,299
Accumulated amortisation and impairment						
At 1 January	35,120	33,844	39,971	4,408	42	113,385
Charge for the year	4,500	—	7,324	239	42	12,105
On disposals	(1,124)	—	—	—	—	(1,124)
At 31 December	38,496	33,844	47,295	4,647	84	124,366
Net book amount						
At 31 December	4,912	153,791	39,042	—	1,188	198,933

	2012					
	Computer software	Brand names	Customer contracts and relationships	Pipeline	Other intangibles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January	43,408	187,635	86,337	4,647	1,272	323,299
Acquisitions through business combinations (note 26)	—	—	2,618	—	—	2,618
Additions	2,177	—	—	—	—	2,177
Disposals	(231)	—	—	—	—	(231)
At 31 December	45,354	187,635	88,955	4,647	1,272	327,863
Accumulated amortisation and impairment						
At 1 January	38,496	33,844	47,295	4,647	84	124,366
Charge for the year	2,319	—	7,657	—	52	10,028
On disposals	(231)	—	—	—	—	(231)
At 31 December	40,584	33,844	54,952	4,647	136	134,163
Net book amount						
At 31 December	4,770	153,791	34,003	—	1,136	193,700

All amortisation charges have been treated as an expense in the income statement. Brand names are treated as having an indefinite life, as a result of the fact that the Operating Group will continue to operate these brands into perpetuity and are therefore subject to annual impairment reviews.

The carrying amounts of various brand names owned by the Operating Group have been disclosed below. No amortisation has been disclosed as brands are considered to have an indefinite life and as such are tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.

Brand names	**2010**	**2011**	**2012**
	£'000	**£'000**	**£'000**
Bairstow Eves	17,173	17,173	**17,173**
John D Wood	14,464	14,464	**14,464**
Mann and Co	9,418	9,418	**9,418**
Slater Hogg and Howison	9,709	9,709	**9,709**
Taylors Estate Agents	10,071	10,071	**10,071**
Hamptons International	58,774	58,774	**58,774**
Blundell Property Services	—	6,494	**6,494**
	119,609	126,103	**126,103**
Other brands	27,688	27,688	**27,688**
	147,297	153,791	**153,791**

(c) Impairment

Goodwill and indefinite life intangible assets are allocated to cash-generating units and have been allocated to the lowest level of reporting unit. In many cases, the operations of the acquired businesses have been fully integrated with the existing businesses and therefore it is not possible to identify separately the economic flows from those businesses. In these cases the goodwill and indefinite life intangible assets have been tested against the recoverable amount of the cash-generating unit reported at the higher level.

The goodwill and indefinite life intangible assets have been allocated to cash-generating units at 31 December 2010, 2011 and 2012 as follows:

31 December 2010	**Estate Agency**	**Lettings**	**Financial Services**	**Surveying and Valuation**	**Convey-ancing**	**Hamptons**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Goodwill	64	64,057	70,634	132,285	40,699	25,929	333,668
Indefinite life intangible assets*	88,523	—	—	—	—	58,774	147,297
	88,587	64,057	70,634	132,285	40,699	84,703	480,965

31 December 2011	**Estate Agency**	**Lettings**	**Financial Services**	**Surveying and Valuation**	**Convey-ancing**	**Hamptons**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Goodwill	3,530	68,196	73,779	132,811	40,699	25,929	344,944
Indefinite life intangible assets*	95,017	—	—	—	—	58,774	153,791
	98,547	68,196	73,779	132,811	40,699	84,703	498,735

31 December 2012	**Estate Agency**	**Lettings**	**Financial Services**	**Surveying and Valuation**	**Convey-ancing**	**Hamptons**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Goodwill	**3,859**	**76,897**	**75,900**	**132,890**	**40,699**	**26,272**	**356,517**
Indefinite life intangible assets*	**95,017**	**—**	**—**	**—**	**—**	**58,774**	**153,791**
	98,876	**76,897**	**75,900**	**132,890**	**40,699**	**85,046**	**510,308**

* At 31 December 2010, 2011 and 2012, indefinite life intangible assets include brand names.

The recoverable amount of all the above operations has been calculated using the value in use calculation determined from cash flow projections from formally approved budgets and forecasts covering a five-year period to 2017 (2011: 2016; 2010: 2015). These growth rates applied in the approved budgets and forecasts are based on past experience. The discount rate used is based on the Operating Group's estimated cost of capital. To evaluate the recoverable amount of each division, a terminal value has been assumed from the fifth year and includes a growth rate in the cash flows of 1% into perpetuity (2011: 1%; 2010: 1%).

Under IAS 36 'Impairment of Assets' the Operating Group is required to review its intangible assets annually in the event of significant change in circumstances. The impairment reviews conducted at the end of 2012 concluded that there had been no further impairment of goodwill.

Under IAS 36: Impairment of Assets, the Operating Group is required to review and test its goodwill and indefinite life intangible assets annually each year or in the event of significant change in circumstances. The impairment reviews conducted at the end of 2010, 2011 and 2012 concluded there has been no impairment of goodwill and indefinite life intangible assets.

2010 impairment Review

For the impairment test performed at 31 December 2010, the value in use calculations were based on the cash flow projections from formally approved budgets and forecasts covering a five year period to 2015. To evaluate the recoverable amount of each division, a terminal value has been assumed from the fifth year.

The impairment review for 2010 was based on the following key assumptions:

- The housing transaction volumes increase by 50% over the five years. Thereafter, a growth rate of 2% has been assumed.
- The pre-tax discount rate was calculated to be 10%.
- The benefits of past restructuring changes have been taken into account where there is appropriate certainty over cost reductions.

The impairment test conducted at the end of 2010 concluded that no impairment of goodwill and indefinite life intangible assets was required.

2011 impairment review

For the impairment test performed at 31 December 2011, the value in use calculations were based on the cash flow projections from formally approved budgets and forecasts covering a five year period to 2016. To evaluate the recoverable amount of each division, a terminal value has been assumed from the fifth year.

The impairment review for 2011 was based on the following key assumptions:

- The housing transaction volumes increase by 50% over the five years, with a modest increase in housing transaction volumes in 2012 from 2011. Such assumed increase is still some 20% below long term average market transactions. Thereafter, a growth rate of 1% has been assumed.
- The pre-tax discount rate was calculated to be 9%.
- The benefits of past restructuring changes have been taken into account where there is appropriate certainty over cost reductions.

The impairment test conducted at 31 December 2011 concluded that no impairment of goodwill and indefinite life intangible assets was required.

2012 impairment review

The impairment review for 2012 was conducted by estimating the value in use of each of the cash generating units based on the following assumptions, which management believes are appropriate given the 2013 budget and forecast for future years:

- There is an 8% increase in housing transaction volumes between 2013-2015, and thereafter a growth rate of 1% has been assumed.
- The pre-tax discount rate was calculated to be 9%.
- The benefits of past restructuring changes have been taken into account where there is appropriate certainty over cost reductions.

Based on the impairment test performed at 31 December 2012, there was no impairment of goodwill and indefinite life intangible assets required.

Sensitivity analysis

The key assumption driving the value in use calculations is the growth rate of the housing transaction volumes. Therefore, as part of the sensitivity analysis, management has considered the impact of applying a nil growth rate to the volume of housing transactions in 2013 and beyond.

The results indicated that with no growth in housing transaction volumes in 2013 and beyond, the Estate Agency Division's non-current assets (goodwill and indefinite life intangible assets) would be impaired by £22.4 million and the Surveying Division's goodwill would be impaired by £20.7 million. Given the observed market trends, the Operating Group believe that this scenario is unlikely.

15. PROPERTY, PLANT AND EQUIPMENT

	2010				
	Land and building	Leasehold improvements	Motor vehicles	Furniture and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January	6,925	17,738	380	41,429	66,472
Additions at cost	—	1,557	—	3,791	5,348
Acquisition of subsidiaries (note 26)	—	3,126	—	3,368	6,494
Transfers	—	401	—	(401)	—
Disposals	(1,860)	(1,176)	(124)	(3,931)	(7,091)
At 31 December	5,065	21,646	256	44,256	71,223
Accumulated depreciation					
At 1 January	1,684	12,580	337	33,020	47,621
Charge for the period	55	1,668	16	4,778	6,517
Transfers	—	137	—	(137)	—
Disposals	(528)	(1,024)	(117)	(3,860)	(5,529)
At 31 December	1,211	13,361	236	33,801	48,609
Net book amount					
At 31 December	3,854	8,285	20	10,455	22,614

	2011				
	Land and buildings	Leasehold improvements	Motor vehicles	Furniture and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January	5,065	21,646	256	44,256	71,223
Acquisition of subsidiaries (note 26)	700	436	81	240	1,457
Additions at cost	27	993	4	4,751	5,775
Transfers	—	(192)	—	192	—
Disposals	(270)	(852)	(207)	(1,579)	(2,908)
At 31 December	5,522	22,031	134	47,860	75,547
Accumulated depreciation					
At 1 January	1,211	13,361	236	33,801	48,609
Charge for the period	45	1,761	23	5,140	6,969
Transfers	—	(65)	—	65	—
Disposals	(40)	(849)	(194)	(1,456)	(2,539)
At 31 December	1,216	14,208	65	37,550	53,039
Net book amount					
At 31 December	4,306	7,823	69	10,310	22,508

	2012				
	Land and buildings	Leasehold improvements	Motor vehicles	Furniture and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January	**5,522**	**22,031**	**134**	**47,860**	**75,547**
Acquisition of subsidiaries (note 26)	**—**	**286**	**13**	**29**	**328**
Additions at cost	**—**	**2,010**	**85**	**6,258**	**8,353**
Transfers	**—**	**(75)**	**—**	**75**	**—**
Disposals	**(1,419)**	**(427)**	**(110)**	**(3,080)**	**(5,036)**
At 31 December	**4,103**	**23,825**	**122**	**51,142**	**79,192**
Accumulated depreciation					
At 1 January	**1,216**	**14,208**	**65**	**37,550**	**53,039**
Charge for the period	**39**	**1,415**	**48**	**4,826**	**6,328**
Transfers	**—**	**(64)**	**—**	**64**	**—**
Impairment	**—**	**—**	**—**	**133**	**133**
Disposals	**(325)**	**(402)**	**(97)**	**(3,080)**	**(3,904)**
At 31 December	**930**	**15,157**	**16**	**39,493**	**55,596**
Net book amount					
At 31 December	**3,173**	**8,668**	**106**	**11,649**	**23,596**

Finance lease commitments

Under the agreements with CGI, the Operating Group has committed to a computer hardware refresh programme. The total amount of financial lease commitments is £5,989,000 paid in an annual sum of £855,555 for the next seven years. At 31 December 2012, no assets had been purchased and capitalised under this arrangement.

The net book value of assets held under finance leases for computer equipment was £518,000 (2011: £449,000; 2010: £598,000).

16. INVESTMENTS

(a) Principal subsidiary undertakings of the Operating Group

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

Principal subsidiary undertakings of the Operating Group at 31 December 2012 are presented below:

Subsidiary	Nature of business	Country of incorporation	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by the Operating Group
			%	%
Countrywide Group plc	Holding Company	UK	100	100
Balanus Limited	Holding Company	UK	—	100
Estate Agency and Lettings				
Countrywide Estate Agents	Estate Agency and Lettings	UK	—	100
Sotheby's International Realty Limited	Estate Agency	UK	—	100
Hamptons International				
Hamptons Group Limited	Holding Company	UK	—	100
Hamptons Estates Limited	Estate Agency and Lettings	Hong Kong	—	100
Surveying and Valuation				
Countrywide Surveyors Limited	Surveying and Valuation	UK	—	100
Countrywide Social Housing Limited	Surveying and Valuation	UK	—	58
United Surveyors Limited	Surveying and Valuation	UK	—	60

Subsidiary	Nature of business	Country of incorporation	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by the Operating Group
			%	%
Financial Services				
Countrywide Principal Services Limited	Financial Services	UK	—	100
Slater Hogg Mortgages Limited	Financial Services	UK	—	100
Mortgage Intelligence Limited	Financial Services	UK	—	100
Mortgage Next Limited	Financial Services	UK	—	100
Capital Private Finance Limited	Financial Services	UK	—	51
Life and Easy Limited	Financial Services	UK	—	100
Conveyance				
Countrywide Property Lawyers Limited	Conveyancing	UK	—	100
TitleAbsolute Limited	Conveyancing	UK	—	100

Summary financial information for subsidiaries that have non-controlling interests is presented below.

	Countrywide Social Housing Limited			United Surveyors Limited			Capital Private Finance Limited		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current assets	375	673	**725**	—	824	**1,210**	—	45	**118**
Non-current assets	10	7	**7**	—	10	**17**	—	10	**10**
Current liabilities	(252)	(293)	**(283)**	—	(594)	**(751)**	—	(118)	**(60)**
Net assets/(liabilities)	133	387	**449**	—	240	**476**	—	(63)	**68**
Revenues	1,011	1,017	**1,142**	—	337	**900**	—	88	**1,008**
Net profit/(loss)	133	342	**416**	—	217	**585**	—	(176)	**250**
Dividends paid	—	—	**250**	—	—	**134**	—	—	**—**

(b) Interests in jointly controlled entities

TM Group (UK) Limited

At 31 December 2012 the Operating Group had a 33.3% (2011: 33.3%, 2010: 33.3%) interest in the ordinary share capital TM Group (UK) Limited ("TMG") a UK company. TMG is one of the largest companies in the provision of searches to the property companies sector (measured by completed searches). It delivers a range of property searches and data to land and property professionals in the UK, arranges for property searches directly with specific suppliers on behalf of its own customers, and has also started to supply IT applications and products to UK mortgage lenders.

	2010	2011	2012
	£'000	£'000	£'000
At 1 January			
– Net assets excluding goodwill	1,333	1,192	**1,170**
– Goodwill	1,480	1,480	**1,480**
	2,813	2,672	**2,650**
Dividend received	(500)	(336)	**(748)**
Share of profits retained	359	314	**774**
At 31 December			
– Net assets excluding goodwill	1,192	1,170	**1,196**
– Goodwill	1,480	1,480	**1,480**
	2,672	2,650	**2,676**

The summarised financial information of TM Group (UK) Limited is presented below.

TM Group (UK) Limited

	2010 £'000	2011 £'000	**2012 £'000**
Current assets	5,412	5,226	**5,943**
Non-current assets	351	231	**264**
Current liabilities	(2,187)	(1,947)	**(2,622)**
Net assets	3,576	3,510	**3,585**
Net assets adjusted for the percentage of ownership	1,192	1,170	**1,196**
Income	32,001	33,918	**42,702**
Expenses	(30,924)	(32,976)	**(40,380)**
Post-tax results	1,077	942	**2,322**
Share of post-tax results	359	314	**774**

(c) Available-for-sale financial assets

	2010 £'000	2011 £'000	**2012 £'000**
At 1 January	—	303	**317**
Financial assets purchased for cash	322	36	**905**
Movement in fair value	—	—	**953**
Shares acquired on crystallisation of warrants	—	—	**12,217**
Amortisation	(19)	(22)	**(22)**
At 31 December	303	317	**14,370**

The Operating Group owns some Wimbledon Debentures which were acquired and amortised over the life of the debenture. The fair value of these debentures at 31 December 2012 was £53,000 (2011: £75,000; 2010: £61,000).

The Group purchased non-quoted equity instruments in Zoopla Limited in 2010 for £242,000. A further investment of £905,000 was made in 2012. In May 2012, Zoopla Limited merged with The Digital Property Group and as a result crystallised some warrants which were due under an arm's length commercial agreement. The fair value of these warrants was assessed based on the most recent price paid for shares. At the year end, the Operating Group reviewed the fair value of its investment in Zoopla in light of information available, and the fact that there is no market for these shares and they are subject to pre-exemption rights and restrictions up to 2015. Taking into account these factors the Directors concluded there had been no change in fair value that can be reliably measured.

As a result of acquiring the additional shares for a nominal price and the fact that these shares were issued to the Operating Group as part of the commercial agreement signed in 2010 to list the Operating Group's properties for sale and rent on the Zoopla website, the increase in fair value of these shares over the nominal cost has been treated as deferred income and is being released over the period of the contract. The amount released to the income statement is disclosed in note 10 and the amount held on the balance sheet as deferred income is identified in note 21.

The movement in the fair value of the assets is recorded in other comprehensive income. The table below shows how the fair value of the Operating Group's investment in Zoopla has been recorded.

	Fair value at 31 December 2012	Other comprehensive income	Deferred income
	£'000	£'000	£'000
Shares purchased for cash in 2010	392	150	—
Shares acquired on crystallisation of warrants	13,020	803	12,217
Shares purchased for cash in 2012	905	—	—
	14,317	953	12,217
Deferred income credited to exceptional income in 2012			(4,615)
Deferred income as at 31 December 2012			7,602

17. TRADE AND OTHER RECEIVABLES

	2010	2011	2012
	£'000	£'000	£'000
Amounts falling due within one year:			
Trade receivables due but not past due	33,241	34,859	**33,085**
Trade receivables past due	9,671	9,454	**10,342**
Trade receivables past due but impaired	6,141	5,320	**4,993**
Trade receivables (note 29)	49,053	49,633	**48,420**
Less: Provision for impairment of receivables	(6,141)	(5,320)	**(4,993)**
Trade receivables – net	42,912	44,313	**43,427**
Other receivables	8,507	8,524	**9,573**
Prepayments and accrued income	17,272	14,271	**15,178**
	68,691	67,108	**68,178**

Trade and other receivables are all current and any fair value difference is not material. Trade receivables are considered past due once they have passed their contracted due date. Trade receivables are reviewed for impairment if they are past due beyond 90 days for individual customers or 180 days for commercial contracts.

Trade and other receivables are denominated in pounds sterling with the exception of £237,000 (2011: £130,000; 2010: £96,000) which are receivable in Hong Kong dollars.

A summary of the movement in the provision for impairment of receivables is detailed below:

	2010	2011	2012
	£'000	£'000	£'000
As at 1 January	6,048	6,141	**5,320**
Additional provisions	986	923	**1,840**
Amounts used	(893)	(1,744)	**(2,167)**
As at 31 December	6,141	5,320	**4,993**

18. CASH AND CASH EQUIVALENTS

	2010	2011	2012
	£'000	£'000	£'000
Cash and cash equivalents			
Cash at bank and in hand	19,018	14,097	**16,044**
Short-term bank deposits	39,889	46,539	**30,500**
	58,907	60,636	**46,544**

Of the cash at bank and in hand, £1,151,000 (2011: £2,526,000; 2010: £4,891,000) is held by the insurance cell and not available for use as working capital.

Of the short-term deposits, a number were interest-bearing within the following ranges; 2012: 1.00% – 2.80% (2011: 1.95% – 3.00%; 2010: 0.85% – 2.00%).

The following amounts were held in foreign currencies:

	2010	2011	2012
	£'000	£'000	£'000
Hong Kong Dollars	—	117	**76**
Indian Rupees	12	76	**—**
Barbadian	121	121	**121**
Euro	109	—	**—**
	242	314	**197**

19. TRADE AND OTHER PAYABLES

	2010	2011	2012
	£'000	£'000	£'000
Trade payables	9,620	13,581	**15,290**
Other financial liabilities	13,392	8,389	**5,560**
Obligations under finance leases	469	406	**371**
Deferred consideration	—	—	**1,768**
Other tax and social security payable	18,651	22,336	**22,467**
Accruals and other payables	36,742	48,166	**45,673**
	78,874	92,878	**91,129**
Trade and other payables due within 1 year	72,579	79,849	**80,318**
Trade and other payables due after 1 year	6,295	13,029	**10,811**
	78,874	92,878	**91,129**

At 31 December 2012, other financial liabilities include put options of £5,560,000 (2011: £8,389,000; 2010: £nil) to acquire the non-controlling interests in entities acquired in 2011 (note 26). These financial liabilities are held at present value of the expected redemption amount, which is based on management's expectation of performance, consistent with operating plans approved.

These options are exercisable as follows:

	2010	2011	2012
	£'000	£'000	£'000
Exercisable 2014	—	3,333	**1,790**
Exercisable 2016	—	5,056	**3,770**
	—	8,389	**5,560**

The fair value of financial liabilities approximates their carrying value due to short maturities. Financial liabilities are denominated in pounds sterling with the exception of £104,000 (2011: £54,000; 2010: £29,000) which are payable in Hong Kong dollars.

20. BORROWINGS

	2010	2011	2012
	£'000	£'000	£'000
Non-current			
Secured borrowing	250,000	250,000	**250,000**
Unsecured borrowing	—	1,000	**1,000**
Capitalised banking fees	(1,760)	(1,487)	**(1,226)**
	248,240	249,513	**249,774**

Debt issued by the Operating Company and outstanding at 31 December 2012 was as follows:

Senior Secured Notes due 2018 (Notes) — £250,000,000 aggregate principal due 2018. Interest is paid on the Senior Secured Notes at 10% per annum payable on 1 June and 1 December. The effective interest rate on borrowings in 2012 was 10% (2011: 10%; 2010: 10%). Throughout 2012 the UK base rate remained at a 50 year low of 0.5% and LIBOR rates have also decreased but not to the same level due to liquidity constraints in the financial markets.

In respect of the Operating Group's debt, the Senior Secured Notes are fixed at 10%; furthermore there is the option to Pay-In-Kind (PIK) the interest (the interest due is capitalised and subsequently bears interest at 12% in future periods) in the event that a Negative Fixed Charge Ratio, as defined in the indenture, is projected for future interest periods. Management believes that the Operating Group is not exposed to cash flow interest rate risk.

The indenture governing the notes contains certain covenants which limit the Operating Company's and its subsidiaries' powers, but these covenants are subject to a number of important limitations and exceptions. The debt is secured by fixed and floating charges over all the Operating Group's assets.

Senior Secured Revolving Facility Agreement (RCF) — £25,000,000 aggregate expiring 2016. The RCF is super senior and ranks ahead of the Notes in the event of a default by the Operating Group. The terms of the RCF reflect those contained in the Notes. In order to be able to draw down on the RCF, the total amount drawn under the RCF must be less than two times EBITDA. At 31 December 2012 the Operating Group had drawn £7,640,680 in the form of Letters of Credit (2011: £2,000,000; 2010: £nil).

Unsecured loan notes — £1,000,000. The Operating Group acquired these loan notes when it purchased Mortgage Intelligence Holdings Limited. The loan notes are repayable in 2029 and do not bear interest.

21. DEFERRED INCOME

Deferred income will unwind as follows:

	2010	2011	2012		
	Cash £'000	Cash £'000	Cash £'000	Non-cash £'000	Total £'000
Within 1 year	3,795	9,850	**10,679**	**2,534**	**13,213**
After 1 year					
Between 1 and 2 years	3,057	8,775	**4,590**	**2,534**	**7,124**
Between 2 and 3 years	2,634	3,215	**2,748**	**2,534**	**5,282**
Between 3 and 4 years	2,129	2,017	**2,364**	**—**	**2,364**
Between 4 and 5 years	1,623	1,623	**1,270**	**—**	**1,270**
Over 5 years	2,899	1,037	**—**	**—**	**—**
	12,342	16,667	**10,972**	**5,068**	**16,040**
	16,137	26,517	**21,651**	**7,602**	**29,253**

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

In 2012, financial assets available-for-sale were crystallised upon the merger of Zoopla Limited with The Digital Property Group. The fair value of these financial assets is being amortised over the period of the commercial agreement which gave rise to these assets.

Non-cash proportion of deferred income relates to the unamortised income portion created upon the acquisition of share in Zoopla Limited. This deferred income is being amortised over the period of the commercial agreement which gave rise to these assets. (Refer to notes 3 and 16 (c)).

22. PROVISIONS

	2010					
	Onerous contracts	Property repairs	Clawback	Claims and litigation	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	6,442	6,801	2,288	20,126	2,097	37,754
Acquired on acquisition	632	634	766	—	94	2,126
Utilised in the period	(2,541)	(801)	(3,342)	(6,618)	(2,296)	(15,598)
Charged to income statement	(436)	(720)	3,071	14,041	2,765	18,721
Unwind of discount rate	139	—	—	—	—	139
At 31 December	4,236	5,914	2,783	27,549	2,660	43,142
Due within 1 year or less	979	1,889	2,331	8,193	2,660	16,052
Due after more than 1 year	3,257	4,025	452	19,356	—	27,090
	4,236	5,914	2,783	27,549	2,660	43,142

	2011					
	Onerous contracts	Property repairs	Clawback	Claims and litigation	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	4,236	5,914	2,783	27,549	2,660	43,142
Acquired on acquisition	—	20	461	75	—	556
Transfers from other payables	272	—	—	164	732	1,168
Utilised in the year	(1,733)	(1,291)	(3,528)	(13,207)	(2,389)	(22,148)
Charged to income statement	1,074	176	3,248	11,471	3,274	19,243
Unwind of discount rate	158	—	—	—	—	158
At 31 December	4,007	4,819	2,964	26,052	4,277	42,119
Due within 1 year or less	1,800	2,745	2,299	10,787	4,277	21,908
Due after more than 1 year	2,207	2,074	665	15,265	—	20,211
	4,007	4,819	2,964	26,052	4,277	42,119

	2012					
	Onerous contracts	Property repairs	Clawback	Claims and litigation	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	4,007	4,819	2,964	26,052	4,277	42,119
Utilised in the year	(1,389)	(1,529)	(4,056)	(14,032)	(3,032)	(24,038)
Charged to income statement	1,168	804	4,372	28,524	5,526	40,394
Unwind of discount rate	113	—	—	—	—	113
At 31 December	3,899	4,094	3,280	40,544	6,771	58,588
Due within 1 year or less	993	1,726	1,744	17,123	2,636	24,222
Due after more than 1 year	2,906	2,368	1,536	23,421	4,135	34,366
	3,899	4,094	3,280	40,544	6,771	58,588

The provision for onerous contracts relates to property leases and represents the estimated unavoidable costs of leasehold properties which have become surplus to the Operating Group's requirements following the closure or relocation of operations. The provision is based on the present value of rentals and other unavoidable costs payable during the remaining lease period after taking into account rents receivable or expected to be receivable from sub-lessees, typically over a five-year period. Provisions are released when properties are assigned or sub-let.

The provision for property repairs represents estimates of the cost to repair existing dilapidations under leasehold covenants, in accordance with IAS 37: Provisions, contingent liabilities and contingent assets. The average unexpired lease length of properties against which a provision has been made is two years.

Clawback represents the provision required to meet the estimated cost of repaying indemnity commission income received on life assurance policies that may lapse in the two years following issue.

Claims and litigation provisions comprise the amounts set aside to meet claims by customers below the level of any Professional Indemnity insurance excess, the estimation of Incurred But Not

Received claims and any amounts that might be payable as a result of any legal disputes. The provisions represent the Directors' best estimate of the Operating Group's liability having taken professional advice.

In addition to the claims provisions recognised, the Operating Group also provides for future liabilities arising from claims Incurred But Not Received for mortgage valuation reports and home buyer reports provided by the Surveying and Division. The basis for calculating this provision is outlined further in note 3, 'Critical Accounting Judgements and Estimates'. While there are many factors which determine the settlement date of any claims, the expected cash flows are estimated based on the average length of time it has taken to settle claims in the past, which is around two years.

Other provisions mainly comprise items relating to the operational reorganisation including some business closure costs.

23. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23% (2011: 26%; 2010: 28%).

The movement on the deferred tax account is shown below:

	2010	2011	2012
	£'000	£'000	**£'000**
Deferred tax liability at 1 January	(28,116)	(37,875)	**(34,401)**
Credited to income statement	7,218	4,435	**7,825**
Acquired on acquisition of subsidiary	(17,069)	(1,590)	**(608)**
Assets removed on disposal of subsidiary	—	(60)	**—**
Credited to equity	92	689	**(34)**
Net deferred tax liability at 31 December	(37,875)	(34,401)	**(27,218)**
Deferred tax asset	15,766	16,088	**16,458**
Deferred tax liability	(53,641)	(50,489)	**(43,676)**
Net deferred tax liability at 31 December	(37,875)	(34,401)	**(27,218)**
Deferred tax asset expected to unwind within 1 year	702	2,685	**3,724**
Deferred tax asset expected to unwind after 1 year	15,064	13,403	**12,734**
	15,766	16,088	**16,458**
Deferred tax liability expected to unwind within 1 year	(5,093)	(3,714)	**(1,662)**
Deferred tax liability expected to unwind after 1 year	(48,548)	(46,775)	**(42,014)**
	(53,641)	(50,489)	**(43,676)**

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered through future taxable profits.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the tax liabilities net.

	2010		
	Asset/(liability)	(Charged)/credited to income statement	Credited to equity
	£'000	£'000	£'000
Origination and reversal of temporary differences			
Capital allowances	7,733	(658)	—
Employee pension liabilities	1,503	(756)	92
Trading losses	4,099	2,678	—
Intangible assets	(52,754)	5,639	—
Gain deferred by rollover relief	(887)	—	—
Other temporary and deductible differences	2,431	315	—
	(37,875)	7,218	92

	2011		
	Asset/(liability)	(Charged)/credited to income statement	Credited to equity
	£'000	£'000	£'000
Origination and reversal of temporary differences			
Capital allowances	8,334	521	—
Employee pension liabilities	1,680	(512)	689
Trading losses	3,650	(697)	—
Intangible assets	(49,602)	5,093	—
Gain deferred by rollover relief	(887)	—	—
Other temporary and deductible differences	2,424	30	—
	(34,401)	4,435	689

	2012		
	Asset/(liability)	(Charged)/credited to income statement	Credited to equity
	£'000	£'000	£'000
Origination and reversal of temporary differences			
Capital allowances	9,825	1,520	—
Employee pension liabilities	1,521	(126)	(34)
Trading losses	3,303	(344)	—
Intangible assets	(42,786)	7,392	—
Gain deferred by rollover relief	(887)	—	—
Other temporary and deductible differences	1,806	(617)	—
	(27,218)	(7,825)	(34)

A deferred tax asset has not been recognised in respect of unused capital losses of £21,974,000 (2011: £24,841,000, 2010: £26,948,000) and £22,250,000, (2011: £24,351,000, 2010: £25,756,000) in respect of non-trading loan relationships, and £411,000 in respect of trading losses (2011: £467,000, 2010: nil).

Deferred tax liabilities have not been recognised in respect of the unrealised capital gain of £2,995,000 arising from the revaluation of available-for-sale financial assets because the unrecognised losses would offset any future gain.

24. CALLED UP SHARE CAPITAL

Description of shares

The A shares do not have voting rights but have the right to receive up to their aggregate par value the payment of a dividend or liquidity event (including any other distribution, a liquidation, return of capital or disposal proceeds), the Shareholders will receive upto their aggregate par value in priority to any other Shareholders (the "**Priority Distribution**"). Following receipt of the Priority Distribution in full, the A shares will not attract any further entitlement to distributions.

The B shares are voting shares and entitled to receive dividends and distributions from the Operating Company when properly declared and made after full payment of the Priority Distribution to the holders of A shares. The B shares are stapled to the A shares.

The C shares were created to be issued at the discretion of the Board to implement a management incentive plan for the management team. Under the terms of the plan, members purchase C shares which are non-voting but entitled to receive similar distributions to the B shares.

The company has authorised D shares. These are deferred shares which would be issued in consideration of A shares redeemed once the Priority Distribution has been paid. No D shares have been issued to date.

	2010					
	Class A £1 Ordinary Shares		Class B 1p Ordinary Shares		Class C 1p Ordinary Shares (non-voting)	
	Shares	£'000	Shares	£'000	Shares	£'000
Authorised	340,000,000	340,000	340,000,000	3,400	50,000,000	500
Issued and fully paid						
At 1 January 2010	155,035,532	155,036	155,035,532	1,550	11,740,699	117
Shares issued to management	—	—	—	—	301,488	3
Shares repurchased in the year	(8,969,220)	(8,969)	(8,969,220)	(90)	—	—
At 31 December 2010	146,066,312	146,067	146,066,312	1,460	12,042,187	120

The Directors bought back shares during 2010 as part of the longer term strategy in respect of maximising shareholder value.

	2011					
	Class A £1 Ordinary Shares		Class B 1p Ordinary Shares		Class C 1p Ordinary Shares (non-voting)	
	Shares	£'000	Shares	£'000	Shares	£'000
Authorised	340,000,000	340,000	340,000,000	3,400	50,000,000	500
Issued and fully paid						
At 1 January 2011	146,066,312	146,067	146,066,312	1,460	12,042,187	120
Shares issued to management	—	—	—	—	931,916	10
Shares cancelled in the year	—	—	—	—	(339,174)	(3)
At 31 December 2011	146,066,312	146,067	146,066,312	1,460	12,634,929	127

During 2011 the Operating Company cancelled, at no cost, those shares that were held by employees who had since left the Operating Group.

	2012					
	Class A £1 Ordinary Shares		Class B 1p Ordinary Shares		Class C 1p Ordinary Shares (non-voting)	
	Shares	£'000	Shares	£'000	Shares	£'000
Authorised	**340,000,000**	**340,000**	**340,000,000**	**3,400**	**50,000,000**	**500**
Issued and fully paid						
At 1 January 2012	**146,066,312**	**146,067**	**146,066,312**	**1,460**	**12,634,929**	**127**
Shares issued to management	**—**	**—**	**—**	**—**	**784,265**	**7**
Shares cancelled in the year	**—**	**—**	**—**	**—**	**(373,962)**	**(4)**
At 31 December 2012	**146,066,312**	**146,067**	**146,066,312**	**1,460**	**13,045,232**	**130**

Dividends

No dividends have been paid in 2010, 2011 and 2012 and no Directors have declared a dividend in 2010, 2011 and 2012.

25. RESERVES

The following describes the nature and purpose of each reserve within shareholders' equity:

Share premium

The amount subscribed for share capital in excess of nominal value less any costs directly attributable to the issue of new shares.

Capital redemption reserve

The capital redemption represents the cancellation of the original share capital and share premium of the Operating Company and the par value of any shares repurchased.

Foreign exchange reserve

The foreign exchange reserve represents the difference arising from the changes to foreign exchange rates upon assets and liabilities of overseas subsidiaries.

Retained earnings

Cumulative net gains and losses recognised in the Operating Group income statement and pension scheme gains and losses recognised in the statement of recognised income and expense.

26. ACQUISITIONS

(a) Acquisitions during 2010

On 16 June 2010, Countrywide acquired 100% of the equity interests in Hamptons Group Limited, together with its 10 subsidiaries, the principal operating company being Hamptons Estates Limited which is registered in the UK. The acquisition was settled entirely in cash.

During the year the Operating Group also acquired four businesses for cash principally in the Lettings Division. None of these acquisitions are material to the Operating Group.

The fair values of the assets and liabilities acquired are disclosed in the table below:

	Fair values		
	Hamptons	**Other**	**Total**
	£'000	**£'000**	**£'000**
Intangible assets	66,467	1,058	67,525
Property, plant and equipment	6,421	73	6,494
Trade and other receivables	13,261	305	13,566
Cash at bank	4,143	239	4,382
Trade and other payables	(11,033)	(570)	(11,603)
Corporation tax	371	(43)	328
Provisions	(2,126)	—	(2,126)
Deferred tax	(16,773)	(296)	(17,069)
Net assets acquired	60,731	766	61,497
Goodwill	25,929	2,850	28,779
Consideration	86,660	3,616	90,276
Settled by:			
Initial consideration	86,660	3,440	90,100
Deferred consideration	—	176	176
	86,660	3,616	90,276
Cash paid	86,660	3,440	90,100
Cash at bank	(4,143)	(239)	(4,382)
Net cash flow arising from acquisitions	82,517	3,201	85,718
Revenue post acquisition	40,015	2,539	42,554
Profit post acquisition	1,724	236	1,960
Pro-forma revenue to 31 December 2010	65,071	3,599	68,670
Pro-forma profit to 31 December 2010	10,156	218	10,374

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

The expenses relating to the acquisition of Hamptons amounted to £1,025,000 comprising legal and professional advisory fees and stamp duty. These costs, along with the acquisition expenses of the other business of £288,000, have all been written off to profit or loss and disclosed as exceptional costs.

(b) Acquisitions during 2011

	Fair values			
	Blundells	Mortgage Intelligence	Other	Total
	£'000	£'000	£'000	£'000
Intangible assets	7,072	13	1,570	8,655
Property, plant and equipment	1,147	165	145	1,457
Trade and other receivables	536	1,392	1,063	2,991
Cash at bank	—	233	870	1,103
Trade and other payables	(853)	(1,490)	(1,066)	(3,409)
Corporation tax	(420)	—	(199)	(619)
Provisions	—	(481)	(75)	(556)
External loans	—	(1,000)	—	(1,000)
Deferred tax	(1,786)	352	(156)	(1,590)
Net assets/(liabilities)	5,696	(816)	2,152	7,032
Net assets attributable to non-controlling interest	—	—	(32)	(32)
Net assets/(liabilities) acquired	5,696	(816)	2,120	7,000
Goodwill	2,900	3,146	5,230	11,276
Consideration	8,596	2,330	7,350	18,276
Settled by:				
Initial consideration	8,596	2,330	6,505	17,431
Deferred consideration	—	—	845	845
	8,596	2,330	7,350	18,276
Cash paid	8,596	2,330	6,505	17,431
Cash at bank	—	(233)	(870)	(1,103)
Net cash flow arising from acquisitions	8,596	2,097	5,635	16,328
Revenue post acquisition	3,531	2,877	2,933	9,341
Profit post acquisition	571	292	1,152	2,015
Pro-forma revenue to 31 December 2011	6,630	3,371	7,459	17,460
Pro-forma profit to 31 December 2011	565	176	2,511	3,252

On 5 April 2011 the Operating Group acquired 100% of the equity share capital of Mortgage Intelligence Holdings Limited in order to expand its financial services footprint in the UK.

On 18 July 2011 the Operating Group acquired 100% of the equity share capital of Blundells Property Services Limited, a successful network of 12 branches in the South Yorkshire, an area of the country in which the Operating Group previously had little presence. In addition to the initial consideration paid, additional amounts are payable over the subsequent three years to former shareholders who remain in the senior management team. The amount is dependent upon the performance of the business and therefore will be treated as employee benefit costs in the period that they are incurred.

Furthermore the Operating Group acquired several small lettings businesses, 60% of the voting share capital of United Surveyors Limited and invested in 51% of the equity of a new enterprise, Capital Private Finance Limited. The non-controlling interests arising carry options which require the Operating Group to acquire the non-controlling interests at a future date as disclosed in note 19. These liabilities were initially carried at £8,389,000 on the Operating Group balance sheet and the corresponding entry has been taken to equity reserves.

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

The costs of these acquisitions amounted to £328,000 and have been written off to profit and loss and disclosed as exceptional costs.

The non-controlling interest has been allocated on the basis of net assets.

(c) Acquisitions during 2012

	Fair Values		
	Life and Easy	Other	Total
	£'000	£'000	£'000
Intangible assets	—	2,618	2,618
Property, plant and equipment	—	328	328
Trade and other receivables	—	728	728
Cash at bank	405	1,095	1,500
Trade and other payables	(52)	(2,686)	(2,738)
Corporation tax	(105)	(200)	(305)
Deferred tax	—	(608)	(608)
Net assets/(liabilities)	248	1,275	1,523
Goodwill	2,132	9,441	11,573
Consideration	2,380	10,716	13,096
Settled by:			
Initial consideration	1,587	9,991	11,578
Deferred consideration	793	725	1,518
	2,380	10,716	13,096
Cash paid	1,587	9,991	11,578
Cash at bank	(405)	(1,095)	(1,500)
Net cash flow arising from acquisitions	1,182	8,896	10,078
Revenue post acquisition	188	4,242	4,430
Profit post acquisition	148	1,436	1,584
Pro-forma revenue to 31 December 2012	693	7,548	8,241
Pro-forma profit to 31 December 2012	317	2,006	2,323

On 11 September 2012 the Operating Group acquired 100% of the equity share capital of Life and Easy Limited, trading as FYB Network, further increasing the Operating Group's financial services footprint in the UK following the Mortgage Intelligence Holdings Limited acquisition in 2011. The deferred consideration for Life and Easy Limited is additional consideration payable upon achieving agreed revenue targets.

During 2012 the Operating Group completed the purchase of 13 lettings businesses in accordance with a strategy to increase the Operating Group's footprint in under-represented geographical areas. The deferred consideration for these acquisitions is payable once certain warranties have been complied with.

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

The acquisition expenses amounted to £377,000 and have been written off to the income statement.

27. OPERATING LEASE COMMITMENTS — MINIMUM LEASE PAYMENTS

Commitments under non-cancellable operating leases due are as follows:

	2010		2011		2012	
	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Within 1 year	21,354	10,101	21,648	15,409	**20,286**	**17,945**
Later than 1 year and less than 5 years	55,242	19,975	42,876	29,124	**46,505**	**18,582**
After 5 years	36,521	—	15,851	—	**15,180**	**—**
	113,117	30,076	80,375	44,533	**81,971**	**36,527**

At 31 December 2012, the Operating Group had subleased a number of surplus premises and was entitled to receive rents under non-cancellable leases as follows:

Sub-leases	2010	2011	2012
	£'000	£'000	£'000
Within 1 year	792	1,024	**996**
Later than 1 year and less than 5 years	2,794	1,785	**1,953**
After 5 years	1,172	1,434	**1,364**
	4,758	4,243	**4,313**

28. CLIENT MONIES

At 31 December 2012, client monies held by subsidiaries in approved bank and building society accounts amounted to £158,453,000 (2011: £145,137,000, 2010: £132,051,000). Neither this amount nor the matching liabilities to the clients concerned are included in the consolidated balance sheet.

29. FINANCIAL INSTRUMENTS — RISK MANAGEMENT

The Operating Group is exposed through its operations to one or more of the following financial risks:

- Cash flow interest rate risk
- Liquidity risk
- Counterparty credit risk

The policy for managing these risks is set by the Board following recommendations from the Chief Finance Officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre.

The policy for each of the above risks is described in more detail below.

Interest rate risk

The currency and interest profile of the Operating Group's financial assets and liabilities are as follows:

	2010	2011	2012
	£'000	£'000	£'000
Floating rate assets	29,018	35,597	**29,044**
Fixed rate assets	29,889	25,039	**17,500**
Interest-free assets	51,419	52,837	**53,000**
Total financial assets	110,326	113,473	**99,544**
Floating rate liabilities	—	—	**—**
Fixed rate liabilities	248,709	248,919	**249,145**
Interest-free liabilities	41,344	50,201	**46,511**
Total financial liabilities	290,053	299,120	**295,656**

The average rate at which the fixed rate liabilities were fixed in 2012 was 10% (2011: 10%, 2010: 10%) and the average period for which the liabilities were fixed was 366 days (2011: 365 days, 2010: 365 days).

There is no material difference between the book and the fair values of the financial assets and liabilities.

The interest payable on the Senior Secured Notes is fixed, therefore the Operating Group is not exposed to the risk of cash flow risk arising from changes in the interest rates.

The Operating Group's exposure to the risk of changes in market interest rates relates primarily to the Operating Group's liabilities secured on a floating basis which are managed on a central basis. The following table demonstrates the sensitivity to a reasonably likely change in interest rates on the portion of liabilities exposed to the floating rates.

	2010	2011	2012
	£'000	£'000	**£'000**
Increase/(decrease) in basis point	+100	+100	**+100**
	-100	-100	**-100**
Effect on profit before tax £'000	(99)	(99)	**(99)**
	99	99	**99**

During 2011 the Operating Group entered into a Senior Revolving Facility Agreement which charges interest based on LIBOR. The interest rate under the Senior Secured Revolving Credit Facility is based on Base Rate plus a margin between 3% and 4% dependant on Operating Group financial performance. In 2012, the Operating Group had drawn down £7.6 million under the Senior Secured Revolving Credit Facility in order to provide Letters of Credit. At the end of 2011, no cash had been drawn down under the facility, but £2.0 million had been utilised in the form of a Letter of Credit.

Liquidity risk

The liquidity risk of each Operating Group entity is managed centrally by the Operating Group treasury function. The Group's cash requirement is monitored closely.

The Group aims to mitigate liquidity risk by managing cash generation by its operations and acquisition strategy. Acquisitions are carefully selected with authorisation limits operating up to Operating Group Board level and cash payback periods as applied as part of the investment appraisal process. The Operating Group is also very cash generative as demonstrated by the cash from operations. The requirement to pay creditors is managed through future cash generation and, if required, a revolving credit facility.

The Operating Group monitors its risk to a shortage of funds by daily cash reporting. This reporting considers maturity of both its financial investments and financial assets (e.g. accounts receivable and other financial assets) and projected cash flows from operations. The Operating Group's objective is to maintain a balance between continuity of funding and flexibility for potential acquisitions.

The table below demonstrates the sensitivity of the interest payable based on LIBOR increasing/(decreasing) by 0.5% on the amount currently drawn down at the 31 December 2012, £7,640,680 (see note 20).

	2010	2011	2012
Increase in LIBOR	—	+0.5%	**+0.5%**
Effect on interest payable £000	—	+38	**+38**
Decrease in LIBOR	—	-0.5%	-0.5%
Effect on interest payable £000	—	-38	**-38**

All surplus cash is held centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the Operating Group's forecast cash requirements. The Operating Group maintains an overdraft facility with a major banking corporation to manage any unexpected short-term cash shortfalls.

The Operating Group has £250 million of Senior Secured Notes which incur interest payments half yearly. The Chief Finance Officer may elect to pay the interest in kind in certain circumstances thus providing a level of flexibility. The Operating Group has secured a £25.0 million Senior Revolving Facility Agreement which gives additional liquidity resource.

The Operating Group's discounted financial liabilities at the year end are as follows:

	2010	2011	2012
	£'000	£'000	£'000
Trade payables	9,620	13,581	**15,290**
Obligations under finance leases	469	406	**371**
Put options	—	8,389	**5,560**
Deferred consideration	—	—	**1,768**
Borrowings	248,240	249,513	**249,774**
Accruals and other payables	31,724	27,231	**22,893**
	290,053	299,120	**295,656**

The table below analyses the Operating Group's financial liabilities (including future interest payments relating to the Senior Secured Notes) in relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

	2010	2011	2012
	£'000	£'000	£'000
In less than 1 year	67,160	66,564	**65,668**
In more than 1 year but less than 2 years	25,347	25,347	**27,147**
In more than 2 years but less than 3 years	25,347	28,947	**25,347**
In more than 3 years but less than 4 years	25,347	25,347	**29,197**
In more than 4 years but less than 5 years	25,347	31,122	**25,347**
Over 5 years	313,369	289,022	**263,675**
	481,917	466,349	**436,381**

Counterparty credit risk

The Operating Group's financial assets at the year end are as follows:

	2010	2011	2012
	£'000	£'000	£'000
Cash and cash equivalents	58,907	60,636	**46,544**
Trade receivables	42,912	44,314	**43,427**
Other receivables	8,507	8,524	**9,573**
	110,326	113,474	**99,544**

As stated in note 17, trade and other receivables are current assets which are expected to convert to cash over the next 12 months.

The Operating Group is exposed to credit risk from credit sales. It is Operating Group policy, implemented locally, to assess the credit risk of major new customers before entering contracts. The majority of customers use the Operating Group's services as part of a housing transaction and consequently the sales are paid from the proceeds of the house sale. The following table presents a breakdown of the gross trade receivables between the three main types of customers:

	2010	2011	2012
	£'000	£'000	£'000
Individual customers	29,708	27,696	**27,995**
Major lenders	11,410	11,036	**11,391**
Other commercial customers	7,935	10,901	**9,038**
	49,053	49,633	**48,424**

The maximum exposure to credit risk at 31 December 2012 was £110,326,000 (2011: £113,474,000; 2010: £99,544,000).

As at 31 December 2010 the Operating Group had pledged £4,722,000 cash as collateral for Letters of Credit issued by the bank. This pledge was released in 2011 when the Letters of Credit were redrawn under the Revolving Credit Facility.

The Operating Group treasury function manages the Operating Group's cash balances and seeks to achieve reasonable rates of interest, but preservation of the capital is the overriding priority. A list of accepted deposit institutions is maintained and their credit ratings are kept under review.

Capital risk management

The Operating Group's objectives when managing capital are to safeguard the Operating Group's ability to continue as a going concern in order to provide returns for Shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Operating Group defines capital as the total of equity shareholders funds, long term borrowings net of available cash balances.

	2010	2011	2012
	£'000	£'000	£'000
Shareholders' equity	256,248	243,634	**241,798**
Borrowings	248,240	249,513	**249,774**
Cash and cash equivalents	(58,907)	(60,636)	**(46,544)**
	445,581	432,511	**445,028**

The Senior Secured Fixed Rate Notes Indenture dated 8 May 2009 places restrictions on the Operating Group's ability to raise additional debt. However, the Operating Group is able issue new shares and extend the Revolving Credit Facility by a further £25 million. In order to maintain or adjust the capital structure, the Operating Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or renegotiate facilities to reduce debt. Further debt may be taken on with an acquisition if the pro-forma net debt to EBITDA ratio does not exceed 4:1.

30. RELATED PARTY TRANSACTIONS

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

Trading transactions

		Transaction amount			Balance owed/(owing)		
Related party relationship	**Transaction type**	**2010**	**2011**	**2012**	**2010**	**2011**	**2012**
		£'000	£'000	£'000	£'000	£'000	£'000
Joint venture	Purchases by Operating Group	(2,403)	(3,430)	**(2,278)**	45	30	**97**
Joint venture	Rebate received	419	264	**1,059**	—	—	**—**
Joint venture	Dividend received	(500)	336	**748**	—	—	**—**
Apollo Management VI L.P.	Management fee paid	750	750	**750**	—	—	**—**
Oaktree Capital Management	Management fee paid	750	750	**750**	—	—	**—**

With the exception of dividends, these transactions are trading relationships which are made at market value. The Operating Company has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given during 2012, 2011 or 2010 regarding related party transactions.

Oaktree Capital Management and Apollo-Affiliated Funds both own in excess of 20% of the share capital of the Operating Group. Alchemy Special Opportunities Fund LP has a director on the Board of the Operating Company and is therefore deemed to have significant control even though their shareholding falls below 20%.

During 2011 the Operating Group incurred £1,500,000 split equally between Apollo Management VI LP and Oaktree Capital Management, in respect of management fees for the period 15 December 2010 to 14 December 2011.

During 2012 the Operating Group incurred £1,500,000 split equally between Apollo Management VI L.P. and Oaktree Capital Management, in respect of management fees for the period 15 December 2011 to 14 December 2012.

At the end of each year the following related parties had an interest in the Operating Group's debt:

		Face value	Interest received
		£'000	£'000
Related party debt	2010	70,666	7,129
Related party debt	2011	75,164	7,392
Related party debt	2012	80,724	8,108

31. POST BALANCE SHEET EVENTS

During the first few weeks of the year the Operating Group acquired two lettings businesses for £3.3 million. At the time of preparing this financial information, management is in the process of assessing the impact of these acquisitions on the Operating Group.

The Corporate Reorganisation for effecting Admission of the Group is outlined in Note 1.

Section C: Accountant's report on combined historical financial information on Hamptons Group

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The Directors
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Jefferies International Limited
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20 March 2013

Dear Sirs

Hamptons Group Limited ("Hamptons")

We report on the financial information of Hamptons set out in Section D of Part XIII as at and for the years ended 31 December 2010 and 31 December 2011 (the "**Hamptons IFRS Historical Financial Information**". The Hamptons IFRS Historical Financial Information has been prepared for inclusion in the prospectus dated 20 March 2013 (the "**Prospectus**") of Countrywide plc (the "**Company**") on the basis of the accounting policies set out in note 2 of the Hamptons IFRS Historical Financial Information. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purpose of complying with these items and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Hamptons IFRS Historical Financial Information in accordance with the basis of preparation set out in note 2 to the financial information.

It is our responsibility to form an opinion as to whether the Hamptons IFRS Historical Financial Information gives a true and fair view, for the purposes of the Prospectus and to report our 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

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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.

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 an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Hamptons circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion, the Hamptons IFRS Historical Financial Information gives, for the purposes of the Prospectus dated 20 March 2013, a true and fair view of the state of affairs of Hamptons as at the dates stated and of its profits and cash flows for the periods then ended in accordance with the basis of preparation set out in note 2.

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

Section D: Hamptons historical financial information
COMBINED INCOME STATEMENT

For the years ended 31 December 2010 and 2011

	Note	2010	2011
		£'000	£'000
Revenue	5	63,975	64,861
Other income	6	1,096	977
		65,071	**65,838**
Employee benefit costs	7	(33,366)	(35,041)
Depreciation and amortisation		(2,658)	(2,227)
Other operating costs	8	(16,921)	(17,181)
Hamptons Group operating profit before exceptional items		12,126	11,389
Exceptional items	11	(1,806)	—
Hamptons Group operating profit		10,320	11,389
Finance costs	9	(164)	(21)
Finance income	10	—	36
Net finance (cost)/income		(164)	15
Profit before taxation		**10,156**	**11,404**
Taxation	13	(3,273)	(2,578)
Profit for the year		**6,883**	**8,826**

The notes on pages 201 to 219 are an integral part of these combined financial statements.

COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2010 and 2011

	2010	2011
	£'000	£'000
Profit for the year	**6,883**	**8,826**
Other comprehensive loss:		
Items that may be subsequently reclassified to the income statement		
Currency translation loss	—	(15)
Total other comprehensive loss	—	(15)
Total comprehensive income for the year, net of tax	**6,883**	**8,811**

The notes on pages 201 to 219 are an integral part of these combined financial statements.

COMBINED STATEMENT OF CHANGES INVESTED CAPITAL

	Note	Total invested capital
		£'000
Balance at 1 January 2010		**6,890**
Profit for the year		6,883
Other comprehensive loss		
Total other comprehensive loss		—
Total comprehensive income		**6,883**
Transactions with shareholders		
Contributions in respect of demerged entity (note 26)		**1,250**
Balance at 31 December 2010		**15,023**
Profit for the year		8,826
Other comprehensive loss		
Currency translation losses		(15)
Total other comprehensive loss		**(15)**
Total comprehensive income		**8,811**
Balance at 31 December 2011		**23,834**

The notes on pages 201 to 219 are an integral part of these combined financial statements.

COMBINED BALANCE SHEET

As at 31 December 2010 and 2011

	Note	2010	2011
		£'000	£'000
Assets			
Non-current assets			
Intangible assets:			
Goodwill	14	4,127	4,127
Other intangible assets	15	1,284	970
Property, plant and equipment	16	5,737	5,297
Deferred tax asset	21	1,197	1,109
Total non-current assets		12,345	11,503
Current assets			
Trade and other receivables	17	12,468	24,248
Cash and cash equivalents	18	3,722	1,612
Total current assets		16,190	25,860
Total assets		**28,535**	**37,363**
Total invested capital		15,023	23,834
Non-current liabilities			
Provisions	20	871	118
Total non-current liabilities		871	118
Current liabilities			
Trade and other payables	19	9,579	9,670
Provisions	20	1,774	1,362
Current tax liabilities		1,288	2,379
Total current liabilities		12,641	13,411
Total liabilities		13,512	13,529
Total equity and liabilities		**28,535**	**37,363**

The notes on pages 201 to 219 are an integral part of these combined financial statements.

COMBINED CASH FLOW STATEMENT

For the years ended 31 December 2010 and 2011

	Note	2010	2011
		£'000	£'000
Cash flows from operating activities			
Profit before taxation		10,156	11,404
Adjustments for:			
Depreciation and impairment		1,966	1,716
Amortisation		692	511
Finance costs		164	21
Finance income		—	(36)
		12,978	13,616
Changes in working capital:			
Decrease in trade and other receivables		3,111	1,196
Decrease/(increase) in trade and other payables		(1,901)	69
Movement on provisions		309	(1,165)
Cash generated from operations		14,497	13,716
Interest paid		(164)	(21)
Tax paid		(1,087)	(1,131)
Net cash inflow from operating activities		13,246	12,564
Cash flows from investing activities			
Acquisitions net of cash acquired	24	(404)	—
Purchase of property, plant and equipment	16	(690)	(1,276)
Purchase of intangible assets	15	(176)	(197)
Interest received		—	36
Net cash outflow from investing activities		(1,270)	(1,437)
Cash flows from financing activities			
Net transactions with Countrywide entities		(824)	(13,237)
Net transactions with Emaar		(7,743)	—
Repayment of borrowings		(6,812)	—
Net cash outflow from financing activities		(15,379)	(13,237)
Net decrease in cash and cash equivalents		**(3,403)**	**(2,110)**
Cash and cash equivalents at 1 January		7,125	3,722
Cash and cash equivalents at 31 December		**3,722**	**1,612**

The notes on pages 201 to 219 are an integral part of these combined financial statements.

NOTES TO THE COMBINED HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Hamptons Group is currently a collection of subsidiaries wholly owned by Countrywide Holdings, Ltd, which were acquired by Countrywide on 16 June 2010. The Hamptons Group does not constitute a separate legal group. The combined financial information presented in this Part: "**Hamptons Group Combined Financial Information**" has been prepared specifically for the purpose of this Prospectus, and incorporates financial information of the Hamptons Group's subsidiaries that has been previously reported on a standalone basis.

This combined financial information presents the financial track record of the entities comprising the Hamptons Group for the years ended 31 December 2010 and 2011. Until June 2010, the legal entities within the Hamptons Group were under common management and control by Emaar Properties PJSC. On 16 June 2010, the control over the Hamptons Group companies was transferred to Countrywide, which acquired 100% of equity interests in these entities.

The entities which comprise the Hamptons Group are incorporated and domiciled in the UK, China, Europe and India. The Hamptons Group's principal business activities are the provision of services to the residential property markets in the countries of operation.

The principal activities of the subsidiaries included in the combined financial information are as follows:

Entity	Principal activity	Country of incorporation	Equity interest at 31 December	
			2010	2011
Hamptons Group Limited ('HGL')	Holding company	United Kingdom	100%	100%
Hamptons Estate Limited ('HEL')	Sales and lettings	United Kingdom	100%	100%
Hamptons International Mortgages Limited ('HIML')	Financial services	United Kingdom	100%	100%
Hamptons International Hong Kong ('HIHK')	Sales	China	100%	100%
Hamptons Brokerage Limited ('HBL')	Non-trading	Italy	100%	100%
Hamptons International India ('HI India')	Non-trading	India	100%	100%
Hamptons International Mauritius ('HIM')	Non-trading	Mauritius	100%	100%
Hamptons Franchising Limited ('HFL')	Dormant	United Kingdom	100%	100%
Hamptons London Residential Agency ('HLRA')	Dormant	United Kingdom	100%	100%
Hamptons Property Consultancy ('HPC')	Dormant	Barbados	100%	100%

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Hamptons Group does not constitute a separate legal group. The combined historical financial information, which has been prepared specifically for the purpose of this Prospectus, is therefore prepared on a basis that combines the results, assets and liabilities of each of the companies constituting the Hamptons Group by applying the principles underlying the consolidation procedures of IAS 27 'Consolidated and Separate Financial Statements' ("**IAS 27**") for each of the two years to 31 December 2010 and 2011 and as at these dates. On such basis, the combined historical financial information sets out the Hamptons Group's balance sheet as of 31 December 2010 and 2011 and results of operations and cash flows for the two years then ended.

The combined financial information has been prepared in accordance with the requirements of the Prospectus Directive Regulation, the Listing Rules, and in accordance with this basis of preparation. This basis of preparation describes how the combined financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union ("**EU**") except as described below. References to "IFRS" hereafter should be construed as references to IFRS as adopted by the EU.

IFRS does not provide for the preparation of combined historical financial information and, accordingly, in preparing the combined historical financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 "Standards for Investment

Reporting applicable to public reporting engagements on historical financial information" issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRS. In all other respects IFRS has been applied.

- As explained above, the combined financial information is prepared on a combined basis and therefore does not comply with the requirements of IAS 27. The combined financial information has been prepared by aggregating the results, assets and liabilities of each of the companies constituting the Hamptons Group by applying the principles underlying the consolidation procedures of IAS 27 for each of the years to 31 December 2010 and 2011 and as at these dates.
- As the financial information has been prepared on a combined basis, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 'Earnings per Share' to disclose earnings per share has not been complied with.
- The combined historical financial information does not constitute a set of general purpose financial statements under paragraph 3 of IAS 1 'Presentation of Financial Statements' ("**IAS1**") and consequently the Hamptons Group does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1. A company is only permitted to apply the first time adoption rules of IFRS 1 'First time Adoption of International Financial Reporting Standards' ("**IFRS 1**") in its first set of financial statements where such an unreserved statement of compliance has been made. Although such a statement has not been made, the combined historical financial information has been prepared as if the date of transition to IFRS is 1 January 2010, the beginning of the first period presented, and the requirements of IFRS 1 have been applied as of that date.

The Hamptons Group's deemed transition date to IFRS is 1 January 2010. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Hamptons Group has not applied any of the exemptions set out in IFRS 1.

The Hamptons Group has not previously prepared or reported any combined or consolidated financial information in accordance with any other generally accepted accounting principles ("**GAAP**"). Consequently, it is not possible to provide IFRS 1 reconciliations between financial information prepared under any previous GAAP and the financial information prepared in accordance with IFRS included in this combined financial information, as required by IFRS 1 on transition to IFRS. In addition, no combined balance sheet at 1 January 2010 has been presented.

The combined historical financial information is presented in thousands of pounds ('**£**') except when otherwise indicated.

The following summarises the accounting and other principles applied in preparing the combined historical financial information:

- The combined historical financial information of the Hamptons Group has been prepared on a historical cost basis.
- The combined historical financial information of the entities comprising the Hamptons Group has been prepared for the same reporting periods using consistent accounting policies.
- Transactions and balances between entities included within the combined historical financial information have been eliminated.
- Transactions and balances between the entities in the Hamptons Group and a) Emaar Properties PJSC and its other subsidiaries which are not members of the Hamptons Group (prior to acquisition by Countrywide) and b) Countrywide and its other subsidiaries which are not members of the Hamptons Group (post acquisition by Countrywide) have been presented in the appropriate caption of the historical financial information to which such transactions and balances relate. Details of such related party transactions and balances are provided in note 26.
- The income tax expense and tax balances in this combined historical financial information have been determined based on the amounts recorded by the Hamptons Group companies in their statutory accounts. Deferred tax assets and liabilities reflect the full historical deferred tax assets and liabilities recorded by the legal entities included in the Hamptons Group. The

tax charges recorded in the combined income statement and combined statement of comprehensive income are not necessarily representative of the tax charges that would have been reported had the Hamptons Group been an independent Hamptons Group throughout the period presented. They are not necessarily representative of the tax charges that may arise in the future.

- The Hamptons Group does not form a separate legal group, and therefore it is not possible to show share capital or an analysis of reserves for the Hamptons Group. The net assets of the Hamptons Group are represented by invested capital.

This historical financial information has been prepared in accordance with the accounting policies used by the Group in preparing the historical financial information for the 3 years ended 31 December 2012 as set out in section B of Part XIII (*Financial Information*) of this document.

(b) Basis of combination

The combined historical financial information of the Hamptons Group consists of the combination of the accounts of Countrywide subsidiaries, acquired on 16 June 2010. Subsidiaries are entities over which Countrywide has the power, directly or indirectly, to control the financial and operating policies in order to obtain benefits from their activities. Control is presumed to exist where Countrywide has more than one half of the voting rights unless it can be demonstrated that ownership does not constitute control. Control does not exist where other parties hold veto rights over significant operating and financial decisions. In assessing control, potential voting rights that are currently exercisable or convertible as well as other contractual arrangements that enable Countrywide to exercise control are taken into account.

(c) New standards, amendments and interpretations

IFRSs expected to be applicable, in so far as this is currently known, to the first annual financial statements of the Countrywide and its subsidiaries (the “Countrywide Group”), which will be for the year ended 31 December 2013, have been applied. The accounting policies adopted in the presentation of the combined historical financial information reflect the adoption of the following new standards as of 1 January 2012:

- **IAS 1 (amendment), ‘Financial statement presentation’** (effective 1 July 2012). This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The amendment does not have a material impact on the combined financial information.
- **IAS 12 (amendment), ‘Income taxes’ on deferred taxes** (effective 1 January 2013). This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The amendment does not have a material impact on the combined financial information.
- **IAS 19, (revised 2011), ‘Employee benefits’** (effective 1 January 2013). This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The amendments did not have a material impact on the combined financial statements, as the Hamptons Group entities do not offer defined benefit schemes to their employees. Where applicable, additional disclosures have been added to comply with requirements of the revised standard.
- **IFRS 7 (amendment), ‘Financial instruments — Disclosures’ on asset and liability offsetting** (effective 1 January 2013). This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The amendment does not have a material impact on the combined financial information.
- **IFRS 13 ‘Fair value measurement’** (effective 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard did not have a material impact on the combined financial information.
- **Annual improvements 2011** (effective 1 January 2013). These annual improvements include changes to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. These amendments did not have material impact on the combined financial information.

Standards, amendments and interpretations to existing standards which are not effective or early adopted by the Hamptons Group:

- **IAS 27 (revised 2011), 'Separate financial statements'** (effective 1 January 2014). This clarifies that the consequential amendments from IAS 27 to IAS 21 'The effect of changes in foreign exchanges rates', IAS 28 'Investments in associates', and IAS 31 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2009. The amendment is not expected to have a material impact on the combined financial information.
- **IAS 28 (revised 2011), 'Investments in associates and joint ventures'** (effective 1 January 2014). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The amendment is not expected to have a material impact on the combined financial information.
- **IAS 32 (amendment), 'Financial instruments: Presentation', on asset and liability offsetting** (effective 1 January 2014). This amendment is to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is not expected to have a material impact on the combined financial information.
- **IFRS 10 'Consolidated financial statements'** (effective 1 January 2014). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the combined financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The new standard is not expected to have a material impact on the combined financial information.
- **IFRS 11 'Joint arrangements'** (effective 1 January 2014). This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed. The standard is not expected to have a material impact on the combined financial information, as there are no joint arrangements in the Hamptons Group.
- **IFRS 12 'Disclosure of interests in other entities'** (effective 1 January 2014). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not expected to have a material impact on the combined financial information.
- **Amendments to IFRS 10, IFRS 11 and IFRS 12** (effective 1 January 2014). These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. These amendments are not expected to have material impact on the combined financial information.

(d) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other income or expenses'.

Hamptons Group companies

The results and financial position of all the Hamptons Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

The following exchange rates were applied for £1 at 31 December:

	2011	2010
Hong Kong Dollars	12.040	11.890
Indian Rupees	69.900	68.000
Euros	1.165	1.180
Barbadian Dollar	3.10	3.10

(e) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Hamptons Group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Leased assets

Leases under which the Hamptons Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases is recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less depreciation and any impairment.

Depreciation

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. The estimated useful lives are as follows:

- Leasehold properties and improvements — over the period of the lease
- Furniture and equipment — 3 to 5 years
- Computer equipment — 2 to 5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(f) Intangible assets

Goodwill

Goodwill has been recognised on acquisitions of subsidiaries. Goodwill represents the excess of the cost of an acquisition over the fair value of the Hamptons Group's share of the net identifiable assets of the acquiree at the date of acquisition and the value of the non-controlling interest in the acquiree. Acquisition costs are written off to the income statement.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.

Other intangible assets

Intangible assets other than goodwill that are acquired by the Hamptons Group, principally relate to computer software. Intangible assets other than goodwill are stated at cost less accumulated amortisation where charged, and impairment losses.

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is tested systematically for impairment at each annual balance sheet date. Internally generated and acquired computer software is amortised over 3 to 5 years.

(g) Impairment of non-financial assets

The carrying amounts of the Hamptons Group's non-financial assets are reviewed for impairment annually or whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

In respect of goodwill, the recoverable amount is estimated at each annual balance sheet date. The recoverable amount is the higher of fair value less costs to sell and value in use.

Impairment losses represent the amount by which the carrying value exceeds the recoverable amount; they are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Financial assets

The Hamptons Group classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables comprise mainly cash and cash equivalents and trade and other receivables.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Hamptons Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other operating costs in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(i) Trade and other receivables

Trade and other receivables are stated initially at fair value and subsequently at their amortised cost less impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the Hamptons Group will not be able to collect all amounts due according to the original terms of the receivables. Other receivables mainly comprise loans to Countrywide under the Group's treasury management arrangements.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(k) Trade payables

Trade payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(l) Borrowings

Borrowings are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest payable while liability is outstanding.

(m) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

(n) Provisions

A provision is recognised in the balance sheet when the Hamptons Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised in finance costs.

(o) Revenue

Services rendered

Revenue comprises commission and fees receivable. Commission earned on sales of residential and commercial property is accounted for on the exchange of contracts for such sales. Commission earned on sales of insurance policies, mortgages and related products is accounted for when the policies go on risk or the mortgage is exchanged. Commissions and fees earned under lettings contracts are recognised at the point of delivery of the service.

(p) Other income

Other income represents mainly income from sub-tenants and income arising from surplus interest on client account balances. Other income is recognised when its receipt is assured and the Hamptons 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.

(q) Expenses

Operating lease payments

Payments under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Finance costs and finance income

Financing costs comprise interest payable on borrowings, calculated using the effective interest rate method. Interest income represents interest receivable on funds invested and is recognised in profit or loss as it accrues using the effective interest method.

(r) Exceptional items

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

(s) Income tax

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially 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.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the Operating Committee of Countrywide, which has been identified as the chief operating decision maker.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Hamptons Group's combined financial information under IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the combined financial information.

Going concern

The combined financial information has been prepared on the going concern basis, which assumes that the Hamptons Group will continue to be able to meet its liabilities as they fall due for the foreseeable future. The directors have reviewed the cash flow forecasts which have been stress tested with various assumptions regarding the future housing market volumes. Despite the fact that the transaction levels in the UK housing market remain at historically low levels, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Impairment of goodwill

Determining whether goodwill is 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 strategic plans and long-range forecasts of the Hamptons Group. In addition, significant judgement is required to estimate the appropriate interest rate to be used to discount the future cash flows. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins. Further details of impairment reviews are set out in note 14.

Provisions and other contingencies

Onerous contracts

When any of the Hamptons Group's businesses vacate a leased property prior to the expiration of the lease, a provision is established to reflect the expected lease payments that the Hamptons Group will incur prior to the assignment or sublease of the property. Such a calculation requires a judgement as to the timing and duration of the expected vacancy periods. When making these judgements, the directors consider a number of factors including the location and condition of the property, the terms of the lease and current economic environment.

Property repairs

The Hamptons Group occupies a significant number of leased properties across the countries of operation. These leases contain dilapidation obligations. The directors take the advice of the in-house surveyors in assessing the level of the future obligation. When assessing the level of dilapidation required for the retail properties, the likelihood of exiting each property is taken into account.

4. SEGMENT REPORTING

The operations of the Hamptons Group comprise one class of business segment, being provision of services to the residential property markets in the countries of operation. The Operating committee of Countrywide reviews business activities, performance and strategic decisions of the Hamptons Group entities as one single segment. Accordingly, the Hamptons Group represents a single operating and reportable segment.

Total income from external customers arising from activities in the UK was £65,568,000 (2010: £64,789,000) and arising from activities overseas £270,000 (2010: £382,000).

Non-current assets (excluding deferred tax assets) of £10,362,000 (2010: £11,148,000) are attributable to the UK, and non-current assets of £32,000 (2010: £nil) are attributable to the overseas operations.

5. REVENUES

	2010 £'000	2011 £'000
Residential sales income	40,219	38,677
Lettings income	18,650	20,932
Land and new homes income	2,999	4,265
Other	2,107	987
	63,975	64,861

6. OTHER INCOME

	2010 £'000	2011 £'000
Surplus interest on client account balances	535	501
Rent receivable	165	166
Other operating income	396	310
	1,096	977

7. EMPLOYEES AND DIRECTORS

(a) Staff costs for the Hamptons Group during the year:

	2010 £'000	2011 £'000
Wages and salaries	29,650	31,400
Defined contribution pension cost (note 7(c))	337	244
Employer's national insurance contributions and similar taxes	3,379	3,397
	33,366	35,041

Average monthly number of people employed:

	2010 Number	2011 Number
Branch staff	556	607
Management and administration	113	95
	669	702

(b) Key management compensation

The directors of the Hamptons Group are employed and remunerated by Countrywide Group plc.

The key management of Hamptons Group are the four senior members comprising the following roles: Head of Residential Sales, Head of Lettings, Head of RDI and Operations Director.

The following table details the aggregate compensation paid in respect of key management:

	2010 £'000	2011 £'000
Wages and salaries	611	752
Pension contributions	42	50
	652	802

(c) Retirement benefits

The Hamptons Group contributes towards to eligible employees' stakeholder pension plans. The pensions cost for defined contribution schemes in the year was £337,151 (2010: £243,880).

8. OTHER OPERATING COSTS

Other operating costs comprise the following material costs:

	2010	2011
	£'000	£'000
Other operating lease rentals payables:		
– Vehicles, plant and equipment	1,020	1,064
– Property	3,361	3,256
Other premises related costs	1,376	1,433
Marketing expenditure	5,307	5,400
Other staff related costs	2,937	3,223
Repairs and maintenance to premises	193	294
Trade receivables impairment	182	107
IT related costs	1,071	1,046
Loss on disposal of plant, property and equipment	—	49
Other	1,474	1,309
	16,921	17,181

9. FINANCE COSTS

	2010	2011
	£'000	£'000
Interest payable on borrowings	146	—
Interest payable on finance leases	18	16
Other interest	—	6
Finance costs	164	22

10. FINANCE INCOME

	2010	2011
	£'000	£'000
Interest income:		
Interest receivable on bank deposits	—	36
	—	36

11. EXCEPTIONAL ITEMS

The following table provides a breakdown of the exceptional costs:

	2010	2011
	£'000	£'000
Impairment of assets	678	—
Overseas restructuring	655	—
Management team restructuring	362	—
Other	111	—
	1,806	—

Following the acquisition of the Hamptons Group by the Operating Company in 2010, a number of synergistic initiatives were implemented which resulted in the restructuring of some management layers, the closure of the loss making overseas activities and impairment of the related assets.

12. AUDITOR'S REMUNERATION

During the year the Hamptons Group obtained the following services from the Hamptons Group's auditors at costs as detailed below:

	2010	2011
	£'000	£'000
Audit services:		
– Statutory audit in relation to the statutory accounts of the UK Hamptons International entities	48	44

13. TAXATION

Analysis of charge in year

	2010	2011
	£'000	£'000
Current tax		
Current tax on profits for the year	1,689	2,768
Adjustments in respect of prior years	—	(278)
Total current tax	1,689	2,490
Deferred tax		
Origination and reversal of temporary differences	1,584	88
Total deferred tax (note 21)	1,584	88
Total income tax	3,273	2,578

The income tax charge for the year differs from the standard rate of corporation tax in the UK of 26.5% (2010: 28%). The differences are explained below:

	2010	2011
	£'000	£'000
Profit on ordinary activities before tax	10,156	11,404
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 26.5% (2010: 28%)	2,843	3,022
Effects of:		
Permanent depreciation / amortisation	76	(311)
Income non-taxable/(losses) non-deductible	274	(93)
Expenses not deductible	(16)	188
Investment write off	—	2
Adjustment in respect of prior periods	—	(278)
Other	(11)	(6)
Impact of change in tax rate	107	54
Total taxation charge	3,273	2,578

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the Hamptons Group's profits for the year ended 31 December 2011 are taxed at statutory blended rate of 26.5% (2010: 28%).

In addition to the changes in rates of corporation tax disclosed above a number of further changes to the UK corporation tax system were announced in the December 2012 UK Budget Statement. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 21% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1% per year to 21% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the change in the tax rate to 21%, if applied to the net deferred tax balance at the 31 December 2011, would be to reduce the net deferred tax asset by £213,000.

14. GOODWILL

	2010	2011
	£'000	£'000
Accumulated cost		
At 1 January	3,723	4,127
Additions	404	—
At 31 December	4,127	4,127
Accumulated impairment		
At 1 January and 31 December	—	—
Net book amount	4,127	4,127

Impairment

Hamptons Group is regarded as a single operating segment and a cash-generating unit within the Group. Because goodwill is monitored by Countrywide management at the operating segment level, the testing of whether there has been an impairment of goodwill is performed at the Hamptons Group level.

The recoverable amount of goodwill in the Hamptons Group cash-generating unit has been determined using the value in use calculation. This calculation is based on the pre-tax cash flow projections derived from formally approved budgets and forecasts covering a five year period to 2016 (2010: 2015). The growth rates applied in the projected cash flows are based on past experience. The discount rate used is based on the Hamptons Group's estimated cost of capital. To evaluate the recoverable amount of the Hamptons Group cash-generating unit, a terminal value has been assumed from the fifth year and includes a growth rate in the cash flows of 1% (2010: 1%) into perpetuity.

The impairment tests conducted at the end of 2011 and 2010 concluded that there had been no impairment of goodwill.

The following key assumptions were used in the value in use calculations at 31 December 2010 and 2011:

- There is a 48% (2010: 50%) increase in housing transaction volumes over the five years from 2012 to 2016 (2010: over five years from 2011 to 2015), and 1% (2010: 2%) growth rate applied thereafter.
- The pre-tax discount rate was calculated to be 9% (2010: 10%).
- The benefits of past restructuring changes have been taken into account.

15. OTHER INTANGIBLE ASSETS

	Computer software	
	2010	2011
	£'000	£'000
Cost		
At 1 January	3,969	4,145
Additions	176	197
31 December	4,145	4,342
Accumulated impairment		
At 1 January	2,169	2,861
Charge for the period	692	511
At 31 December	2,861	3,372
Net book amount	1,284	970

16. PROPERTY, PLANT AND EQUIPMENT

	2010			
	Leasehold Property	Fixtures and fittings	Computer Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January	3,177	10,221	2,167	15,565
Additions	—	283	407	690
At 31 December	3,177	10,504	2,574	16,255
Accumulated depreciation				
At 1 January	—	6,899	1,653	8,552
Charge for the year	180	1,463	323	1,966
At 31 December	180	8,362	1,976	10,518
Net book amount				
At 31 December	2,997	2,142	598	5,737

	2011			
	Leasehold Property	Fixtures and fittings	Computer Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January	3,177	10,504	2,574	16,255
Additions	87	1,084	105	1,276
At 31 December	3,264	11,588	2,679	17,531
Accumulated depreciation				
At 1 January	180	8,362	1,976	10,518
Charge for the period	144	1,327	245	1,716
At 31 December	324	9,689	2,221	12,234
Net book amount				
At 31 December	2,940	1,899	458	5,297

The net book value of assets (mainly computer equipment) held under finance leases was £449,000 (2010: £598,000).

17. TRADE AND OTHER RECEIVABLES

	2010	2011
	£'000	£'000
Amounts falling due within one year:		
Trade receivables due but not past due	6,534	6,985
Trade receivables past due but not impaired	922	1,146
Trade receivables past due but impaired	946	761
Trade receivables	8,402	8,892
Receivables due from Countrywide entities	824	14,061
Other receivables	589	232
Less: Provision for impairment of financial assets	(983)	(761)
Financial assets, net	8,832	22,424
Tax receivables	266	—
Prepayments and accrued income	3,507	1,824
Less: Provision for impairment of receivables	(137)	—
	12,468	24,248

The carrying values of financial assets (trade and other receivables) approximate their fair values. The financial assets are mainly denominated in pound sterling.

Trade receivables are considered past due once they have passed their contracted due date. Trade receivables are reviewed for impairment if they are past due beyond 90 days for individual customers or 180 days for commercial contracts.

A summary of the movement in the provision for impairment of trade and other receivables (financial assets) is detailed below:

	2010	2011
	£'000	£'000
As at 1 January	1,396	983
Additional provisions	376	107
Amounts used	(789)	(329)
As at 31 December	983	761

The maximum exposure to credit risk at 31 December 2011 and 2010 is the carrying value of trade and other receivables (financial assets). There is no collateral held as security at each year end date.

18. CASH AND CASH EQUIVALENTS

	2010	2011
	£'000	£'000
Cash at bank and in hand	3,722	1,612

Cash is held in current accounts which earn 0.5% interest (2010: 0.5%) and the carrying value of cash and cash equivalents approximates their fair value.

The following amounts of cash and cash equivalents were held in foreign currencies:

	2010	2011
	£'000	£'000
Hong Kong Dollars	—	117
Barbadian Dollars	121	121
Indian Rupees	12	76
Euro	109	—
	242	314

19. TRADE AND OTHER PAYABLES

	2010	2011
	£'000	£'000
Trade payables	776	613
Obligations under finance leases	469	362
Financial liabilities	1,245	975
Other tax and social security payable	3,238	3,569
Accruals and other payables	5,096	5,126
	9,579	9,670

The fair value of financial liabilities approximates their carrying value due to short maturities. Financial liabilities are denominated in pound sterling.

20. PROVISIONS

	2010			
	Onerous contracts	Property repairs	Other	Total
	£'000	£'000	£'000	£'000
At 1 January	1,007	634	692	2,333
Utilised in the year	(64)	—	—	(64)
Charged to income statement	(411)	—	787	(376)
At 31 December	532	634	1,479	2,645
Due within one year or less	110	185	1,479	1,774
Due after more than one year	422	449	—	871
	532	634	1,479	2,645

	2011			
	Onerous contracts	Property repairs	Other	Total
	£'000	£'000	£'000	£'000
At 1 January	532	634	1,479	2,645
Utilised in the year	(102)	(307)	(509)	(918)
Charged to income statement	(194)	(113)	60	(247)
At 31 December	236	214	1,030	1,480
Due within one year or less	138	194	1,030	1,362
Due after more than one year	98	20	—	118
	236	214	1,030	1,480

Onerous contracts

The provision for onerous contracts comprises the closed property provision and rent review provision.

The closed property provision of £126,000 at 31 December 2011 (2010: £422,000) relates to property leases and represents the estimated unavoidable costs of leasehold properties which have become surplus to the Hamptons Group's requirements following the closure or relocation of operations. The provision is based on the present value of rentals and other unavoidable costs payable during the remaining lease period after taking into account rents receivable or expected to be receivable from sub-lessees, typically over a five-year period. Provisions are released when properties are assigned or sub-let.

The rent review provision of £110,000 at 31 December 2011 (2010: £110,000) is recognised for predicted increases in rent as a result of periodic rent reviews on the leased branches.

Property repairs

The provision for property repairs represents estimates of the cost to repair existing dilapidations under leasehold covenants, in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'. The average unexpired lease length of properties against which a provision has been made is two years.

Other

Other provision mainly relate to restructuring provision and fee refund provision. Restructuring provision of £216,000 at 31 December 2011 (2010: £746,000) has been recognised in respect of the costs incurred in the closure of overseas operations. The fee refund provision of £733,000 at 31 December 2011 (2010: £793,000) represents an estimate of all lettings and management fees recorded to revenue, which may be refunded in the future due to early termination of tenancies.

21. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of: 26% (2010: 27.25%).

The movement on the deferred tax account is shown below:

	2010	2011
	£'000	£'000
Deferred tax asset at 1 January	2,781	1,197
Charged to income statement	(1,584)	(88)
Net deferred tax asset at 31 December	1,197	1,109
Deferred tax asset	1,197	1,109
Net deferred tax asset expected to unwind within one year	100	100
Net deferred tax asset expected to unwind after one year	1,097	1,009
	1,197	1,109

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered. It is considered probable that the assets will be utilised in the near future due to the profits generated by Hamptons Group.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	2010	
	Deferred tax asset	(Charged) to income statement
	£'000	£'000
Origination and reversal of temporary differences		
Differences between capital allowances and depreciation	952	(26)
Trading losses	—	(1,421)
Other deductible temporary differences	245	(137)
	1,197	(1,584)

	2011	
	Deferred tax asset	(Charged) to income statement
	£'000	£'000
Origination and reversal of temporary differences		
Differences between capital allowances and depreciation	896	(56)
Other deductible temporary differences	213	(32)
	1,109	(88)

22. OPERATING LEASE COMMITMENTS — MINIMUM LEASE PAYMENTS

Commitments under non-cancellable operating leases due are as follows:

	2010		2011	
	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment
	£'000	£'000	£'000	£'000
Within one year	2,675	433	3,159	962
Later than one year and less than five years	8,232	506	7,955	1,683
After five years	8,803	—	11,155	—
	9,711	939	22,269	2,645

As at 31 December Hamptons had non-cancellable sub-leases to receive rental income as follows:

	2010	2011
	£'000	£'000
Within one year	65	109
Later than one year and less than five years	181	276
After five years	55	42
	301	427

23. CLIENT MONIES

At 31 December 2011, client monies held by subsidiaries in approved bank and building society accounts amounted to £27,348,000 (2010: £26,614,000). Neither this amount nor the matching liabilities to the clients concerned are included in the combined balance sheet.

24. ACQUISITIONS

In April 2010 Hamptons International acquired a single branch agency in Kingston-upon-Thames, London for £404,000. It was an area selected as being one where the Hamptons International brand would flourish. Post acquisition the revenue and loss generated by the branch was £220,000 and £65,000 and the pro forma revenue and profit for the whole of 2010 was £571,000 and £152,000.

25. FINANCIAL INSTRUMENTS — RISK MANAGEMENT

The Hamptons Group is exposed through its operations to the following financial risks:

- Liquidity risk, and
- Counterparty credit risk

These risks are managed with the assistance of the Group finance team who manage the group-wide treasury. The policy for managing these risks is set by the Board following recommendations from the Countrywide Group Chief Finance Officer.

The policy for each of the above risks is described in more detail below.

Liquidity risk

The liquidity risk of each Hamptons Group entity is managed centrally by the Operating Group treasury function. The Hamptons Group's cash requirement is monitored closely.

All surplus cash is held centrally by the Operating Group to maximise the returns on deposits through economies of scale. In 2011, cash held by Hamptons Group was deposited in current accounts earning an interest at base rate of 0.5% (2010: 0.5%).

The Hamptons Group's discounted financial liabilities at the 2010 and 2011 year ends are as follows:

	2010 £'000	2011 £'000
Trade payables	776	613
Obligations under finance leases	469	362
	1,245	975

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

	2010 £'000	2011 £'000
In less than one year	1,136	975
In more than one year but not more than two years	109	—
	1,245	975

Counterparty credit risk

The Hamptons Group's financial assets at the 2010 and 2011 year ends are as follows:

	2010 £'000	2011 £'000
Cash and cash equivalents	3,722	1,612
Financial assets (trade and other receivables)	8,832	22,424
	12,554	24,036

The Hamptons Group is exposed to credit risk from its sales. It is a Countrywide policy, implemented locally, to assess the credit risk of major new customers before entering into the contracts. The majority of customers use the Hamptons Group's services as part of a housing transaction and consequently the commissions and fees are paid from the proceeds of the house sale. It is a standard operating procedure to review all the customers under the Money Laundering policies.

The Group treasury function manages the Hamptons Group's cash balances and seeks to achieve reasonable rates of interest, but preservation of the capital is the overriding priority. A list of accepted deposit institutions is maintained and their credit ratings are kept under review.

The maximum exposure to credit risk at 31 December 2010 and 2011 is the carrying value of each class of financial assets disclosed above. The Hamptons Group does not hold any collateral as security.

Capital risk management

As a subsidiary group within the Operating Group, the Hamptons Group's capital is managed by Countrywide. The Hamptons Group is not permitted to raise capital in its own right.

Fair value of financial instruments

The financial assets and financial liabilities of the Hamptons Group recognised at 31 December 2010 and 2011 are carried at amortised cost. The fair value of financial instruments carried at amortised cost is based on the expected cash flows discounted at prevailing interest rates for new instruments with similar credit risk and remaining maturity. Due to the short-term nature of the financial assets (trade and other receivables, cash and cash equivalents) and financial liabilities (trade and other payables), their carrying amounts approximate their fair values.

26. RELATED PARTY TRANSACTIONS

Key management compensation is given in note 7(b).

The following balances are outstanding with related parties at 31 December 2010 and 2011:

	2010	2011
	£'000	£'000
Receivables due from Countrywide entities	824	14,061

Amounts owed from Countrywide entities represent the net treasury transactions between the Hamptons Group and Countrywide. During 2010 and 2011, the cash outflows from net transactions with Countrywide entities were £824,000 and £13,237,000, respectively.

No other trading transactions occurred during 2010 and 2011 between Hamptons Group and its related parties.

During 2010, prior to the acquisition by the Operating Group, the Hamptons Group settled a net liability of £8,942,000 to Emaar Properties PJSC and its subsidiaries. Also, the Hamptons Group received a contribution of £1,250,000 from Emaar Properties PJSC in 2010 in relation to a demerged entity, Oman.

PART XIV — UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma statement of net assets of the Group (after giving effect to the Reorganisation) set out below has been prepared to illustrate the effect of receipt of the net proceeds of the New Issue Ordinary Shares on the Group's net assets as if the Reorganisation and the Offer had been completed on 31 December 2012. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results. The unaudited pro forma statement of net assets is compiled on the basis set out below from the IFRS consolidated balance sheet of the Company as at 31 December 2012, as set out in Part XIII (*Financial Information*). It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The pro forma financial information has been prepared on the basis set out in the notes below and in accordance with Annex II to the PD Regulation.

Balance Sheet

	As at 31 December 2012	Unaudited adjustments IPO Net Proceeds	Unaudited Pro forma Total
	£'000 (Note 1)	£'000 (Note 2)	£'000 (Notes 3, 4 and 5)
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	**356,517**	—	356,517
Other intangible assets	**193,700**	—	193,700
Property, plant and equipment	**23,596**	—	23,596
Investment accounted for using the equity method: investments in joint ventures	**2,676**	—	2,676
Other investments	**14,370**	—	14,370
Deferred tax asset	**16,458**	—	16,458
Total non-current assets	**607,317**	—	607,317
Current assets			
Trade and other receivables	**68,178**	—	68,178
Cash and cash equivalents	**46,544**	191,162	237,706
Total current assets	**114,722**	191,162	305,884
Total assets	**722,039**	191,162	913,201
Liabilities			
Non-current liabilities			
Financial liabilities – loans and borrowings	**249,774**	—	249,774
Defined benefit scheme liabilities	**6,612**	—	6,612
Provisions	**34,366**	—	34,366
Deferred income	**16,040**	—	16,040
Other liabilities due after one year	**10,811**	—	10,811
Deferred tax liability	**43,676**	—	43,676
Total non-current liabilities	**361,279**	—	361,279
Current liabilities			
Trade and other payables	**80,318**	—	80,318
Deferred income	**13,213**	—	13,213
Provisions	**24,222**	—	24,222
Current tax liabilities	**708**	—	708
Total current liabilities	**118,461**		118,461
Total liabilities	**479,740**	—	479,740
Net assets	**242,299**	191,162	433,461

Notes

1. The financial information has been extracted, without material adjustment, from the results of the Group for the year ended 31 December 2012 as set out in Part XIII (*Financial Information*).
2. The net proceeds of the Offer receivable by the Company of £191.2 million are calculated on the basis that the Company issues 57,142,858 New Issue Ordinary Shares of 1 pence each at a price of 350 pence per share, net of estimated fees and expenses in connection with the Offer of approximately £8.8 million.

3. As set out in Part VI (*Details of the Offer*), the Company intends to use the net proceeds receivable by the Company from the Offer, together with the New Facility to redeem the Senior Secured Notes. This is not reflected in the unaudited net asset statement above. Had the net proceeds receivable by the Company from the Offer of £191.2 million been received, £75.0 million of the New Facility drawn and redemption of £250.0 million of Senior Secured Notes been made on 31 December 2012, the hypothetical effect on the net asset statement at that date would be to reduce Financial Liabilities — Loans and Borrowings of the Group by £176.3 million, reduce trade and other payables by £2.2 million, increase cash and cash equivalents by £6.0 million and increase net assets by £184.5 million.
4. This unaudited pro forma statement of net assets does not constitute financial statements within the meaning of section 434 of the Companies Act.
5. The unaudited pro forma statement of net assets does not reflect any trading or other transactions undertaken by the Group since 31 December 2012.

REPORT FROM PRICEWATERHOUSECOOPERS LLP ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors
Countrywide plc
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CM1 1HP

Goldman Sachs International
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Jefferies International Limited
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20 March 2013

Dear Sirs

Countrywide plc ("the Company")

We report on the pro forma financial information (the "**Pro forma financial information**") set out in Part XIV of the Company's prospectus dated 20 March 2013 (the "**Prospectus**") which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the proposed admission of the ordinary shares of the Company to the Official List maintained by the Financial Services Authority and the proposed admission of those shares to trading on the London Stock Exchange's main market for listed securities might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 31 December 2013. This report is required by item 20.2 of Annex I to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma financial information in accordance with item 20.2 of Annex I to the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation as to the proper compilation of the Pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

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.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the UK. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

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 Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) 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:

a) the Pro forma financial information has been properly compiled on the basis stated; and

b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Prospectus and we 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 XV — TAXATION

1. UK taxation

The following statements are intended only as a general guide to certain UK tax considerations relevant to prospective investors in the Ordinary Shares. They do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. They are based on current UK tax law and what is understood to be the current practice (which may not be binding) of HM Revenue and Customs ("**HMRC**") as at the date of this Prospectus, both of which are subject to change, possibly with retrospective effect. They relate only to Shareholders who are resident (and, in the case of individuals, ordinarily resident and domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under an individual savings account) and who are the absolute beneficial owners of both the Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Ordinary Shares in connection with an office or their (or another person's) employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Group, persons holding Ordinary Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or not ordinarily resident in the UK, collective investment schemes and those who hold 5% or more of the Ordinary Shares, is not considered. Nor do the following statements consider the tax position of any person holding investments in any HMRC-approved arrangements or schemes, including the enterprise investment scheme, venture capital scheme or business expansion scheme, able to claim any inheritance tax relief or holding Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment or otherwise).

Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

2. Taxation of dividends

2.1 Withholding taxes

The Company will not be required to withhold UK tax at source from dividend payments it makes to Shareholders.

2.2 Individuals

An individual Shareholder who is resident for tax purposes in the UK and who receives a cash dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the cash dividend received, which tax credit will be equivalent to 10% of the aggregate of the dividend received and the tax credit (the gross dividend). Such an individual shareholder will be subject to income tax on the gross dividend. An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10%, so that the tax credit will satisfy the income tax liability of such a Shareholder in full. Where the tax credit exceeds the Shareholder's tax liability, the Shareholder cannot claim repayment of the tax credit from HMRC. An individual UK resident Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate of 32.5% to the extent that such sum, when treated as the top slice of that Shareholder's income, exceeds the threshold for higher rate income tax. After setting the 10% tax credit against part of the Shareholder's liability, a higher rate tax payer will therefore be liable to account for tax equal to 22.5% of the gross dividend (or 25% of the net cash dividend), to the extent that the gross dividend exceeds the threshold for the higher rate.

An individual UK resident Shareholder liable to income tax at the additional rate will be subject to income tax on the gross dividend at the rate of 42.5% of the gross dividend, but will be able to set the UK tax credit off against part of this liability. The effect of this set-off of the UK tax credit is that such a Shareholder will be liable to account for additional tax equal to 32.5% of the gross dividend (or approximately 36.1% of the net cash dividend) to the extent that the gross dividend exceeds the threshold for the additional rate (subject to the changes discussed below).

The dividend additional rate will be reduced from 42.5% to 37.5%, with effect from 6 April 2013. From 6 April 2013 onwards, a UK resident individual Shareholder liable to income tax at the additional rate will be subject to income tax on the gross dividend at the rate of 37.5% but will be able to set the tax credit off against part of his liability. This will have the effect that the Shareholder will be liable to account for tax equal to 27.5% of the gross dividend (or approximately 30.6% of the net cash dividend), to the extent that the gross dividend exceeds the threshold for the additional rate.

2.3 Companies

Shareholders within the charge to UK corporation tax which are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from the Company provided certain conditions are met (including an anti-avoidance condition).

Other Shareholders within the charge to UK corporation tax will not be subject to UK corporation tax on dividends received from the Company so long as the dividends fall within an exempt class and certain conditions are met. For example, dividends paid on shares that are "ordinary shares" and are not "redeemable" (as those terms are used in Chapter 3 of Part 9A of the Corporation Tax Act 2009), and dividends paid to a person holding less than 10% of the issued share capital of the Company, should generally fall within an exempt class. However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

If the conditions for exemption are not met or cease to be satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company, at the rate of corporation tax applicable to that Shareholder (currently 24% for companies paying the full rate of corporation tax with effect from 1 April 2012, to be reduced to 23% with effect from 1 April 2013).

2.4 No payment of tax credit

Individual UK resident Shareholders who are not liable to UK income tax in respect of the gross dividends, and other UK resident tax payers who are not liable to UK tax on dividends, including UK pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to any dividends paid by the Company.

2.5 Non-UK resident Shareholders

Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident.

Where a non-UK resident Shareholder carries on a trade, profession or vocation in the UK and the dividends are a receipt of that trade or, in the case of corporation tax, the Ordinary Shares are held by or for a UK permanent establishment through which a trade is carried on, the Shareholder may be liable to UK tax on dividends paid by the Company. In such cases, there will be no entitlement to repayment of the tax credit attaching to the dividends. Such Shareholders should consult their own tax advisers regarding their tax position.

A Shareholder resident outside the UK may also be subject to taxation on dividend income under local law. A Shareholder who is not solely resident in the UK for tax purposes should consult his own tax advisers concerning his tax liabilities (in the UK and any other country) on dividends received from the Company, whether he is entitled to claim any part of the tax credit and, if so, the procedure for doing so, and whether any double taxation relief is due in any country in which he is subject to tax.

Taxation of disposals

(a) General

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) resident (or, in the case of an individual, ordinarily resident) in the UK for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains, depending upon the Shareholder's circumstances and subject to any available exemption or relief.

(b) UK resident individual Shareholders

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax is 18% for individuals who are subject to income tax at the basic rate and 28% for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an exempt amount of gains (currently £10,600) in each tax year without being liable to tax.

(c) UK resident corporate Shareholders

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax. An indexation allowance on the cost of acquiring the Ordinary Shares may be available to reduce the amount of the chargeable gain which would otherwise arise on the disposal. Corporation tax is charged on chargeable gains at the rate applicable to the relevant company.

(d) Non-UK resident Shareholders

A Shareholder (individual or corporate) who is not resident (or, in the case of an individual, ordinarily resident) in the UK for tax purposes is generally not subject to UK capital gains tax.

However, if such a Shareholder carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a non-UK resident corporate Shareholder, a permanent establishment) to which the Ordinary Shares are attributable, the Shareholder will be subject to the same rules that apply to UK resident Shareholders.

An individual Shareholder who acquires the Ordinary Shares whilst UK resident, who subsequently ceases to be resident or ordinarily resident for tax purposes in the UK for a period of less than five complete years of assessment and who disposes of the Ordinary Shares during that period of non-residence may be liable, on his return to the UK, to capital gains tax in respect of any gain arising from the disposal (subject to any available exemption or relief).

It is currently proposed that, with effect from 6 April 2013, the concept of "ordinary residence" will cease to be relevant to whether an individual is subject to UK capital gains tax, although it is also proposed that new rules will be introduced relating to individuals who have been resident in the UK and who then cease to be resident in the UK only temporarily.

3. Inheritance tax

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by an individual Shareholder, or the death of an individual Shareholder, may therefore give rise to a liability to UK inheritance tax, depending upon the Shareholder's circumstances and subject to any available exemption or relief. A transfer of Ordinary Shares at less than market value may be treated for inheritance tax purposes as a gift of the Ordinary Shares. Special rules apply to close companies and to trustees of settlements who hold Ordinary Shares, which rules may bring them within the charge to inheritance tax. The inheritance tax rules are complex and Shareholders should consult an appropriate professional adviser in any case where those rules may be relevant, particularly in (but not limited to) cases where Shareholders intend to make a gift of Ordinary Shares, to transfer Ordinary Shares at less than market value or to hold Ordinary Shares through a company or trust arrangement.

4. Close company

It is likely that the Company and each member of the Group is a "close company" within the meaning of Part 10 of the Corporation Tax Act 2010 as at the date of this Prospectus and will continue to be so following the Offer. As a result, certain transactions entered into by the Company or other members of the Group may have tax implications for Shareholders. In particular, certain gifts, transfers of assets at less than market value or other transfers of value by the Company or other members of the Group may be apportioned to Shareholders for the purposes of UK inheritance tax, although the payment of a dividend to a Shareholder or the payment of dividends or transfers of assets between members of the

Group will not normally attract such an apportionment. Any charge to UK inheritance tax arising from such a transaction will primarily be a liability of the relevant company, although in certain circumstances Shareholders may be liable for the tax if it is left unpaid by that company. In addition, any transfer of assets at less than market value by the Company or other members of the Group may result in a reduction of a Shareholder's base cost in his Ordinary Shares for the purposes of UK taxation of capital gains, although transfers of assets between members of the Group will not normally attract such treatment. Shareholders should consult their own professional advisers on the potential impact of the close company rules.

5. Stamp duty and Stamp Duty Reserve Tax

The following statements are intended as a general guide to the current UK stamp duty and SDRT position for holders of Ordinary Shares. Certain categories of person, including intermediaries, brokers, dealers and persons connected with depositary receipt systems and clearance services, may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

The comments in this section relating to stamp duty and SDRT apply whether or not a Shareholder is resident or ordinarily resident in the UK.

5.1 The Offer

Except in relation to depositary and clearance services (to which special rules apply, as described in paragraph 5.4 below), no UK stamp duty or SDRT will arise on the issue of Ordinary Shares by the Company.

The sale of existing Ordinary Shares pursuant to the Over-allotment Option will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5% of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Company has agreed to bear the cost of any such liability to stamp duty and/or SDRT arising at a rate of 0.5% of the Offer Price in respect of the sale of existing Ordinary Shares pursuant to the Over-allotment Option.

The sale of existing Ordinary Shares by the Selling Employees pursuant to the Secondary Offer will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5% of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Company has agreed to meet that liability to stamp duty and/or SDRT, up to a maximum rate of 0.5%.

If, in connection with the Offer, Ordinary Shares are issued or transferred into a clearance service or a depositary receipts system, a liability to stamp duty or SDRT may be payable at the rate of 1.5% of the Offer Price, as discussed further in paragraph 5.4 below.

5.2 Subsequent transfers

Stamp duty at the rate of 0.5% (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Ordinary Shares. An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will also generally arise on an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date of the agreement (or, if the agreement is conditional, the date on which it becomes unconditional) an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will generally be refunded, provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The purchaser or transferee of the Ordinary Shares will generally be responsible for paying such stamp duty or SDRT.

5.3 Ordinary Shares held through CREST

Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Under the CREST system, generally no stamp duty or SDRT will arise on a deposit of Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at a rate of 0.5% of the amount or value of the consideration for the Ordinary Shares.

5.4 Depositary receipt systems and clearance services

Under current UK legislation, where Ordinary Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or 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% of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (rounded up to the next multiple of £5 in the case of stamp duty).

There is an exception from the 1.5% charge on the issue or transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an appropriate election which has been approved by HMRC. In these circumstances, the normal rates of stamp duty and SDRT (rather than the higher rate regime referred to above) will generally apply to any issue or transfer of Ordinary Shares into the clearance service and to any transactions in Ordinary Shares held within the clearance service.

Any liability for stamp duty or SDRT in respect of an issue or transfer into a clearance service or depositary receipt system, or in respect of a transfer of Ordinary Shares held within such a service or system, will strictly be payable by the operator of the clearance service or depositary receipt system or its nominee, as the case may be, but in practice will generally be reimbursed by participants in the clearance service or depositary receipt system.

However, following recent judicial decisions, HMRC has confirmed that it will no longer seek to apply the 1.5% SDRT charge when shares are first issued into a clearance service or depositary receipt system. The application of the 1.5% charge may also be affected in other circumstances. Accordingly, specific professional advice should be sought before paying the 1.5% stamp duty or SDRT charge in any circumstances.

6. Certain Material US Federal Income Tax Consequences

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS AND/OR PURCHASERS OF ORDINARY SHARES ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS AND/OR PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS AND/OR PURCHASERS UNDER APPLICABLE TAX LAW; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUERS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUERS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Certain Material US Federal Income Tax Consequences

The following is a discussion of certain material US federal income tax consequences of the acquisition, ownership and disposition of the Company's Ordinary Shares that are applicable to you if you are a US Holder, as defined below, that acquires Ordinary Shares pursuant to this Prospectus. 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 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% or more of the total combined voting power of all classes of the Group's stock entitled to vote. 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:

- financial institutions;

- regulated investment companies;
- real estate investment trusts;
- tax-exempt entities;
- insurance companies;
- persons holding the Ordinary Shares as part of a hedging, integrated or conversion transaction, constructive sale or "straddle";
- persons who acquired Ordinary Shares through the exercise or cancellation of employee stock options or otherwise as compensation for their services;
- US expatriates;
- persons subject to the alternative minimum tax;
- dealers or traders in securities or currencies; or
- holders whose functional currency is not the US dollar.

This summary does not address estate and gift tax or any US federal tax consequences other than income tax or tax consequences under any state, local or foreign laws other than as provided in the section entitled "UK Taxation" provided above.

For the 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 as determined for US federal income tax purposes; (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 supervision 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.

If a partnership or other pass-through entity is a beneficial owner of the Company's 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 US Internal Revenue Code of 1986, as amended (the "**Code**"), US judicial decisions, administrative pronouncements, 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. We have 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 the Group has reached and describe herein.

This discussion assumes that the Company is not a passive foreign investment company, or PFIC, as discussed below under "Passive Foreign Investment Company Considerations".

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 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 Ordinary Shares.

Distributions

Subject to the PFIC rules discussed below, the gross amount of any distribution made by us will generally be subject to US federal income tax as dividend income to the extent paid out of the Group's current or accumulated earnings and profits, as determined under US federal income tax principles.

Such amount will be includable in gross income by you as ordinary income on the date that you actually or constructively receive the distribution in accordance with your regular method of accounting for US federal income tax purposes. The amount of any distribution made by us in property other than cash will be the fair market value of such property on the date of the distribution. Dividends paid by us will not be eligible for the dividends received deduction allowed to corporations.

Subject to applicable exceptions with respect to short-term and hedged positions, certain dividends received by non-corporate US Holders from a "qualified foreign corporation" may be eligible for reduced rates of taxation. A qualified 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 Convention between the Government of the United States of America and the Government of the UK of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital Gains meets these requirements, and the Company believe that it is eligible for the benefits of this treaty. Dividends received by US investors from a foreign corporation that was a PFIC in either the taxable year of the distribution or the preceding taxable year will not constitute qualified dividends. As discussed below in "Passive Foreign Investment Company Considerations", the Company believes that it is not a PFIC.

To the extent that a distribution exceeds the amount of the Group's current and 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 adjusted tax basis in the Ordinary Shares held by you (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognised by you upon a subsequent disposition of the Ordinary Shares), with any amount that exceeds your adjusted tax basis being treated as a capital gain recognised on a sale, exchange or other taxable disposition (as discussed below). However, we do not intend to maintain calculations of the Group's earnings and profits in accordance with US federal income tax principles, and you should therefore assume that any distribution by us with respect to the Company's Ordinary Shares will be treated as a dividend for US federal income tax purposes.

Subject to certain limitations (including a minimum holding period requirement), any UK tax withheld with respect to distributions made on the Ordinary Shares will be treated as foreign income taxes eligible for credit against your US federal income tax liability. Alternatively, you may, subject to applicable limitations, elect to deduct the otherwise creditable UK withholding taxes for US federal income tax purposes provided such election is made for all foreign income taxes paid or accrued for the relevant taxable year. Dividends received on the Company's Ordinary Shares will be treated as income from sources outside the United States and generally will constitute "passive category income" for US foreign tax credit limitation purposes. The rules governing the foreign tax credit are complex and involve the application of rules that depend upon your particular circumstances. Accordingly, you are urged to consult your tax adviser regarding the availability of the foreign tax credit under your particular circumstances.

The gross amount of distributions paid in pounds sterling will be included by you in income in a dollar amount calculated by reference to the exchange rate in effect on the day you actually or constructively receive the distribution in accordance with your regular method of accounting for federal income tax purposes regardless of whether the payment is in fact converted into US dollars. If the pounds sterling are converted into US dollars on the date of the payment, you should not be required to recognise any foreign currency gain or loss with respect to the receipt of pounds sterling as distributions. If, instead, the pounds sterling are converted at a later date, any currency gains or losses resulting from the conversion of the pounds sterling will be treated as US source ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income.

Sale, Exchange or Other Taxable Disposition of Ordinary Shares

You generally will recognise gain or loss upon the sale, exchange or other taxable disposition of the Company's Ordinary Shares in an amount equal to the difference between (i) the amount realised upon the sale, exchange or other taxable disposition and (ii) your adjusted tax basis in the Ordinary Shares. Generally, subject to the application of the PFIC rules discussed below, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if, on the date of the sale, exchange or other taxable disposition, you have held the Ordinary Shares for more than one year. If you are an individual tax payer, long-term capital gains are subject to taxation at favourable rates. The deductibility of capital losses is subject to limitations under the Code. Gain or loss, if any, that you realise upon a sale, exchange or other taxable disposition of Ordinary Shares will be treated as having a United States source for US foreign tax credit limitation purposes. If you receive any foreign currency on the sale of Ordinary Shares, you may recognise ordinary income or loss as a result of currency fluctuations between the date of the sale of Ordinary Shares and the date the sale proceeds are converted into US dollars.

Passive Foreign Investment Company Considerations

Special US federal income tax rules apply to US persons owning stock of a PFIC. A foreign corporation will be considered a PFIC for any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look through" rules, either (1) at least 75% of its gross income is "passive" income (the "income test") or (2) at least 50% of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income (the "asset test"). For purposes of determining whether a foreign corporation will be considered a PFIC, such foreign corporation will be treated as holding its proportionate share of the assets and receiving directly its proportionate share of the income of any other corporation in which it owns, directly or indirectly, more than 25% (by value) of the stock. PFIC status is fundamentally factual in nature. It generally cannot be determined until the close of the taxable year in question and is determined annually.

We believe that we currently are not a PFIC for US federal income tax purposes, and we do not expect to become a PFIC in the future. 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 we may become a PFIC in the current taxable year or in future years. If we are classified as a PFIC in any year during which you hold the Company's Ordinary Shares, we generally will continue to be treated as a PFIC in all succeeding years, regardless of whether we continue to meet the income or asset test discussed above.

If we were classified as a PFIC for any taxable year during which you hold the Group's 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". 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% 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.

Additional Tax on Passive Income

US Holders that are individuals, estates or trusts will be required to pay up to an additional 3.8% tax on the lesser of (1) the US Holder's "net investment income" for the relevant taxable year and (2) the excess of the US Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A US Holder's "net investment income" will generally include, among other things, dividends and capital gains. Such tax will apply to dividends and to capital gains from the sale or other disposition of the Company's Ordinary Shares, unless derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends paid to you in respect of Ordinary Shares and the proceeds received by you from the sale, exchange or other disposition of Ordinary Shares within the United States unless you are an exempt recipient. A backup withholding tax may apply to such payments if you fail to provide a tax payer identification number or certification of exempt status or fail to report in full dividend and interest income.

In addition, US Holders should be aware of reporting requirements with respect to the holding of certain foreign financial assets, including stock of foreign issuers which is not held in an account maintained by certain financial institutions, if the aggregate value of all of such assets exceeds US $50,000. US Holders should also be aware that if we were a PFIC, they would generally be required to file IRS Form 8261. The Treasury and IRS continue to issue new guidance regarding these information reporting requirements, and US Holders should consult their own tax advisers regarding the application of the information reporting rules to the Company's Ordinary Shares and their particular situations.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against your US federal income tax liability, provided that the required information is furnished to the IRS.

Notwithstanding anything in this Prospectus to the contrary, each prospective investor (and each employee, representative or other agent of each prospective investor) may disclose to any and all persons, without limitations of any kind, the tax treatment and tax structure of the transactions described in this Prospectus and all materials of any kind (including opinions and other tax analysis) that are provided to the prospective investor relating to such tax treatment and tax structure (as such terms are defined in the United States Treasury Regulation, Section 1.6011-4).

PART XVI — ADDITIONAL INFORMATION

1. Persons responsible

The Directors, whose names appear on page 72, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and activity of the Company

The Company was incorporated under the name Countrywide Newco Limited on 21 December 2012. The Company was incorporated and registered in England and Wales with registered number 08340090. The registered office and head office of the Company is 17 Duke Street, Chelmsford, Essex CM1 1HP, UK (telephone number: 01245 294 000). The Company was re-named Countrywide Limited on 11 March 2013. It was re-registered as a public limited company on 19 March 2013 with the name Countrywide plc.

The principal legislation under which the Company operates and under which the Ordinary Shares were created, is the Companies Act.

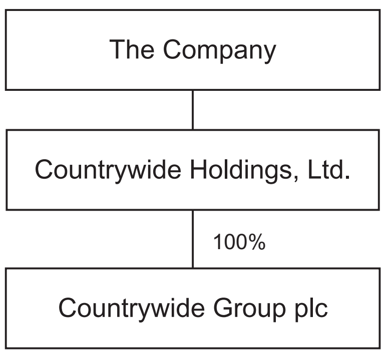
3. Corporate Reorganisation

In connection with Admission, the Group undertook a corporate reorganisation that resulted in the Company becoming the ultimate holding company of the Group (the "**Corporate Reorganisation**"). The Corporate Reorganisation occurred on 18 and 19 March 2013. It consisted of the following principal steps:

- all shares in Countrywide Holdings, Ltd. were transferred from its existing shareholders to the Company;
- the Company issued one share to the former shareholders of Countrywide Holdings, Ltd. in place of each share in Countrywide Holdings, Ltd. that had been transferred to the Company;
- the Company's issued shares were reclassified, subdivided and consolidated into Ordinary Shares;
- the share capital of the Company was reduced from approximately £147,500,000 to approximately £1,500,000;
- the Company was re-registered from a private limited company to a public limited company; and
- the Articles were adopted.

Investors in this Offer will receive Ordinary Shares, which in turn will dilute the shareholdings of the Group's pre-Admission shareholders.

The Corporate Reorganisation did not affect the Group's operations, which will continue to be carried out through its operating subsidiaries. The following chart reflects the Group's corporate structure after Admission, after giving effect to the Corporate Reorganisation:



4. Share capital of the Company

The Company was incorporated with an issued share capital of £100 divided into 100 Ordinary Shares of £1 each, which were issued to the subscribers to the Company's Articles.

The Ordinary Shares are, or will be when issued, in registered form and capable of being held in uncertificated form. No temporary documents of title have been or will be issued in respect of the Ordinary Shares. The Ordinary Shares will rank pari passu for dividends.

As at 19 March 2013, being the last practicable date prior to the date of this Prospectus, the Company held no treasury shares. No Ordinary Shares have been issued other than fully paid.

Immediately following Admission, the Company's share capital is expected to be as follows:

	Nominal Value	Number of shares issued	Amount
Ordinary Shares	£0.01	**213,730,676**	**£2,137,306.76**

The Ordinary Shares carry the right to receive dividends and distributions paid by the Company. The Shareholders have the right to receive notice of and to attend and vote at all general meetings of the Company.

The ISIN of the Ordinary Shares is GB00B9NWP991.

Further information on the rights attaching to the Ordinary Shares is set out in paragraph 5.5 below, and further information on dealing arrangements and CREST is set out in Part VI (*Details of the Offer*).

5. Information about the Ordinary Shares

5.1 Description of the type and class of securities being offered

The Ordinary Shares have a nominal value of 1 pence each. The Company has and, following the Offer, will have one class of Ordinary Shares, the rights of which are set out in the Articles, a summary of which is set out in paragraph 6 of this Part XVI.

The Ordinary Shares are credited as fully paid and free from all liens, equities, charges, encumbrances and other interests. The Ordinary Shares rank in full for all dividends and distributions on Ordinary Shares of the Company declared, made or paid after their issue.

5.2 Legislation under which the Ordinary Shares were created

The Ordinary Shares have been created under the Companies Act.

5.3 Listing

Application will be made to the UK Listing Authority for the Ordinary Shares to be admitted to Premium Listing. Application will also be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the London Stock Exchange by no later than 8 a.m. on 25 March 2013.

Listing of the Ordinary Shares is not being sought on any stock exchange other than the London Stock Exchange.

5.4 Form and currency of the Ordinary Shares

The Ordinary Shares will be in registered form and will be capable of being held in certificated and uncertificated form. The Registrars of the Company are Capita Registrars Limited of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Title to the certificated Ordinary Shares (if any) will be evidenced by entry in the register of members of the Company and title to uncertificated Ordinary Shares will be evidenced by entry in the operator register maintained by Capita Registrars (which will form part of the register of members of the Company).

The Ordinary Shares are denominated in pounds sterling.

5.5 Rights attached to the Ordinary Shares

Each Ordinary Share ranks equally in all respects with each other Ordinary Share and has the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as each other Ordinary Share, as set out in the Articles.

Subject to the provisions of the Companies Act, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The Companies Act 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 the Company, the Shareholders have no rights to share in the profits of the Company.

The Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary Shares on or off-market, subject to the Companies Act and the requirements of the Listing Rules. The Company may purchase Ordinary Shares only out of distributable reserves or the proceeds of a new issue of shares made to fund the repurchase.

At Admission, Oaktree will hold over 30% of the Shares in the Company. While the Company does not intend to commence a buyback programme, any buyback which results in the percentage of voting shares held by Oaktree increasing will need to be approved by a vote of independent Shareholders to avoid Oaktree being required to make a mandatory offer for the Company pursuant to Rule 9 of the Takeover Code. The Company expects to propose such a "whitewash" resolution at its future annual general meetings. For the period from Admission and up to its first annual general meeting as a listed company, the Company has obtained the approval of over 50% of its independent Shareholders (excluding Oaktree and the Oaktree-appointed director on the Board) to permit such a buyback without triggering a mandatory offer.

Further details of the rights attached to the Ordinary Shares in relation to attendance and voting at general meetings, entitlements on a winding-up of the Company and transferability of shares are set out in paragraph 6 of this Part XVI.

Further details of the voting and dividend rights attaching to Ordinary Shares are set out in paragraph 6 of this Part XVI.

5.6 Authorities relating to the Ordinary Shares

By written resolution of the holder of the entire share capital in the Company on 18 March 2013 it was resolved that:

1. the Board be generally and unconditionally authorised and, in the case of the authority described in paragraph (B) below, subject to and conditional upon Admission, to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

   (A) as required for the purposes of the Reorganisation Offer, for the purpose of being issued to any Director prior to Admission or for the purposes of the Offer; and

   (B) up to an aggregate nominal amount of £712,435,

   such authorities to apply until the end of next year's annual general meeting (or, if earlier, until the close of business on 30 June 2014) 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 ended,

2. subject to and conditional upon the passing of the resolution described in paragraph 1 (above), the Board be given power, in substitution for all subsisting powers, to allot equity securities for cash under the authority given by the resolution described in paragraph 1 above

and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if section 561 of the Companies Act did not apply to any such allotment or sale, such power to be limited:

(A) in the case of the authority described in paragraph (A) of the resolution described in paragraph 1 as required for the purposes set out in paragraph (A) of the resolution described in paragraph 1; and

(B) in the case of the authority granted under paragraph (B) of the resolution described in paragraph 1 above and/or in the case of any sale of treasury shares for cash, to the allotment of equity securities or sale of treasury shares:

(i) up to a nominal amount of £106,865 (otherwise than pursuant to the authority described in paragraph (B)(ii) below); and

(ii) for cash in connection with an offer of, or invitation to apply for, equity securities:

(a) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings; and

(b) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary as permitted by the rights of those securities,

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 power to apply until the end of the next annual general meeting (or, if earlier, until the close of business on 30 June 2014) 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; and

3. subject to and conditional upon Admission, the Company be authorised for the purposes of section 701 of the Companies Act to make one or more market purchases (as defined in section 693(4) of the Companies Act) of its Ordinary Shares, such power to be limited:

(A) to a maximum number of 21,373,067 Ordinary Shares; and

(B) by the condition that the minimum price which may be paid for an Ordinary Share is its nominal value and the maximum price which may be paid for an Ordinary Share is the highest of:

(i) an amount equal to 5% above the average market value of an Ordinary Share for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and

(ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out,

in each case, exclusive of expenses,

such power to apply until the end of the next annual general meeting (or, if earlier, until the close of business on 30 June 2014) but in each case so that the Company may enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the power ends and the Company may purchase Ordinary Shares pursuant to any such contract as if the power had not ended.

5.7 Description of restrictions on free transferability

The Ordinary Shares are freely transferable and there are no restrictions on transfer.

The Company may, under the Companies Act, 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, the Company 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.

6. Summary of the Articles

The Articles adopted on 19 March 2013, conditional upon Admission becoming effective, contain (among others) provisions to the following effect:

6.1 Unrestricted objects

The objects of the Company are unrestricted.

6.2 Limited liability

The liability of the Company's members is limited to any unpaid amount on the shares in the Company held by them.

6.3 Change of name

The Articles allow the Company to change its name by resolution of the Directors. This is in addition to the Company's statutory ability to change its name by special resolution under the Companies Act.

6.4 Share rights

Subject to applicable statutes (in this paragraph 6, the "**Companies Act**"), any resolution passed by the Company under the Companies Act and subject to other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. These rights and restrictions will apply as if they were set out in the Articles. 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. Subject to the Articles, the Companies Act and other shareholders' rights, the shares in the Company are at the disposal of the Board.

6.5 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 Act. The Companies Act provides that:

(A) 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 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

(B) 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 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.

6.6 Restrictions

No member shall be entitled to vote at any general meeting or class meeting 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) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

6.7 Dividends and other distributions

The Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Act, the Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, 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 the Company's shares from a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Except insofar 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 the Company, 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 the Company.

The Company 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 either (i) at least two consecutive payments have remained uncashed or are returned undelivered or that means of payment has failed or (ii) one payment remains uncashed or is returned undelivered or that means of payment has failed and reasonable enquiries have failed to establish any new postal address or account of the holder. The Company may resume sending dividend cheques, warrants or similar financial instruments or employing that means of payment if the holder requests such resumption in writing.

6.8 Variation of rights

Subject to the Companies Act, 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.

6.9 Transfer of shares

The shares are in registered form. Any shares in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Provisions of the Articles 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:

(A) 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;

(B) is in respect of only one class of share; and

(C) 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) and 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 the Company's certificated shares by a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

6.10 Sub-division of share capital

Any resolution authorising the Company to sub-divide any of its shares can provide that, as between the holders of the divided shares, different rights and restrictions of a kind which the Company can apply to new shares can apply to different dividend shares.

6.11 General meetings

The Articles rely on the Companies Act provisions dealing with the calling of general meetings. The Companies Act provides that a general meeting (other than an adjourned meeting) must be called by notice of at least 21 days in the case of an annual general meeting and at least 14 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.

6.12 Directors

(A) Number of Directors

The Directors shall be not less than two and not more than 15 in number. The Company 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 the Company.

(C) Appointment of Directors

Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next following annual general meeting of the Company 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 the Company 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 the Company, 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

The Company 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 Act; or

(viii) he is removed from office pursuant to the Articles.

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, 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 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 the Company. 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 the Company 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 the Company's business or in the discharge of his duties as a Director. The Company may also fund a Director's or former Director's expenditure and that of a Director or former Director of any holding company of the Company for the purposes permitted under the Companies Act and may do anything to enable a Director or former Director or a Director or former Director of any holding company of the Company to avoid incurring such expenditure as provided in the Companies Act.

(J) Pensions and gratuities for Directors

The Board or any committee authorised by the Board may exercise the powers of the Company 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) 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 the Company or any of its subsidiary undertakings or their respective predecessors in business without the approval of an ordinary resolution of the Company.

(K) Directors' interests

The Board may, subject to the provisions of the Articles, authorise any matter which would otherwise involve a Director breaching his duty under the Companies Act 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 the Company'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 Act, and provided he has declared the nature and extent of his interest to the Board as required by the Companies Act, a Director may:

(i) be party to, or otherwise interested in, any contract with the Company or in which the Company has a direct or indirect interest;

(ii) hold any other office or place of profit with the Company (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 the Company or any other company in which the Company 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 the Company or any other company in which the Company may be interested; and

(v) be or become a Director of any other company in which the Company 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 the Company 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 the Company or any other company in which the Company is interested save to the extent permitted specifically in the Articles.

Subject to certain exceptions set out in the Articles, 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 Act, the Company 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, the Companies Act and any directions given by the Company by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company 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 the Company or of any third party. The Board must restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company 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) then exceeds or would as a result of such borrowing exceed three times the Company's adjusted capital and reserves (as defined in the Articles). 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 Act, the Company may indemnify any Director or former Director of the Company or any associated company against any liability and may purchase and maintain for any Director or former Director of the Company or any associated company insurance against any liability.

6.13 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 the Company 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 the Company for that purpose, where appropriate, by making it available on the Website and notifying the Shareholder of its availability, or by any other means authorised in writing by the Shareholder.

The Company has served notice on its existing Shareholders of its intention to communicate with them via the Website and has sought their acceptance to communicate with them by way of other electronic means.

7. Mandatory bids and compulsory acquisition rules relating to Ordinary Shares

Other than as provided by the City Code and Chapter 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Company.

7.1 Mandatory bid

The City Code applies to the Company. Under the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30% or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30% and 50% of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

7.2 Squeeze-out

Under the Companies Act, if an offeror were to make an offer to acquire all of the shares in the Company not already owned by it and were to acquire 90% of the shares to which such offer related it could then compulsorily acquire the remaining 10%. The offeror would do so by sending a notice to outstanding members telling them that it will compulsorily acquire their shares and then, six weeks later, it would deliver a transfer of the outstanding shares in its favour to the Company which would execute the transfers on behalf of the relevant members, and pay the consideration to the Company which would hold the consideration on trust for outstanding members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

7.3 Sell-out

The Companies Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company 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% of the shares, 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 member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

8. Subsidiary undertakings

The Company is the holding company of the Group.

The significant subsidiary undertakings and associated undertakings of the Company are as follows:

Name	Country of Incorporation	Proportion of ownership interest	Principal activity
Countrywide Holdings, Ltd.	Cayman Islands	100%	Holding Company
Countrywide Group plc	England and Wales	100% owned by Countrywide Holdings, Ltd.	Operating Company
Balanus Limited	England and Wales	100% owned by Countrywide Group plc	Intermediate Holding Company
Countrywide Estate Agents[1]	England and Wales	100% owned by Balanus Limited	Estate Agency and Lettings
Hamptons Group Limited	England and Wales	100% owned by Countrywide Group plc	Hamptons International
Hamptons Estates Limited	England and Wales	100% owned by Hamptons Group Limited	Hamptons International
Countrywide Surveyors Limited	England and Wales	100% owned by Balanus Limited	Surveying and Valuation
Countrywide Social Housing Limited	England and Wales	58% owned by Countrywide Surveyors Limited	Surveying and Valuation
United Surveyors Limited[2]	England and Wales	60% owned by Countrywide Surveyors Limited	Surveying and Valuation
Countrywide Principal Services Limited	England and Wales	100% owned by Balanus Limited	Financial Services
Slater Hogg Mortgages Limited	England and Wales	100% owned by Balanus Limited	Financial Services
Mortgage Intelligence Limited	England and Wales	100% owned by Mortgage Intelligence Holdings Limited[3]	Financial Services
Mortgage Next Limited	England and Wales	100% owned by Mortgage Intelligence Holdings Limited	Financial Services
Mortgage Next Network Limited	England and Wales	100% owned by Mortgage Next Limited	Financial Services
Capital Private Finance Limited[4]	England and Wales	51% owned by Countrywide Group plc	Financial Services
Countrywide Property Lawyers Limited	England and Wales	100% owned by Balanus Limited	Conveyancing
TitleAbsolute Limited	England and Wales	100% owned by Countrywide Group plc	Conveyancing

1 Countrywide Estate Agents is an unlimited company.

2 Countrywide Surveyors Limited has entered into a shareholders' agreement, under which there are put and call options. The Group has put options in relation to the acquisition of the remaining shares of United Surveyors Limited. The put option could be exercised in August 2014 by the holders which would result in Countrywide Surveyors Limited obtaining 100% ownership of United Surveyors Limited.

3 Mortgage Intelligence Holdings Limited is 100% owned by Countrywide Group plc.

4 The Group is obliged to acquire the non-controlling interest in Capital Private Finance Limited at a future date.

9. Major Shareholders

As at 19 March 2013 (the last practicable date prior to the publication of this Prospectus) and insofar as is known to the Company, the following persons are, directly or indirectly, interested in 3% or more of the issued share capital of the Company, and will have the following interests immediately after Admission:

Shareholder	Number of Ordinary Shares owned	Percentage of issued share capital as at 19 March 2013	Percentage of issued share capital immediately following Admission
Oaktree Affiliates	80,930,660	51.7%	37.9%
Apollo-Affiliated Funds(1)	38,462,205	24.6%	18.0%
Alchemy Special Opportunities Fund LP	12,896,834	8.2%	6.0%
Management team	10,464,164	6.7%	4.9%
Other investors, all less than 3%	13,776,613	8.8%	6.4%

(1) The shareholdings of Apollo-Affiliated Funds listed in the table include the amount held by Pantheon Europe Fund IV Limited and Pantheon Europe Fund V "A" LP (the "**Pantheon Funds**") pursuant to a co-investor agreement entered into between Apollo-Affiliated Funds and the Pantheon Funds whereby the Apollo-Affiliated Funds hold a power of attorney over the Pantheon Funds' shares and have agreed to exercise the rights attached to such shares (including voting rights) in the same manner as the Apollo-Affiliated Funds exercise the rights attached to its own shares. The Apollo-Affiliated Funds and the Pantheon Funds will be acting 'in concert', and as such, their shareholdings have been amalgamated for the purposes of this Prospectus. The Pantheon Funds hold 0.9% of the issued share capital at 19 March 2013, and will hold 0.7% of the issued share capital immediately following Admission.

If the Over-allotment Option were exercised in full, Oaktree Affiliates would be interested in 36.9% and Apollo-Affiliated Funds and the Pantheon Funds will be interested in 17.5% of the issued share capital of the Company.

As at 19 March 2013 (the last practicable date prior to the publication of this Prospectus) and immediately after Admission:

(A) the Company is not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company; and

(B) none of the Major Shareholders has or will have different voting rights.

10. Directors

10.1 Other directorships and partnerships

The details of those companies and partnerships outside the Group of which the Directors are currently directors or partners, or have been directors or partners at any time during the previous five years prior to the date of this Prospectus, are as follows:

Name	Position	Company/Partnership	Position still held (Y/N)
Robert Davies	Non-Executive Director	Barratt Developments PLC	N
	Non-Executive Director	British Energy Group	N
	Non-Executive Director	Biffa Limited	N
	Non-Executive Director	Northern Business Forum Limited	N
	Non-Executive Director	Northern Rock (Asset Management) plc	N
	Chairman	Euroports Holdings S.á r.l.	Y
	Non-Executive Director	Kelda Holdings Limited	Y

Name	Position	Company/Partnership	Position still held (Y/N)
Grenville Turner	Director	Capital Professional Limited	Y
	Director	Zoopla Property Group Limited	Y
	LLP Member	Imagine No. 2 LLP	N
	LLP Member	Imagine No. 1 LLP	N
Caleb Kramer	Director	Ruby Acquisitions Limited	Y
	Director	R&R Ice Cream plc	Y
	LLP Member	Oaktree Capital Management (UK) LLP	Y
	Director	Campofrio Food Group Ltd	Y
	Director	OCH German Real Estate Holding AG	Y
	Director	CAF Holdings	N
	Director	Roncadin Holdings SAS	N
Sanjay Patel	Director	RL Winston Rod Company	Y
	Director	AION India Limited	Y
	Director	Brit Insurance NV	Y
	Director	Welspun Maxsteel Limited	N
	Director	Ahlsell AB	N
	Director	The Endemol Group	N
	Director	ISS a/s	N
	Director	GET Holding	N
	Director	Sigma Electric Company	N
	Director	Expro International	N
	Alternate Director	Dish TV India Limited	Y
	Member	Apollo Management International LLP	Y
Neville Richardson	Non-Executive Director	Marks and Spencer Financial Services PLC	Y
	Non-Executive Director	Marks and Spencer Savings and Investments Limited	Y
	Non-Executive Director	Marks and Spencer Unit Trust Management Limited	Y
	Non-Executive Director	Seddon Group Limited	Y
	Director	Britannia Foundation	N
	Director	The Co-operative Bank plc	N
	Director	CFS Management Services Limited	N
	Director	Co-operative Financial Services Limited	N
	Director	Co-operative Insurance Society Limited	N
	Non-Executive Director	Communicate Mutuality Limited	N
Sandra Turner	Non-Executive Director	Carpetright plc	Y
	Director	Berkhamsted School Enterprises Limited	Y
	Non-Executive Director	McBride plc	Y
	Director	Berkhamsted Schools Group	Y
	Non-Executive Director	Huhamäki OYJ	Y
	Non-Executive Director	Northern Foods Limited	N
	Director	Tesco Ireland Limited	N

The Directors listed above have no actual or potential conflicts of interest, apart from Sanjay Patel and Caleb Kramer, who represent the Major Shareholders. On 19 March 2013 the Major Shareholders entered into the Relationship Agreement with the Company. Under the terms of the Relationship Agreement, each Major Shareholder agreed that with effect from Admission, its representative Director shall not vote on, be present at any discussion of, or receive any information relating to any matter in respect of which he/she or the Major Shareholder has a direct or indirect conflict of interest (as to be determined by the independent Board in its absolute discretion).

10.2 Confirmations

As at the date of this Prospectus, no Director has during the last five years:

(A) had any convictions in relation to fraudulent offences;

(B) except as indicated in the paragraph above, been associated with any bankruptcies, receiverships or liquidations acting in the capacity of any of the positions set out against the name of the Director in the paragraph above;

(C) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities including, where relevant, designated professional bodies; or

(D) been disqualified by a court from acting as a member of the administrative management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

10.3 Interests of Directors in Ordinary Shares

Interests in shares in the Company

On Admission, assuming that no further Ordinary Shares have been purchased or issued after 19 March 2013 (the latest practicable date prior to the publication of this Prospectus) certain of the Directors will have the following beneficial interests in Ordinary Shares:

	Interests of the Directors in the issued share capital of the Company as at 19 March 2013		Interests of the Directors in the issued share capital of the Company immediately following completion of the Offer	
Director	**Shareholding**	**Percentage of issued share capital of the Company**	**Shareholding**	**Percentage of issued share capital of the Company**
Robert Davies	—	—	57,342	0.03%
Grenville Turner(1)	2,633,161	1.68%	2,633,161	1.23%
Jim Clarke	1,579,896	1.01%	1,579,896	0.74%
Caleb Kramer	—	—	—	—
Sanjay Patel	—	—	—	—
Neville Richardson	—	—	—	—
Sandra Turner	—	—	—	—

(1) A number of the Ordinary Shares held in Grenville Turner's name are held by him (and other trustees) for the benefit of certain members of his family.

The interests of the Directors together represent approximately 2.7% of the issued share capital of the Company in existence as at 19 March 2013 (being the latest practicable date prior to publication of this Prospectus) and on Admission are expected to represent approximately 2.0%.

10.4 Transactions with Directors

None of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business which was effected by any member of the Group during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

None of the Directors has or had a beneficial interest in any contract to which any member of the Group was a party during the current or immediately preceding financial year.

There are no outstanding loans or guarantees granted or provided by any member of the Group for the benefit of any of the Directors.

10.5 Executive Directors' service contracts, remuneration and emoluments

The Company has entered into agreements with Grenville Turner and Jim Clarke who are Directors of the Company. The principal terms of these agreements are set out below.

General terms

Each of the Executive Directors is entitled to a remuneration package comprising basic salary, performance-related bonus and benefits (including life assurance, private medical insurance, permanent health insurance and car allowances). In addition Jim Clarke is entitled to participate in the defined contribution section of the Scheme. He receives a 12% of base salary contribution from the Company subject to a personal contribution of 9% of base salary. The Executive Directors are entitled to 30 days of holiday per annum.

The basic salary of each of the Executive Directors will be reviewed annually by the Group's Board and Remuneration Committee having regard to the job size, responsibility levels, personal and the Group's performance, and competitive market practice. In practice, the actual salaries of the Executive Directors may be positioned either side of market rates, depending on their experience and the scope of the role by reference to the benchmark data. In considering the base salary (and other elements of remuneration) of the Executive Directors, due regard will be taken of the pay and conditions of the workforce of the Group generally.

The performance-related annual bonus is designed to support the business strategy, align the financial interests of the Executives with Shareholders and provide market competitive reward opportunities to attract and retain Executives of the highest calibre. A significant proportion of the remuneration package for the Executive Directors is in the form of performance-linked elements which are aligned to business strategy and the long-term interests of Shareholders. The Company's policy is for Executive Director bonuses to be subject to the achievement of performance conditions, which will be set by the Group Remuneration Committee at the beginning of each financial year. Metrics will be primarily linked to the Company's annual financial performance although strategic and/or personal objectives may be operated for a minority of the bonus potential.

Each of the Executive Directors has the benefit of indemnity insurance maintained by the Group on their behalf, indemnifying the Executive Director, to the extent permitted by law, against liabilities they incur in the course of their employment as a Director of the Company and in defending any proceedings whether civil or criminal in which judgement is given in his favour or he is acquitted or in connection with which relief is granted to him. The Company additionally indemnifies the Executive Directors in respect of any income tax payable by the Executive Director in respect of any payment made under the indemnity insurance.

Termination provisions

Each of the Executive Directors' service agreements is for a rolling term and may be terminated by the Company or the Executive Director by giving 12 months' notice.

If either the Executive Director or the Company gives notice of termination, the Company may (although it is not obliged to) terminate the Executive Director's employment immediately by payment of an amount equal to the Executive Director's basic salary and specified benefits (including company car allowance, life assurance, private medical and permanent health insurance, Scheme contribution or equivalent salary supplement payment) in lieu of the whole or the remaining part of the notice period. Payments in lieu of notice may be paid to the Executive Director in monthly instalments over the length of the notice period, such instalments to be reduced or to cease upon the Executive Director receiving payment from a new position. Discretionary bonus payments will not form part of the payment in lieu of notice.

The employment of each Executive Director is terminable with immediate effect if such Executive Director fails or neglects to perform his duties over a period of not less than six months, is guilty of any material or persistent breach of the applicable service agreement, is guilty of gross misconduct, is disqualified from holding office, is convicted of a criminal offence (excluding certain road traffic offences), is subject to a bankruptcy/administration order, becomes mentally ill or forms a prohibited addiction or becomes unable to perform his duties by reason of accident, ill-health or otherwise for a period aggregating not less than 26 consecutive weeks or a total period aggregating 36 weeks or more in any period of 12 consecutive months.

If any of the Executive Directors' employment is terminated as a result of liquidation, reorganisation or reconstruction of the Company and he is offered employment by a reconstructed company or by another Group company on terms not less favourable, such Executive Director shall be obliged to accept such an offer and shall have no claim against the Company.

Immediately following the termination of the Executive Director's service agreements or upon the start of any period of garden leave, for a period of twelve months (the restricted period), the Executive Directors are subject to restrictive covenants. Each Executive Director is prohibited from, in competition with the Group during the restricted period in any capacity whether on his an account or in conjunction with any other person, canvassing, accepting or soliciting orders in respect of business related to that of the Company from any person who on or during the period of 12 months immediately before termination of their employment with the Company was a client or had business dealings with the Company. In addition, each Executive Director is subject to a non-compete restrictive covenant (where the Executive Director is prohibited from engaging in activities concerned with estate agency or mortgage-related financial services in the UK) and a non-solicitation restrictive covenant during employment with the Company and following termination of his employment under which he is restricted from soliciting, enticing away or employing any employee of the Company engaged in a managerial capacity in a department for which the Executive Director has had direct or indirect responsibility. Each Executive Director is subject to a confidentiality undertaking and to copyright and intellectual property restrictions in respect of work undertaken in the course of his employment, in each case, without limitation in time. Each Executive Director is also prohibited from assisting, advising or giving any information to any person in connection with the above restrictions.

The particulars of the service contracts with the Executive Directors of the Company as at 19 March 2013 (being the latest practicable date prior to publication of this Prospectus) are set out below:

Name	Position	Date of appointment	Unexpired term (months)	Notice periods by Company (months)	Notice periods by Director (months)
Grenville Turner	Group CEO	18 March 2013	12	12	12
Jim Clarke	Group CFO	18 March 2013	12	12	12

The remuneration (including salary and other benefits and any contingent or deferred compensation) payable by the Group to the Executive Directors of the Company for services in all capabilities to the Group by any person in FYE 2012 are set out below.

Name	Position	Basic salary or fees (£)	Discretionary Bonus (£)	Benefits in kind (£)	Pension contributions (£)	2012 Total (£)
Grenville Turner ..	Group CEO	450,000	450,000	Company car allowance of 13,200, life assurance, private medical insurance and permanent health insurance, other benefits of a value of 1,203	N/A	914,403
Jim Clarke	Group CFO	250,000	300,000	Company car allowance of 13,200, life assurance, private medical insurance and permanent health insurance, other benefits of a value of 1,203	30,000	594,403

The basic salary payable by the Company to the Executive Directors of the Group for services in all capabilities to the Company by any person in FYE 2013 will be £475,000 for Grenville Turner and £300,000 for Jim Clarke. The Executive Directors will additionally be eligible to receive a discretionary bonus and benefits in kind including a company car allowance of £13,200, life assurance, private medical insurance and permanent health insurance. Jim Clarke will receive a pension contribution to the Scheme of 12% of his base salary subject to his personal contribution of 9% of his base salary. Grenville Turner will have no entitlement to receive a contribution to the Scheme but will instead receive a salary supplement of 15% of his base salary in lieu of pension entitlement. Grenville Turner's salary supplement in lieu of pension entitlement will not be taken into account in determining any entitlement to bonus or under any performance related incentive plans.

Annual Bonus

Selected senior management currently hold unvested deferred cash awards under an annual bonus plan known as the Countrywide Group plc Management Deferred Bonus Scheme 2012 (the "**Existing Cash Plan**").

The outstanding awards under the Existing Cash Plan are due to vest in June 2015 and it is intended that such awards will continue on their terms following Admission. However, an award may vest early (i) if the participant dies or ceases to be a director or employee within the Countrywide Group plc group broadly by reason of his retirement, injury, disability or his employing company or business being sold out of the Countrywide Group plc group, or (ii) in the event of certain takeovers, reconstructions or winding-ups other than pursuant to the Reorganisation Offer. An award may lapse in certain circumstances, such as a participant ceasing to be a director or employee within the Countrywide Group plc group for a reason other than those reasons set out above unless the award was granted at least a year prior to such cessation and to the extent that the remuneration committee of Countrywide Holdings, Ltd, acting fairly and reasonably, so permits.

Any bonus payments made under the Existing Cash Plan are not pensionable. No further deferred cash awards are intended to be granted under the Existing Cash Plan.

In connection with Admission, a new annual bonus policy will be implemented to govern the grant and operation of bonuses payable in connection with FYE 2013 and subsequent years. The policy will require all bonuses to be subject to the achievement of performance conditions, which, following Admission, will be set by the Remuneration Committee at the beginning of each relevant financial year. Performance metrics will be primarily linked to the Company's annual financial performance, though strategic and/or personal objectives may be operated for a minority of the bonus potential.

Any bonuses granted will initially be awarded under a new annual bonus plan (the "**New Cash Plan**"), which was adopted by the Board on 18 March 2013. For the FYE 2013 bonus year, it is intended that bonuses will be capped at 120% of annual base salary for Executive Directors. Any bonus payable in relation to FYE 2013 will be payable in cash as soon as practicable following the year end. However, for performance in FYE 2014 and thereafter, it is intended that bonus deferral will be introduced in relation to the Executive Directors and other selected senior management whereby one-third of any bonus payable will be deferred into options/awards over Ordinary Shares with a three-year vesting period under the terms of the proposed DSBP (see paragraph 11.3). Any bonus payments made under the New Cash Plan will not be pensionable.

Long-Term Incentives

The Company's long-term incentive strategy will initially be focused through the proposed IPO Plan.

As further described in paragraph 11.1, grants under the IPO Plan will comprise of one-off nil cost options over a maximum specified number of Ordinary Shares.

The IPO Options granted to the CEO and CFO will normally vest in two equal tranches on the second and third anniversary of the date of grant to the extent that EBITDA per Ordinary Share growth targets are satisfied by reference to EBTIDA per Ordinary Share for FYE 2014.

The Company's ongoing long-term incentive policy will be delivered through the LTIP, a long-term incentive plan which is consistent with market standards. It is currently intended that grants under the

LTIP will be made annually and, in the case of grants to Executive Directors, will usually vest over at least three years from the date of grant, subject to continued employment and certain other conditions, including performance conditions set by the Remuneration Committee. The current intention is that the value of Ordinary Shares under annual LTIP grants will be capped at 150% and 130% of annual base salary at the date of grant for the CEO and CFO, respectively. Below Board level, the current intention is to cap grants at a lower level.

The Remuneration Committee will set performance conditions in respect of each LTIP grant and it is currently anticipated that performance conditions for the first grants to the Executive Directors will be based on financial performance and/or shareholder return metrics, which will be measurable over a three-year performance period. The performance conditions set will demonstrate the achievement of demanding overall corporate performance over the relevant measurement period. Performance conditions and grant levels in respect of the Executive Directors will be disclosed each year in the Company's annual report, which will be subject to a shareholder vote at each annual general meeting.

The Remuneration Committee has not yet considered the timing of any initial LTIP grants (or their performance conditions) that may be awarded during the course of 2013 at the discretion of the Remuneration Committee.

As detailed above, it is currently intended that from FYE 2014, one-third of any bonus payable under the New Cash Plan to the Executive Directors and other selected senior management will be deferred into options/awards over Ordinary Shares under the DSBP.

The Executive Directors and other senior management will also be eligible to participate in the SIP and the SAYE Plan.

A summary of the principal features of the IPO Plan, the LTIP, the DSBP, the SIP and the SAYE Plan is set out in paragraph 11.

Malus and Clawback

Consistent with best practice, malus and clawback provisions have been included in the IPO Plan, the LTIP and the DSBP, and will be included in the New Cash Plan. The Remuneration Committee may operate these provisions in certain circumstances, as detailed in paragraph 11.

Shareholding Guidelines

The Remuneration Committee has adopted formal shareholding guidelines with effect from Admission. These guidelines encourage Executive Directors and senior management to retain no less than 50% of any Ordinary Shares acquired pursuant to share options/awards net of such number sold to meet any related tax liability until such time as a shareholding equivalent in value to 100% of annual base salary has been achieved for Executive Directors and 50% of annual base salary has been achieved for selected senior management. Ordinary Shares held following Admission and purchased by relevant individuals thereafter will count towards these guidelines.

10.6 Non-Executive Directors' letters of appointment and fees

The Company has five Non-Executive Directors of which Caleb Kramer and Sanjay Patel are non-independent Non-Executive Directors and Neville Richardson, Sandra Turner and Robert Davies (who additionally holds the role of Chairman) are independent Non-Executive Directors.

The Non-Executive Directors of the Company (including the Chairman) do not have service contracts. The independent Non-Executive Directors are appointed by letters of appointment. Caleb Kramer's services are provided to the Company under an agreement between the Company and OCM FIE LLC. Sanjay Patel's services are provided to the Company under an agreement between the Company and Apollo Management VI L.P. and/or one of its affiliates. The key terms of these independent Non-Executive Directors letters of appointment and non-independent Non-Executive agreements are set out below.

General terms

Each of the Non-Executive Directors are entitled to receive a fee from the Company at a rate that is determined by the Board. The fees payable by the Company to each of the independent Non-Executive Directors are set out below.

The Non-Executive Directors do not participate in any of the Group's share or bonus schemes and have no pension entitlements.

Each of the Non-Executive Directors has the benefit of indemnity insurance maintained by the Group on their behalf indemnifying them against liabilities they incur to third parties as a result of their office as a Non-Executive Director.

The Group will reimburse the Non-Executive Director all reasonable expenses properly incurred in the performance of their duties as a Non-Executive Director of the Group.

The non-independent Non-Executive Directors, Caleb Kramer and Sanjay Patel, each as a Representative Director of a Principal Shareholder, are required, during the term of their appointment, to comply with the terms of the Relationship Agreement which governs the relationship between Principal Shareholders and the Company (further details of which are set out in paragraph 18.5 of this Part XVI (*Additional Information*)). In the event of a conflict between the terms of the agreements between the Company and either Apollo Management VI L.P. and/or one of its affiliates or OCM FIE LLC, under which the non-independent Non-Executive Directors are appointed, and the provisions in the Relationship Agreement, the provisions in the Relationship Agreement shall prevail.

Chairman's Equity Award

In order to align his interests with those of the Shareholders, the Chairman has been granted an award (the "**Equity Award**"), pursuant to which the Chairman is entitled to purchase Ordinary Shares up to a value of £200,700 based on the Offer Price, prior to Admission. The purchase price per Ordinary Share will be equal to the nominal value of an Ordinary Share. To maintain the Chairman's independence, the Equity Award is not subject to restrictions other than those attaching to Ordinary Shares held by other Shareholders or required by law. However, the Chairman has confirmed in writing that he does not intend to sell (or otherwise dispose of) the Ordinary Shares under the Equity Award prior to the second anniversary of the date of Admission.

Termination of office

Each independent Non-Executive Director's term of office runs for an initial two-year period. The non-independent Non-Executive Directors' term of office 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 AGM scheduled to be held by 30 June 2014 and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election. The Non-Executive Directors will be put forward for re-election by Shareholders on an annual basis. If the Shareholders of the Company do not re-elect the Non-Executive Director their appointment will terminate automatically. Each Non-Executive Director's appointment shall be terminated immediately if the Non-Executive Director is unable to satisfactorily perform their duties due to a health issue for a period or periods totalling 26 weeks in any 12 month period or if the Non-Executive Director has committed any serious breach or repeated any material breach of their duties or has brought any member of the Group or themselves into disrepute.

In addition, the agreements between the Company and Apollo Management VI L.P. or OCM FIE LLC, as the case may be, in relation to the services of the non-independent Non-Executive Directors, Caleb Kramer and Sanjay Patel, may be terminated immediately by the Company, and their appointments as Directors will automatically cease if the Relationship Agreement is terminated in respect of the Principal Shareholder for whom the relevant individual is the Representative Director, if that Principal Shareholder ceases to hold at least 10% of the aggregate voting rights in the Company, if that Principal Shareholder requests that non-independent Non-Executive Director's removal by written notice to the Company, if the Company is entitled to terminate that non-independent Non-Executive Director's appointment in accordance with the Relationship Agreement or if that non-independent Non-Executive Director ceases to be a Representative Director for the purposes of the Relationship Agreement.

The details of each Non-Executive Director's term which they are currently serving are set out below.

Non-Executive Director	Date of appointment to the Board	Current term	Notice periods by Company (months)	Notice periods by Director (months)
Robert Davies	18 March 2013 Independent Non-Executive Chairman of the Group	2 years	6	N/A
Neville Richardson	18 March 2013 Independent Non-Executive Director of the Group	2 years	6	N/A
Caleb Kramer	19 February 2013 Non-independent Non-Executive Director of the Group	3 years	N/A	N/A
Sanjay Patel	19 February 2013 Non-independent Non-Executive Director of the Group	3 years	N/A	N/A
Sandra Turner	18 March 2013 Independent Non-Executive Director	2 years	6	N/A

Details of the fees and other remuneration payable annually to each of the Non-Executive Directors are set out below:

Non-Executive Director	Basic annual salary/fees (£)	Additional remuneration (annual unless specified) (£)
Robert Davies	150,000	N/A
Neville Richardson	45,000 for role as independent Non-Executive and 10,000 for role as Chairman of Audit Committee	N/A
Caleb Kramer	£40,000	N/A
Sanjay Patel	£40,000	N/A
Sandra Turner	£45,000	N/A

11. Share plans and employee incentive schemes

Following Admission, the Company intends to operate two discretionary executive share plans: a long-term incentive plan (the "**LTIP**") and a deferred share bonus plan (the "**DSBP**"). Subject to HMRC approval, there will be up to two all-employee share ownership plans available for operation at the Company's discretion: a share incentive plan (the "**SIP**") and a sharesave plan (the "**SAYE Plan**"). There will also be an executive share plan (the "**IPO Plan**") designed for the grant of one-off awards in recognition of the loss of rights under a management incentive package that will terminate prior to, and as a result of, Admission (the "**MIP**"). The IPO Plan, LTIP, DSBP, SIP and SAYE Plan are, together, the "**New Plans**".

References in this paragraph 11 to the Board include any designated committee of the Board.

The principal features of the New Plans are summarised below.

11.1 IPO Plan

The IPO Plan was adopted by the Board on 18 March 2013, conditional on Admission.

Status

Under the IPO Plan, the Remuneration Committee will grant to those Executive Directors and senior management who, prior to Admission, participated in the MIP one-off nil cost options over Ordinary Shares ("**IPO Options**") immediately prior to, and conditional on, Admission.

No payment is required for the grant of an IPO Option.

Limits

The IPO Plan may operate over new issue Ordinary Shares, treasury Ordinary Shares or Ordinary Shares purchased in the market. Shares used to satisfy IPO Options will not count towards the limits set in respect of the other New Plans.

Eligibility and grant of IPO Options

Up to 35 members of senior management (including the Executive Directors) will be granted IPO Options over an aggregate of not more than 7,185,418 Ordinary Shares. The CEO, Grenville Turner, will be granted an IPO Option over not more than 1,828,045 Ordinary Shares and the CFO, Jim Clarke, will be granted an IPO Option over not more than 1,096,827 Ordinary Shares.

IPO Options will only be granted immediately prior to, and conditional on, Admission.

IPO Options are not transferable other than to the participant's personal representatives in the event of his death. The benefits received under the IPO Plan are not pensionable.

Performance conditions

The Remuneration Committee will impose a performance condition on the vesting of IPO Options, which shall be based on the following performance condition as converted to reflect EBITDA per Ordinary Share once the number of Ordinary Shares in issue immediately following Admission and the offer of Ordinary Shares to certain institutional investors for the purpose of Admission (including the Over-allotment Option) is known:

- if EBITDA for FYE 2014 is £74 million or less, then no part of an IPO Option will vest;
- if EBITDA for FYE 2014 is £120 million or more, then 100% of an IPO Option will vest; and
- if EBITDA for FYE 2014 falls between this specified floor and ceiling, vesting of an IPO Option will occur on a straight-line basis.

The Group has allocated £20 million to fund acquisitions in FYE 2013, principally relating to lettings. In the event that the Group deploys more than the allocated £20 million in FYE 2013 or makes further material acquisitions in FYE 2014, the Remuneration Committee will consider adjusting the FYE 2014 EBITDA per Ordinary Share floor and ceiling in accordance with the amendment provisions summarised below.

In exceptional circumstances, the performance condition applying to IPO Options may be varied if the Remuneration Committee considers that it would be appropriate to amend the performance condition, provided the Remuneration Committee considers that the new performance condition is fair and reasonable and is not materially less or more challenging than the original condition would have been had these circumstances not arisen.

Malus

The Remuneration Committee may decide, at any time prior to the vesting of IPO Options, that the number of Ordinary Shares subject to an IPO Option 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 where the participant breaches the terms of any applicable restrictive covenants 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

IPO Options granted to the CEO or CFO will normally become exercisable as follows: 50% on the second anniversary of the date of granting the IPO Option and 50% on the third anniversary of the date of granting the IPO Option. IPO Options granted to other participants will normally become exercisable on the second anniversary of the date of granting the IPO Option. For all participants, IPO Options will only become exercisable to the extent that the performance condition has been satisfied.

A vested IPO Option may be exercised in full or in such portions as a participant may select, save that, on any one occasion, an IPO Option may be exercised in respect of no less than 5% of the number of Ordinary Shares underlying that vested portion of the IPO Option on the date when the IPO Option first vested or, if less, the balance.

IPO Options will normally remain exercisable until the eighth anniversary of the date of Admission.

Cessation of employment

As a general rule, an IPO Option 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:

(i) his death, permanent disability, retirement with the agreement of the Company or statutory redundancy;

(ii) his employing company or the business for which he works being transferred out of the Group;

(iii) his employment being terminated by the Group within 12 months of the Group making an acquisition which, at the time of the acquisition, is reasonably projected to increase the Group's EBITDA by 25% or more provided always that such increase in EBITDA is in excess of £25 million;

(iv) in the case of the CEO and the CFO only, his employment being terminated by the Group (other than for dismissal for cause) between the second and third anniversary of Admission in circumstances where the CEO or the CFO (as the case may be) either receives a payment in lieu of notice or otherwise leaves without notice; or

(v) in other circumstances (other than dismissal for cause) at the discretion of the Remuneration Committee,

(each an "**IPO Good Leaver Reason**"), his IPO Option 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 the performance condition measured over the original performance period, and (ii) the operation of malus or clawback. Other than where the CEO or the CFO (as the case may be) leaves employment with the Group between the second and third anniversary of Admission in circumstances where the CEO or the CFO (as the case may be) receives a payment in lieu of notice, IPO Options 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 (unless the Remuneration Committee decides that pro-rating would be inappropriate in the particular circumstances).

If a participant ceases to be a Group employee or director for an IPO Good Leaver Reason in exceptional circumstances, the Remuneration Committee can alternatively decide that his IPO Option will vest early when he leaves.

To the extent that IPO Options vest in accordance with the above provisions they may be exercised for a period of six months following vesting and will otherwise lapse at the end of that period. To the extent that a participant who dies or leaves for an IPO Good Leaver Reason held vested IPO Options, they may be exercised for a period of six months following the date of cessation and will otherwise lapse at the end of that period.

Corporate events

In the event of a takeover of the Company (other than an internal reorganisation), IPO Options will vest early, subject to: (i) the extent that the performance conditions have been satisfied at that time (based on the forecast EBITDA per Ordinary Share for FYE 2014 as approved by the Board at that time) and (ii) the operation of malus or clawback.

In the event of an internal corporate reorganisation, IPO Options may (with the consent of the acquiring company) be replaced by equivalent new IPO Options over shares in the acquiring company unless the Remuneration Committee decides that IPO Options should vest as in the case of a takeover.

In the event of the winding up of the Company, the Remuneration Committee may decide that IPO Options will vest as in the case of a takeover.

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 practicable or appropriate to adjust the number or class of Ordinary Shares under IPO Options as detailed below, the Remuneration Committee shall allow IPO Options to vest as in the case of a takeover.

To the extent that IPO 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 IPO 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 the Company or, in the event of a demerger, payment of a special dividend or other corporate event which materially affects the market price of the Ordinary Shares, then the Remuneration Committee shall make such adjustments to the number or class of Ordinary Shares under IPO Options that, in its reasonable opinion, it considers necessary to retain the economic value of the IPO Options as it was immediately prior to such event.

Clawback

The Remuneration Committee may decide, within three years of the relevant IPO Option vesting, that the IPO Option will be subject to clawback: (i) where there has been a material misstatement of the Company's financial results or an error in assessing a performance condition, or (ii) if the participant's employment is terminated for gross misconduct or the participant breaches the terms of any applicable restrictive covenants. 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

Participants will receive a payment (in cash or additional Ordinary Shares, or a mixture of both) equal in value to any dividends that would have been paid on the Ordinary Shares which vest under their IPO Options by reference to dividend record dates falling between the time when the IPO Options were granted and the time when the IPO Options 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 will include special dividends (unless the IPO Options are otherwise adjusted to increase the number or class of Ordinary Shares under award in order to retain the economic value of the IPO Options as it was immediately prior to such special dividend).

Rights attaching to Ordinary Shares

IPO Options will not confer any rights on any employee holding such IPO Options until the relevant IPO Option has been exercised and the employee in question has received the underlying Ordinary Shares. Any Ordinary Shares allotted when an IPO Option is exercised will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Amendments

The Remuneration Committee may, at any time, amend the provisions of the IPO Plan in any respect, except that:

(i) the prior approval of Shareholders at a general meeting of the Company 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 IPO Plan, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for (i) any minor amendment to benefit the administration of the IPO Plan, 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, the Company and/or its subsidiaries, or (ii) any permitted adjustment in the event of a variation to the share capital of the Company or, (iii) any permitted alteration to the performance condition; and

(ii) amendments to the material disadvantage of participants (other than a permitted alteration to the performance condition) 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.

11.2 LTIP

The LTIP was adopted by the Board on 18 March 2013, conditional on Admission.

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) will be 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% of the Company's issued ordinary share capital may be issued under the LTIP and under any other employees' share scheme adopted by the Company.

In addition, the rules of the LTIP provide that, in any period of 10 calendar years, not more than 5% of the Company's issued ordinary share capital may be issued under the LTIP and under any other executive share scheme adopted by the Company.

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 the Company was listed on the London Stock Exchange and Ordinary Shares issued to any employee benefit trust before the Company 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% of annual base salary. However, the Remuneration Committee anticipates that the first grants of LTIP Awards will have a maximum total market value of 150% of annual base salary. In exceptional circumstances, the Remuneration Committee may grant LTIP Awards with a maximum total market value of up to 300% of annual base salary.

LTIP Awards may be granted: (i) following Admission, and (ii) within 42 days of the announcement by the Company 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. The Remuneration Committee currently intends that any performance conditions will be based on financial performance targets, such as earnings per share growth and/or a measure of relative total shareholder return performance.

The Remuneration Committee may also impose other conditions on the vesting of LTIP Awards.

Malus

The Remuneration Committee may decide, at any time prior to 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 the Company 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. 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 or winding up of the Company (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 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 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 the Company or, in the event of a demerger, payment of a special dividend 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 in order to retain the economic value of the LTIP Awards as it was immediately prior to such event.

Clawback

The Remuneration Committee may decide, within three years of the relevant LTIP Award vesting, 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 and/or additional 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 prior to 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 the Company 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 the Company and/or the rule relating to such prior approval, save that there are exceptions for (i) 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, the Company and/or its subsidiaries, or (ii) 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.

11.3 DSBP

The DSBP was adopted by the Board on 18 March 2013, conditional on Admission.

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% of the Company's issued ordinary share capital may be issued under the DSBP and under any other employees' share scheme adopted by the Company.

In addition, the rules of the DSBP provide that, in any period of 10 calendar years, not more than 5% of the Company's issued ordinary share capital may be issued under the DSBP and under any other executive share scheme adopted by the Company.

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 the Company was listed on the London Stock Exchange and Ordinary Shares issued to any employee benefit trust before the Company 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: (i) following Admission, and (ii) within 42 days of the announcement by the Company 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 prior to 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 the Company (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 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 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 the Company or, in the event of a demerger, payment of a special dividend 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 prior to their allotment).

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 the Company 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 the Company 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, the Company 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.

11.4 SIP

The SIP was adopted by the Board on 18 March 2013, conditional on Admission and subject to any amendments required by HMRC in order to obtain tax approval of the SIP (see further below).

Status

The SIP is an all-employee share ownership plan. The SIP has been designed to comply with the relevant legislation so that HMRC approval can be sought in the future 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 £3,000 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 £1,500 and 10% 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 up to £1,500 worth of Ordinary Shares a year using any dividends received on Ordinary Shares held in the SIP ("**Dividend Shares**"). The Government proposes to remove this upper limit from 6 April 2013; if this change is made to the SIP legislation, the £1,500-limit will automatically be removed from the SIP rules.

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.

Employees who hold (or held within the previous 12 months) a "material interest" (broadly, 25% of the ordinary share capital in the Company) and their associates are not allowed to participate in the SIP. The Government proposes to remove the material interest requirement with effect from the enactment of the Finance Bill 2013; if this change is made to the SIP legislation, the "material interest" provisions will automatically be deleted from the SIP rules.

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% of the Company's issued ordinary share capital may be issued under the SIP and under any other employees' share scheme adopted by the Company. 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 the Company was listed on the London Stock Exchange and Ordinary Shares issued to any employee benefit trust before the Company 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 £3,000 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 the Company 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 or after reaching the age of 50 or on death (each a "**SIP Good Leaver Reason**"). (The Government proposes to remove the requirement to set a specific retirement age with effect from the enactment of the Finance Bill 2013; if this change is made to the SIP legislation, all retirees will automatically be deemed to leave employment with the Group for 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 £1,500 or 10% 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 the lower of the market value of the Ordinary Shares at the start and at the end of the Accumulation Period.

An employee may stop and start (or, with the agreement of the Company, 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 NICs) 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 in up to £1,500 of Ordinary Shares in each tax year (but see earlier note regarding the Government's intention to remove this limit from 6 April 2013). 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.

Variation of capital

Ordinary Shares acquired on a variation of share capital of the Company 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 prior to 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 the Company 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 the Company 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, the Company and/or its subsidiaries or the trustees of the SIP Trust.

Any change to the key features of the SIP (being provisions necessary to meet the requirements of the relevant tax legislation) requires the prior approval of HMRC.

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.

11.5 SAYE Plan

The SAYE Plan was adopted by the Board on 18 March 2013, conditional on Admission and subject to any amendments required by HMRC in order to obtain tax approval of the SAYE Plan (see further below).

Status

The SAYE Plan is an all-employee share ownership plan. The SAYE Plan has been designed to comply with the relevant legislation so that HMRC approval can be sought in the future 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.

Employees who hold (or held within the previous 12 months) a “material interest” (broadly, 25% of the ordinary share capital in the Company) and their associates are not allowed to participate in the SAYE Plan. An employee who obtains a “material interest” prior to exercise will be prohibited from exercising his SAYE Option. The Government proposes to remove the material interest requirement with effect from the enactment of the Finance Bill 2013; if this change is made to the sharesave legislation, the “material interest” provisions will automatically be deleted from the SAYE Plan rules.

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% of the Company’s issued ordinary share capital may be issued under the SAYE Plan and under any other employees’ share scheme adopted by the Company. 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 the Company was listed on the London Stock Exchange and Ordinary Shares issued to any employee benefit trust before the Company 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 approval of the SAYE Plan by HMRC or any amendment to it;

(ii) the announcement of the Company’s interim or final results for any period;

(iii) the announcement of a new prospectus for certified sharesave savings arrangements approved by HMRC; or

(iv) 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.

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, five or seven 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 £250 per month pursuant to the applicable sharesave legislation. The Board may determine that different limits shall apply in the future should the relevant legislation change in this respect.

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% of the average closing middle market quotation of an Ordinary Share for the three dealing days immediately preceding the day on which invitations to apply for the grant of options are issued; 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, fifth or seventh anniversary of the commencement of the related savings contract). The Government proposes to remove seven-year savings contracts during the course of 2013 and any such changes are expected to apply automatically to the SAYE Plan rules.

Early exercise is permitted during the six-month period following an employee reaching the age of 60. The Government proposes to remove this early exercise circumstance with effect from the enactment of the Finance Bill 2013; if this change is made to the sharesave legislation, this early exercise circumstance will be automatically deleted from the SAYE Plan rules.

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 on reaching the age of 60 or any compulsory retirement age specified in his contract of employment (the Government proposes to remove the requirement to set a specific retirement age with effect from the enactment of the Finance Bill 2013; if this change is made to the sharesave legislation, all retirees will automatically be able to exercise their options as described in this paragraph), 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, employees will be able to exercise their SAYE Options for six months from the date of the relevant event occurring. In the event of a corporate reorganisation, any SAYE Options held by employees over Ordinary Shares in the Company 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 the Company, or in the event of a demerger, payment of a special dividend or other corporate event which materially affects the market price of the Ordinary Shares, 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, subject to the prior approval of HMRC and 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 prior to 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 the Company 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 the Company 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, the Company and/or its subsidiaries.

Any change to the key features of the SAYE Plan (being provisions necessary to meet the requirements of the relevant tax legislation) requires the prior approval of HMRC.

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.

12. Employee benefit trusts

The Company may operate the New Plans in conjunction with any employee benefit trust which the Company reserves the right to establish for the purposes of operating the New Plans or any other equity-based employee incentivisation arrangements operated by the Company.

Any trust which is established following Admission may acquire Ordinary Shares either by market purchase or by subscription and the trustee shall be entitled to hold or distribute Ordinary Shares in respect of options/awards pursuant to the New Plans. It is intended that any such trust will be funded by way of loans and other contributions from the Company and may not, at any time without prior Shareholder approval, hold more than 5% of the issued ordinary share capital of the Company (or such other greater percentage as may be required under institutional investor guidelines from time to time). Any Ordinary Shares issued to an employee benefit trust following Admission will count for the purposes of the limits set out in the paragraphs entitled "*Limits*" above.

13. Pre-Admission cash payout

On 19 March 2013, awards under the Countrywide Holdings, Ltd. Bonus Plan vested and paid out around £4.4 million. This amounted to an average of around £60,000 for each of the 75 participants. The participants did not include the Executive Directors or members of senior management and, with a small number of exceptions, did not include Selling Employees.

14. Corporate governance

14.1 Compliance with the UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance. As at the date of this Prospectus the Company does not fully comply with the UK Corporate Governance Code because to date the UK Corporate Governance Code has not applied to the Company. However, the Company intends to comply with the UK Corporate Governance Code as soon as practicable and in any case by 31 August 2013.

The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgement. As at the date of this Prospectus, the Board comprises 7 members, including the Chairman, 2 independent Non-Executive Directors, 2 Executive Directors and 2 Non-Executive Directors who are not deemed to be independent for the purposes of the UK Corporate Governance Code.

To comply with the UK Corporate Governance Code, three further independent Non-Executive Directors will be required to be appointed to the Board.

14.2 The Board

The Company is led and controlled by the Board. The names, responsibilities and details of the current Directors appointed to the Board are set out above in Part VIII (*Directors and Corporate Governance*).

14.3 Model Code

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the Ordinary Shares which is based on, and is at least as rigorous as, the Model Code. The code adopted will apply to the Directors and other relevant employees of the Group.

14.4 FSA Consultation on enhancing the effectiveness of the Listing regime

On 2 October 2012, the FSA published Consultation Paper 12/25 "Enhancing the effectiveness of the Listing regime" (the "**Consultation Paper**") which proposed the introduction of an amendment to the Listing Rules in respect of a premium listed company where one shareholder is, or a group of shareholders acting in concert are, considered to be a "controlling shareholder". Under the amendment, as then proposed, such company would be required to have at least a specified proportion of independent directors on its board. If such proposal were adopted without change and the Company continues, as at the date of Admission, to have a controlling shareholder, it could therefore be required to appoint further independent Non-Executive Directors. The Company and Oaktree have indicated that they intend to be supportive of implementing such changes as may be necessary to ensure that the Company complies with any such Listing Rule, if adopted, subject to any transitional arrangements that may be permitted.

15. Pensions

Jim Clarke is the sole Executive Director who is entitled to receive pension benefits from the Company. He participates in the defined contribution section of the Scheme. The Non-Executive Directors are not entitled to pension benefits.

The Group offers membership of the Scheme to eligible employees. The Scheme has two sections of membership, defined contribution and defined benefit. The defined benefit section of the Scheme is now closed to new entrants and future accrual.

The pensions cost for the defined contribution section of the Scheme in 2012 was £4.1 million (2011: £4.6 million; 2010: £5.3 million). The defined benefit section of the Scheme had a deficit of £6.6 million as of 31 December 2012. The Group has a funding programme to recover the defined benefit section deficit under which £1.9 million has been contributed to the defined benefit section deficit annually. During 2012, the Group paid a nil contribution to the defined benefit scheme (2011: £1.9 million; 2010: £1.9 million). Further contributions of £1.9 million to the defined benefit section of the Scheme will be made in each year, until 2017. See Part II (*Risk Factors*) "*The Group has funding risks relating to its pension schemes.*"

Starting in October 2012, all eligible workers who were not already in a qualifying workplace pension scheme were required to be automatically enrolled into such a scheme pursuant to the UK Pensions Act 2008. Compulsory employer contributions are to be phased in, starting at 1% until September 2016, then rising to 2% and then to 3% from October 2017. This percentage is based on the qualifying earnings thresholds, currently set at more than £5,668 and less than £41,450 for 2013-2014. The staging date by when the UK Pensions Act 2008 auto-enrolment provisions will apply to the Group is July 2013.

16. Significant change

There has been no significant change in the financial or trading position of the Group since 31 December 2012, being the date to which the historical financial information in Part XIII (*Financial Information*) was prepared.

17. 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 the Company is aware), during a period covering at least the 12 months prior to the date of this Prospectus which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

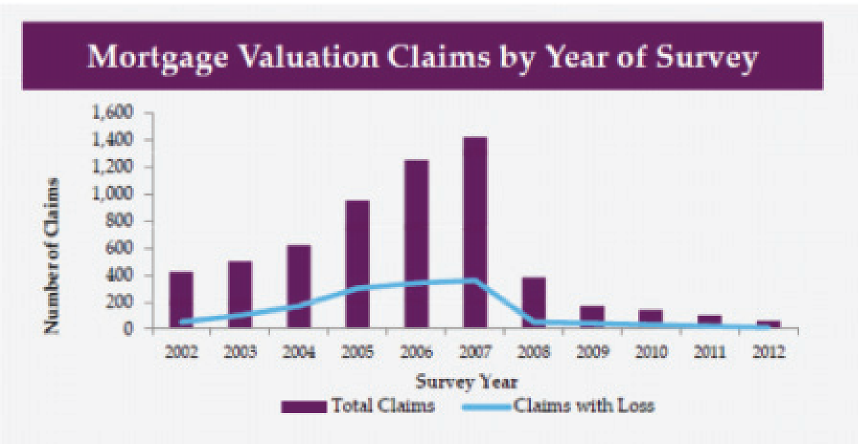
Claims regarding mortgage valuations

The Surveying Division conducts valuations on behalf of mortgage lenders that lend money to property purchasers. There have been instances where a property has been repossessed and the proceeds of sale subsequently prove to be less than the amount outstanding under the mortgage. This can result in the lender suffering a loss because it cannot recover the full amount lent. Some mortgage lenders have brought claims against the Company alleging that the Surveying Division overvalued the property at the time of the purchase and that this led to greater amounts being lent (and therefore greater ultimate losses for the lender) than would otherwise have been the case.

The Group has experienced a high level of valuation claims relating to the 2004-2007 period relative to other periods. Between 2004 and 2007 house prices were rising rapidly and the mortgage lending environment was very competitive. The Group has received approximately 4,000 claims in respect of the c.1.7 million surveys it carried out between 2004 and 2007 (and has been the subject of c.1,500 claims in respect of the c.446,100 surveys carried out in 2007). Of the claims made in respect of surveys undertaken between 2004-2007: only 1,262 resulted in a loss (with the average loss being £31,000) and 2,255 claims have been concluded. The macro-economic conditions that contributed to these results have not subsequently been replicated.

The Group does not record a number which reflects the total value of claims made against it and as such has not disclosed a total value of claims figure. On the basis of their experience, the Directors believe that any number showing the aggregate value of claims made against the Group is fundamentally misleading and does not represent an accurate or relevant representation of the Group's liabilities because –

(1) There has been a significant historic difference between the number of claims made and the number of claims resulting in a loss. This is shown in the "*Mortgage Valuation Claims by Year of Survey*" table below.



(2) A number of claimants omit to state the amount of compensation sought (or provide any information that would allow the claims to be calculated).

(3) Lenders typically aggregate claims they deem to be eligible into large blocks of claims without, the Directors believe, doing comprehensive due diligence on the claims. Blocks of claims are typically resolved though dialogue and compromise arrangements in relation to the entire block (not on a claim by claim basis). This means the likely loss suffered in respect of each claim will be affected by the character of the other claims within the book and the lender's relationship with the Group.

(4) Claimants typically make a claim for the total amount of loss they have suffered, which does not recognise that part of that loss may be a product of the lenders' other advisers actions (e.g. their solicitors) or reckless lending by the lender. For example, in *Paratus AMC Ltd v Countrywide*

Surveyors Ltd the judge said that even if the surveyor had been negligent 60% of the lender's loss would have been a product of that lender's own recklessness. The Group has a provision of £39.6 million in its most recent accounts (in respect of misvaluation claims for surveys carried out in all periods up to and including the accounting period 31 December 2012) which is based on a detailed and systematic and detailed analysis of the claims notified to the Group and the losses the Group has suffered historically. The losses incurred in respect of these claims may exceed the provisions in any year (see Part II (*Risk Factors*) *"The Group is the subject of a number of claims from lenders relating to the misvaluation of property and could be exposed to significant liability as a result"*). The Directors believe that this provision is the best achievable estimate of the expenditure required to settle its projected exposure as at the end of 2012. The Directors break the provision down in the following way:

Reserves for known claims – £24.3 million.
Reserves for known claims (including those for claims grouped across several properties) are reached in consultation with the Group's professional claims handlers and legal advisers who take into account all the information available on each claim. Where there is insufficient information on which to assess the potential losses, the Group may set a reserve at an initial level.

Increases in the likely loss suffered for known claims (IBNER) and future unknown claims (IBNR) – £15.3 million.
The IBNER part of the provision (to which the Directors have allocated £9.3 million) reflects the estimated increase in the value of claims that have already been provisioned against by the Group. It can take 1-2 years for a claim to develop after it is notified. The IBNR part of the provision (to which the Directors have allocated £6 million) includes a projection based on the number of potential claims that could be made (but have not been notified) and the historic loss rates suffered by the Group.

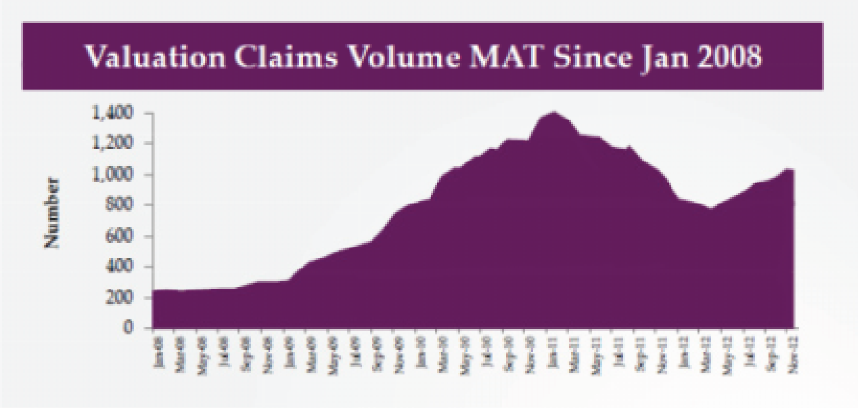
988 mortgage valuation claims either known or unquantified or predicted, are constituents of the total £39.6 million provision.

The Group expects to continue receiving claims relating to valuations made in 2007 until the end of 2013. After 31 December 2013, contractual claims relating to valuations made in 2007 will generally be time-barred, although some mortgage lenders may seek to bring an alternative claim in tort (for example for negligence, rather than breach of contract). This is because when a claimant claims that a surveyor breached his or her contract by providing an inaccurate valuation, the claim must be made within the six-year limitation period for the relevant breach (the date of the survey being provided). Where a claim in tort is made (which would include negligence) a six-year limitation period applies again. However, that period will not start until the date the claimant suffers loss, which may be some time after the survey was provided. In both cases claims must be notified to the Group within the limitation period. On the basis that most claims will be made in contract, the Group will be able to assess the overall extent of its liabilities with greater certainty at the end of 2013.

The Group has professional indemnity insurance protection against the risk of such claims. However, there are substantial excesses and caps applicable under the relevant insurance policies. In a number of instances, the Group has claimed against its insurance in respect of the valuation claims. On one occasion, an insurer questioned coverage based on the procedure for reprising the claim, although this was resolved to the satisfaction of both parties.

The Group recognised a charge of £11.9 million for exceptional losses in respect of professional indemnity claims at the end of 2010 and further data and trends resulted in an additional exceptional charge of £9.4 million in 2011 for these claims. During the latter part of 2012, the Group experienced substantially worsening trends in professional indemnity claims received and losses. As a result, the Group recognised a further exceptional charge of £25.2 million in 2012.

The volume of claims made against the Group is set out in more detail in the table below. This shows a steady increase in the number of claims made against the Group in relation to mortgage valuations, reaching a peak in the middle of 2010, with a gradual decline in recent years. The Directors believe that the increase in the number of claims being made in 2012 is a product of the fact that the time period for making contractual claims in respect of surveys provided in 2007 expires during 2013 (see above). As a result, lenders are likely to be motivated to notify the Group of their claims so that the claims do not become time-barred.



Claims regarding Mortgage Payment Protection Insurance

The Financial Services Division has sold, and continues to sell, payment protection insurance in relation to mortgages ("**MPPI**"). Since 2005, the misselling of PPI generally has been the subject of numerous industry related investigations and has received significant media attention. In 2012, the Group received 570 complaints from customers alleging that they had been mis-sold MPPI. This represented a 313% increase on 2011.

If a customer complains to an FSA-regulated firm and is not satisfied with the response they receive, they are entitled to make a complaint to the FOS. The FOS will adjudicate the dispute and can now order a firm to pay compensation of up to £150,000 plus interest and costs. To date, 123 complaints brought in 2011 and 2012 about this matter have been referred to the FOS. In each of these cases, the FOS either declined the claim or the decision of the FOS is pending.

A customer has the longer of six years from the sale of the product or three years from when they knew (or ought reasonably to have known) that they had cause for complaint in which to complain to the FOS. Generally, the time limits for a customer bringing a complaint to the FOS are (i) six months from the business subject to the complaint sending the complainant a final response; and (ii) six years from the event that the customer is complaining about or, if later, three years from when the customer knew (or could reasonably have known) that they had cause to complain. The FOS only has a limited jurisdiction to adjudicate complaints relating to products sold before 14 January 2005, as insurance intermediaries were not regulated by the FSA prior to that date.

If a customer believes they have been mis-sold MPPI, they may choose to bring a claim against the Group rather than using the FOS. A customer may be able to bring a claim in contract and/or tort, or for breach of statutory duty under FSMA. In each case, a limitation period of six years will apply. In the case of a claim in contract or under FSMA, the period will run from the date of the alleged breach (normally the day the product was sold). However, in the case of a claim in tort, the period will not begin to run until the date that damage is suffered. This may be some time after the sale of the product.

No outstanding and active claims have a value of more than £200,000.

The Group has concluded that it is not necessary to make a provision in its accounts in respect of its liabilities (if any) for MPPI misselling, as it does not believe that claims relating to MPPI will result in the Group suffering significant losses.

Indemnity against pensions misselling cases

Countrywide Assured/Chesnara, a company which de-merged from the Group in 2004, has claimed that the Group is obliged to indemnify it against any further payments it has to make for pensions misselling claims. It believes that this liability arises by virtue of an indemnity given in the deed which was entered into when Countrywide Assured de-merged.

The Group has accepted that it is liable to indemnify Countrywide Assured/Chesnara for some pension misselling payments, but disagrees with it as to the extent of its liability under the deed. Countrywide Assured/Chesnara claim the indemnity applied to all 6,000 customers who had been subject to the FSA Pensions Review between 1995 and 2000, plus customers who were not deemed eligible for compensation at the time under FSA criteria.

Although Countrywide Assured/Chesnara has not pursued this claim since 2007/2008, it has not abandoned it. Irrespective of whose interpretation of the deed proves correct, the Company believes that Countrywide Assured/Chesnara has not received any customer claims against which its interpretation of the indemnity would apply. The prospect of significant claims arising seems to be remote because of the passage of time. An independent actuary has also advised on the probability of such claims ongoing, which appears increasingly remote.

18. Material contracts

Set out below is a summary of (i) each material contract (other than a contract in the ordinary course of business) to which the Company is a party which has been entered into within the two years immediately preceding the date of this Prospectus; and (ii) any other contract (other than a contract in the ordinary course of business) entered into by any member of the Group which contains a provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus.

18.1 Sponsors' Agreement

The Company, Countrywide Holdings, Ltd. and the Joint Sponsors have entered into the Sponsors' Agreement pursuant to which Goldman Sachs and Jefferies were each appointed as a sponsor to the Company in connection with Admission.

The Sponsors' Agreement contains certain representations, warranties and undertakings to the Joint Sponsors from the Company and Countrywide Holdings, Ltd. which are customary for an agreement of this nature, together with provisions which enable either Joint Sponsor to terminate its appointment as sponsor and its obligations under the Sponsors' Agreement in certain specified circumstances, including circumstances where any warranties are found to be untrue or inaccurate.

The Sponsors' Agreement also contains certain indemnities given by the Company in favour of each Joint Sponsor in respect of, inter alia, claims made against or losses suffered or incurred by either Joint Sponsor in connection with Admission.

18.2 Underwriting Agreement

The Company, Countrywide Holdings, Ltd., the Directors, the Banks, the Underwriters, the Major Shareholders and the Lending Shareholders 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 Underwriters has severally agreed to underwrite a proportion of, and together to underwrite in aggregate all of, the issue of the Offer Shares available under the Offer, before any exercise of the Over-allotment Option.

The Offer is conditional upon, inter alia, Admission occurring not later than 8 a.m. on 25 March 2013 (or such later date and time as the Joint Global Coordinators may specify as the date for Admission which shall not, except with the prior consent of the Company, be later than 31 March 2013) and the Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms.

The Underwriting Agreement can be terminated at any time prior to Admission in certain customary circumstances set out in the Underwriting Agreement. If these termination rights are exercised, the Offer will lapse and any monies received in respect of the Offer will be returned to applicants without interest.

The Underwriting Agreement provides for the Underwriters to be paid a commission in respect of the Offer Shares underwritten and any Over-allotment Shares issued following exercise of the Over-allotment Option. The aggregate commission will be equal to 2.5% of the Offer Price, multiplied by the aggregate number of such shares. The Company may also, at its absolute discretion, pay an additional commission equal to up to 0.5% of the Offer Price multiplied by the aggregate number of such shares the amount of which will be determined by 20 April 2013. Each Underwriter will be entitled to receive a proportion of such commissions equal to the proportion of the Offer Shares it has agreed to underwrite. Any commissions received by the Underwriters may be retained and any Ordinary Shares acquired by them as Underwriters may be retained or dealt in, by them, for their own benefit.

Allocations of the Offer Shares among prospective investors will be determined by the Joint Global Coordinators in their absolute discretion.

All Offer Shares issued and all Over-allotment Shares issued or sold pursuant to the Offer will be issued and/or sold, payable in full, at the Offer Price in accordance with the terms of the Offer.

The Company has agreed to pay or cause to be paid (together with any applicable VAT) certain costs, charges, fees and expenses of or arising in connection with or incidental to, the Offer including (subject to certain limitations) any UK stamp duty and/or SDRT accruing on sales of the Over-allotment Shares pursuant to the Offer, on any stabilising transactions or on any repayment of the stock loan by the Stabilising Manager.

The Company has granted the Stabilising Manager the Over-allotment Option, pursuant to which the Stabilising Manager may require the Company to issue additional Offer Shares of up to 10% of the aggregate number of New Issue Ordinary Shares available in the Offer (before any exercise of the Over-allotment Option) at the Offer Price to cover over-allotments, if any, made in connection with the Offer. The Over-allotment Option may be exercised, in whole or in part, at any time during the period from the commencement of conditional dealings of Ordinary Shares on the London Stock Exchange and ending 30 calendar days thereafter. Save as required by law, the Stabilising Manager does not intend to disclose the extent of any over-allotments made and/or any stabilisation transactions carried out.

The Company has agreed to pay or cause to be paid (together with any applicable VAT) certain costs, charges, fees and expenses of or arising in connection with, or incidental to, the Offer.

The Company, Countrywide Holdings, Ltd., the Directors and the Major Shareholders have each given customary representations, warranties and undertakings to the Banks and the Underwriters and the Company and Countrywide Holdings, Ltd. have given certain indemnities to the Banks and the Underwriters, including, indemnities for liabilities under applicable securities laws.

The parties to the Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions.

The Company has entered into certain lock-up arrangements relating to Ordinary Shares and securities of the Company which are substantially similar to the Ordinary Shares (including, but not limited to, any securities that are convertible into or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities). The Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators, issue, lend, mortgage, assign, charge, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Each of the Directors has entered into certain lock-up arrangements relating to Ordinary Shares. Each of the Directors has agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, he will not offer, sell or contract to sell, grant or sell any option over, charge, pledge or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Each of the Major Shareholders has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not sell or contract to sell, grant or sell any option over, charge, pledge or otherwise dispose of any Ordinary Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

18.3 Stock Lending Agreement

In connection with settlement and stabilisation, Goldman Sachs, as Stabilising Manager, has entered into a stock lending agreement (the "**Stock Lending Agreement**") with each of the Lending Shareholders pursuant to which the Stabilising Manager will be able to borrow, from each of the Lending Shareholders, a number of Ordinary Shares equal in aggregate to up to 10% of New Issue Ordinary Shares available under the Offer before the enlargement under the Over-allotment Option for the purposes, among other things, of allowing the Stabilising Manager to settle, at Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the Stock Lending Agreement, it will be obliged to return equivalent shares to the Lending Shareholders in accordance with the terms of the Stock Lending Agreement.

18.4 Lock-up arrangements

Each of the Company, the Major Shareholders, Alchemy and the Directors has agreed to certain lock-up arrangements.

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Coordinators, issue, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction (including via derivatives) with the same economic effect as any of the foregoing.

Pursuant to the Underwriting Agreement, each of the Directors has agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, he will not, without the prior written consent of the Joint Global Coordinators, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Underwriting Agreement, each Major Shareholder has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Coordinators offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Alchemy Lock-up Agreement, Alchemy has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Coordinators, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Offer, at Admission, each Employee Shareholder can sell up to 25% of the Ordinary Shares it owns the day before Admission. During the period of 365 days from the date of Admission, any Ordinary Shares (or any interest herein or in respect hereof) that he or she did not sell at Admission can only be offered, sold subject to a contract for sale, or otherwise disposed of, subject to certain exceptions, with the consent of the Board.

18.5 Relationship Agreement

The Company entered into the Relationship Agreement, on 19 March 2013, with the Principal Shareholders which will regulate (in part) the degree of control that the Principal Shareholders and their associates may exercise over the management of the Company. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of the Principal Shareholders.

The Relationship Agreement will take effect on Admission and will continue, in respect of each of the Principal Shareholders until (i) it ceases to be a significant shareholder in the Company or (ii) the Principal Shareholder is in material breach of the Relationship Agreement and the Company 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% or more of the aggregate voting rights in the Company.

The Relationship Agreement regulates the continuing relationship between each of the Principal Shareholders and the Company after Admission. In particular:

(A) each of the Principal Shareholders shall have the right to nominate one person to be its Representative Director on the Board 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;

(B) each Principal Shareholder agrees, so far as it is reasonably able to procure the same, to ensure that all Shareholders are treated equally, the independence of the Board is maintained and the Company shall be capable of carrying on its business independently of that Principal Shareholder;

(C) all agreements, transactions and relationships between the Principal Shareholders and the Company and its subsidiaries will be conducted on arm's length and normal commercial terms;

(D) each Principal Shareholder agrees that it shall not take any action which precludes or inhibits the Company from carrying on its business for the benefit of the Shareholders as a whole and that it shall not influence the day-to-day running of the Company at an operational level or hold or acquire a material shareholding in any of Company's subsidiaries;

(E) neither Principal Shareholder shall 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;

(F) 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 the Company and the relevant Principal Shareholder. The Independent Board shall be responsible for determining, in cases of doubt, whether a conflict of interest exists; and

(G) neither the Representative Director of a Principal Shareholder nor the Principal Shareholder itself shall receive any information relating to any matter where a conflict of interest may arise.

The Company shall provide such cooperation, information and assistance as a Principal Shareholder may reasonably request in relation to a proposed divestment of that Principal Shareholder's Ordinary Shares.

The Board believes that the terms of the Relationship Agreement will enable the Company to carry on its business independently from the Principal Shareholders and their associates, and ensure that all transactions and relationships between the Company and the Principal Shareholders and their associates are, and will be, at arm's length and on a normal commercial basis.

18.6 New Facility

On 20 March 2013, the Company and various members of the Group entered into a £100 million New Facility with a syndicate of banks pursuant to which those banks have made a £75 million term loan facility and a £25 million revolving credit facility available to the Group. The terms of the loan are described in the paragraph entitled '*New Facility*' in section 7 '*Liquidity and Capital Resources*' in Part XII (*Operating and Financial Review*).

19. Property

The Group's businesses predominantly operate from leasehold premises situated throughout the UK. The Group currently has approximately 1,000 leasehold properties. None of these are individually material to the operations of the Group.

20. Other interests in Countrywide's securities

Certain of the Joint Bookrunners hold interests in securities issued by Countrywide

Goldman Sachs and its affiliates hold approximately 4.5% of the Senior Secured Notes and a nominal amount of the issued share capital of the Company immediately prior to the Offer.

Credit Suisse and its affiliates hold a nominal amount of the issued share capital of the Company immediately prior to the Offer.

21. Consents

PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its accountants' reports as included in Part XIII (*Financial Information*) of this Prospectus and its report concerning the pro forma financial information as included in Part XIV (*Unaudited Pro Forma Financial Information*) of this Prospectus and the references thereto in the form and context in which they appear and has authorised the contents of its reports for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.

Each Joint Sponsor has given and not withdrawn its consent to the inclusion in this Prospectus of their names in the form and context in which it appears.

22. Documents available for inspection

Copies of the following documents may be inspected at the registered office of the Company, 17 Duke Street, Chelmsford, Essex CM1 1HP and the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the duration of the Offer:

- the Articles;
- the reports of PwC set out in Parts XIII (*Financial Information*) and XIV (*Unaudited Pro Forma Financial Information*) of this Prospectus;
- consent letters; and
- a copy of this Prospectus.

For the purposes of PR 3.2.4 of the Prospectus Rules, the Prospectus will be published in printed form and available free of charge for the duration of the Offer at the registered office of the Company in the UK at 17 Duke Street, Chelmsford, Essex CM1 1HP and at the offices of Slaughter and May One Bunhill Row, London EC1Y 8YY. In addition the Prospectus will be published in electronic form and available on the Website, subject to access restrictions.

23. General

23.1 The total costs and expenses of, and incidental to, the Admission of the Offer (including the listing fees, printer's fees, advisers' fees, professional fees and expenses, the costs of printing and distribution of documents, VAT and stamp duty) are estimated to amount to £8.8 million and are payable by the Company. Included within the total are commissions which are expected to be up to approximately £6.0 million payable to the Underwriters.

23.2 The financial information contained in this Prospectus which relates to the Company does not constitute full statutory accounts as referred to in section 434(3) of the Companies Act. Statutory audited accounts of the Company, on which the auditors have given their unqualified report and which contained no statement under section 498(2) or (3) of the Companies Act, have been delivered to the Registrar of Companies in respect of the three accounting periods ended 31 December 2012.

PART XVII — DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

2010 PD Amending Directive	Directive 2010/73/EU;
ABS	Alternative Business Structure, which is a regulated organisation which provides legal services and has some form of non-lawyer involvement. This involvement can either be at the management level or as an owner;
Admission	admission of the Ordinary Shares to the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective in accordance with LR 3.2.7G of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards published by the London Stock Exchange;
Aggregators	a website or computer software that aggregates a specific type of information from multiple online sources (i.e. mortgage and insurance rates);
Alchemy	Alchemy Special Opportunities Fund L.P.;
Alchemy Lock-up Agreement	the lock-up agreement between Alchemy, the Company and the Bank and described in Part XVI (*Additional Information*);
Apollo	Apollo Global Management LLC and its subsidiaries, a global alternative investment manager;
Apollo-Affiliated Funds	AIF VI Euro Holdings, L.P. and AAA Guarantor Co-Invest VI, L.P.;
Approved Persons	persons who are approved to carry out controlled functions by the FSA under FSMA;
Articles	the Articles of Association of the Company;
Banks	the Joint Sponsors, the Joint Bookrunners, and the Manager;
Buy-to-Let	the purchase of a residential property in order to let it to tenants;
CBRE	CBRE Group Inc., a commercial real estate services firm;
CBRE Joint Venture	the agreement between CBRE, Hamptons Estates Limited and Countrywide Group plc in relation to the provision of development consultancy and downstream project marketing services;
CCA	the Consumer Credit Act 1974 (as amended);
CEO	chief executive officer;
CFO	chief financial officer;
CGI	CGI Information Systems and Management Consultants (UK) Ltd.;
Chairman	Robert Davies;
City Code	the City Code on Takeovers and Mergers;

CLC	Council for Licensed Conveyancers;
CML	Council for Mortgage Lenders, the trade association for the residential mortgage lending industry;
Code	the US Internal Revenue Code of 1986, as amended;
Companies Act	the UK Companies Act 2006, as amended;
Company or Issuer	Countrywide plc;
Conveyancing Division	Countrywide's conveyancing segment;
Corporate Reorganisation	as described in paragraph 2 of Part V (*Presentation of Information*);
CPL	Countrywide Property Lawyers;
CPUTRs	the Consumer Protection from Unfair Trading Regulations 2008 (as amended);
Credit Suisse	Credit Suisse Securities (Europe) Limited, a limited company incorporated in England and Wales with registered number 891554;
CREST	the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear UK & Ireland Limited;
CSS	Countrywide Surveying Services;
DB Scheme	the Group's defined benefit pension scheme;
Directors or Board	the Executive and Non-Executive Directors of the Company;
Disclosure and Transparency Rules	the disclosure and transparency rules made by the FSA under Part VI of FSMA;
Distribution Agreements	as defined in Part II (*Risk Factors*) "*The Financial Services Division arranges for the sale of products of a limited number of third party product providers*";
DSBP	the deferred share bonus plan adopted by the Board on 18 March 2013 under which options/awards over Ordinary Shares may be granted to selected Group employees, usually following the deferral of up to one-third of their annual cash bonus under the New Cash Plan;
DTCC	the Depository Trust Company, the US clearing system;
EAA	the UK Estate Agents Act 1979 (as amended);
EBITDA	earnings before interest, tax, depreciation and amortisation as described in Part XII (*Operating and Financial Review*);
Element	as described in Part I (*Summary*);
Employee Shareholder	an employee of the Group who is not a Director and, at the time of Admission, holds Ordinary Shares and any connected persons of such employee;
ESTAs	the Estate & Lettings Agent Awards;
Estate Agency Division	Countrywide's estate agency segment;

European Economic Area or EEA	the European Union, Iceland, Norway and Liechtenstein;
European Union or EU	an economic and political union of 27 Member States which are located primarily in Europe;
Eurozone	the Member States of the European Union that have adopted the euro as their common currency and sole legal tender;
Exchange Act	the United States Securities Exchange Act of 1934, as amended;
Executive Directors	executive directors of the Company and its subsidiaries;
Existing Ordinary Shares	the Ordinary Shares in issue immediately prior to Admission;
FCA	the UK Financial Conduct Authority to be established pursuant to the Financial Services Act 2012 and responsible for, among other things, the conduct regulation of all firms authorised and regulated under FSMA and the prudential regulation of firms which are not regulated by the PRA;
Financial Services Division	Countrywide's financial services segment;
Financial Services Entities	each of Life and Easy Limited, Countrywide Principal Services Limited, Hamptons International Mortgages Limited, Mortgage Intelligence Limited, and Mortgage Next Network Limited;
FOS	the Financial Ombudsman Service;
FSA	the UK Financial Services Authority;
FSA Handbook	the FSA's Handbook of Rules and Guidance;
FSCS	the Financial Services Compensation Scheme;
FSMA	the UK Financial Services and Markets Act 2000 (as amended);
FYE 2010	the financial year ending in 2010;
FYE 2011	the financial year ending in 2011;
FYE 2012	the financial year ending in 2012;
FYE 2013	the financial year ending in 2013;
FYE 2014	the financial year ending in 2014;
Goldman Sachs	Goldman Sachs International, an unlimited company incorporated in England and Wales with registered number 2263951;
Government	the government of the UK;
Group or Countrywide	prior to the Corporate Reorganisation, Countrywide Holdings, Ltd. and its subsidiaries and subsidiary undertakings and with effect from the Corporate Reorganisation, the Company and its subsidiaries and subsidiary undertakings, and, in each case, where the context requires, its associated undertakings;
Guarantors	the subsidiary companies who guarantee the Senior Secured Notes;

Hamptons Group, Hamptons International or Hamptons International Division	the division of Countrywide which operates under the brand name 'Hamptons' that offers estate agency and lettings services primarily in the Prestige Market. It was acquired by the Group in 2010 and is accounted for as a separate segment of the Group;
HMRC	Her Majesty's Revenue and Customs;
Home Information Packs or HIPs	a Government mandated descriptive set of documents containing detailed information (including, for example, an energy performance certificate, title documents and local authority searches) which was provided and paid for by the seller of a residential property to prospective buyers. Home Information Packs were suspended with immediate effect from 21 May 2010 in England and Wales;
IASB	the International Accounting Standards Board;
IBNER	incurred but not enough reported;
IBNR	incurred but not received;
ICOBS	the Insurance: (Conduct of Business) Sourcebook;
IFRS	International Financial Reporting Standards, as adopted by the European Commission for use in the European Union;
IMD II	the Insurance Mediation Directive;
Independent Board	the Board from time to time excluding the Representative Directors;
IPO Options	the one-off nil cost options over Ordinary Shares to be granted pursuant to the IPO Plan;
IPO Plan	the executive share option plan adopted by the Board on 18 March 2013 under which one-off options may be granted to certain members of senior management immediately prior to Admission;
ISIN	International Securities Identification Number;
ISO/IEC 27001:2005	the International Organisation for Standardisation's certificate for information technology, security techniques, and information security management systems;
Issuer	see definition of "Company" above;
IT	information technology;
Jefferies	Jefferies International Limited, a limited company incorporated in England and Wales with registered number 01978621;
Joint Bookrunner(s)	each of Goldman Sachs, Jefferies and Credit Suisse;
Joint Global Coordinators	each of Goldman Sachs, Jefferies and Credit Suisse;
Joint Sponsors	each of Goldman Sachs and Jefferies;
L&NH	land and new homes;

Legal Cutover .... 1 April 2013 (or any such later date) when the FCA and the PRA assume their respective powers and responsibilities pursuant to the Financial Services Act 2012;

Lending Shareholders .... OCM Luxembourg Castle Holdings S.á r.l. and AIF VI Euro Holding, L.P.;

Lettings Division .... Countrywide's lettings segment of its business;

Listing Rules .... the listing rules of the FSA relating to Admission to the Official List;

London Stock Exchange .... London Stock Exchange plc;

LPA .... the Law of Property Act 1925;

LTIP .... the long-term incentive plan adopted by the Board on 18 March 2013 under which options/awards over Ordinary Shares may be granted to selected Group employees;

LTV .... loan to value ratio;

Major Shareholders .... Oaktree Affiliates and Apollo-Affiliated Funds;

MCOB .... the Mortgages and Home Finance: Conduct of Business Sourcebook;

Member State .... member state of the European Union;

MIPRU .... Prudential Sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries;

MMR .... the Mortgage Market Review as defined in Part IX (*Regulatory Overview*);

Model Code .... the model code published in Annex I to LR9 of the Listing Rules;

Mortgage Intelligence .... Mortgage Intelligence Ltd.;

Mortgage Next .... Mortgage Next Network Limited;

National Administration Centre ... the centralised administrative support office for the Estate Agency Division;

National Operations Centre ...... the Surveying Division's principal location which contains the majority of administration staff, including surveyor bookings, lender support and the panel management and technical support teams;

NewBuy .... the Government-backed mortgage indemnity scheme that aims to assist private individuals with smaller deposits to purchase a newly built home;

New Cash Plan .... the annual cash bonus plan adopted by the Board on 18 March 2013 under which cash bonus awards may be granted to selected Group employees;

New Facility .... the £100 million term loan and revolving credit facilities agreement dated 20 March 2013 and made between, among others, the Company and Countrywide Group plc as Borrowers;

New Issue Ordinary Shares ...... new Ordinary Shares to be issued by the Company pursuant to the Offer, excluding the Over-allotment Shares;

New Plans .... the IPO Plan, LTIP, DSBP, SIP and SAYE Plan;

NICs .... National Insurance contributions;

Non-Executive Directors .... each of Sanjay Patel, Caleb Kramer, Robert Davies, Neville Richardson and Sandra Turner;

Oaktree .... Oaktree Capital Management LP, a global asset management firm;

Oaktree Affiliates .... OCM Luxembourg Castle Holdings S.á r.l. and OCM Luxembourg EPF III Castle Holdings S.á r.l.;

Offer .... the offer of Ordinary Shares to certain institutional investors, including QIBs in the United States described in Part VI (*Details of the Offer*), being made by way of this Prospectus;

Offer Price .... 350 pence;

Offer Shares .... those Ordinary Shares to be issued by the Company pursuant to the Offer as described in Part VI (*Details of the Offer*);

Official List .... the Official List maintained by the FSA;

OFT .... the Office of Fair Trading;

Operating Company .... Countrywide Holdings, Ltd.;

Operating Group .... the Operating Company and its subsidiaries;

Order .... Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended);

Ordinary Shares or Shares .... ordinary shares of 1p each in the Company;

Over-allotment Option .... the over-allotment option granted by the Company to the Stabilising Manager in the Underwriting Agreement;

Over-allotment Shares .... Ordinary Shares issued at Admission pursuant to the exercise of the Over-allotment Option (if it is exercised);

PD Regulation .... the Prospectus Directive Regulation (2004/809/EC);

PIK Interest .... interest paid on the Senior Secured Notes (i) entirely by increasing the principal amount of the Senior Secured Notes or (ii) issuing new Senior Secured Notes;

PMA .... the Property Misdescriptions Act 1991 (as amended);

PPI .... payment protection insurance;

PRA .... the UK Prudential Regulation Authority to be established pursuant to the Financial Services Act 2012 and responsible for the micro-prudential regulation of banks, insurers and certain large investment firms;

Premium Listing .... the premium listing segment of the Official List;

Prestige Market(s) .... the high-end lettings and estate agency markets;

Principal Shareholders	Oaktree Affiliates and Apollo-Affiliated Funds;
Propertywide	the Group's dedicated property website (www.propertywide.com) which provides online access to its estate agency, lettings and property related services;
Prospectus	this document;
Prospectus Directive	Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State;
Prospectus Rules	the prospectus rules of the FSA made under Part VI of FSMA relating to offers of securities to the public and admission of securities to trading on a regulated market;
PwC	PricewaterhouseCoopers LLP;
Qualified Institutional Buyer or QIB	Qualified Institutional Buyer within the meaning given by Rule 144A;
Registrars	Capita Registrars Limited;
Regulation S	Regulation S under the Securities Act;
Relationship Agreement	the relationship agreement between the Company and the Principal Shareholders;
Relevant Financial Services Regulator or Relevant Financial Services Regulator(s)	as appropriate in the context, any one or more of the FSA, the FCA or the PRA;
Relevant Member State	each Member State of the European Economic Area that has implemented the Prospectus Directive;
Remuneration Committee	the remuneration committee of the Board or a sub-committee of it;
Reorganisation Offer	the offer made, on 20 February 2013, by the Company to the holders of shares in Countrywide Holdings, Ltd. pursuant to which the Company acquired the entire issued share capital of Countrywide Holdings, Ltd.;
Representative Directors	means a Director nominated by a Principal Shareholder pursuant to the Relationship Agreement;
Revolving Credit Facility	the revolving credit facility agreement, as described in Part VII (*Information on the Company and the Group*) and Part XII (*Operating and Financial Review*);
RICS	The Royal Institute of Chartered Surveyors;
Rule 144A	Rule 144A under the Securities Act;
SAYE Plan	the all-employee share option plan adopted by the Board on 18 March 2013 under which Group employees may be granted options over Ordinary Shares once HMRC approval has been obtained;
Scheme	the Countrywide Group plc pension scheme;

SDRT	stamp duty reserve tax;
Secondary Offer	the sale of up to 1,144,170 Existing Ordinary Shares that are owned prior to Admission by the Selling Employees each on the day prior to Admission;
Securities Act	the United States Securities Act of 1933, as amended;
SEDOL	Stock Exchange Daily Official List;
Selling Employees	the Employee Shareholders who choose to sell their Ordinary Shares in the Secondary Offer;
Senior Secured Indenture	the indenture dated 8 May 2009 by and among Countrywide Holdings, Ltd., the Guarantors, Deutsche Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch as security agent, principal paying agent and transfer agent, Deutsche Bank Luxembourg S.A. as registrar and Deutsche International Corporate Services (Ireland) Limited, as paying agent and transfer agent, as amended;
Senior Secured Notes	the £250 million 10% senior secured notes due 2018 issued by Countrywide Holdings, Ltd. under the Senior Secured Indenture;
Shareholders	holders of Ordinary Shares;
SIP	the all-employee share ownership plan adopted by the Board on 18 March 2013 under which Group employees may be invited to purchase/may be awarded Ordinary Shares once HMRC approval has been obtained;
Sponsors' Agreement	the sponsors' agreement entered into by the Company, Countrywide Holdings, Ltd. and the Joint Sponsors on 4 March 2013 and described in Part XVI (*Additional Information*);
SRA	the Solicitors Regulatory Authority;
Stabilising Manager	Goldman Sachs;
Stock Lending Agreement	the stock lending agreement between the Stabilising Manager and the Lending Shareholders;
Surveying Division	Countrywide's surveying and valuation segment;
SYSC	the Senior Management Arrangements, Systems and Controls Sourcebook;
Takeover Panel	the Panel on Takeovers and Mergers;
TCF	the Treating Customers Fairly FSA initiative;
UK	the United Kingdom of Great Britain and Northern Ireland;
UK Corporate Governance Code	the UK Corporate Governance Code dated September 2012 issued by the Financial Reporting Council;

UK Listing Authority	the FSA acting as the competent authority under Part VI of FSMA;
Underwriters	the Joint Bookrunners and the Managers;
Underwriting Agreement	the underwriting agreement entered into between the Company, Countrywide Holdings, Ltd., the Directors, the Banks, the Underwriters and the Major Shareholders on 20 March 2013 and described in Part XVI (*Additional Information*);
United States or US	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
Website	www.invest.countrywideplc.co.uk;
WNS	WNS Limited, a global business process outsourcing company headquartered in Mumbai, India; and
Zoopla	as described in paragraph 15.2 "Current Principal Investments" in Part VII (*Information on the Company and the Group*).

integrated solutions local expertise

Countrywide plc
17 Duke Street
Chelmsford
Essex CM1 1HP