Countrywide Holdings, Ltd

Financial Results for the Year Ended

December 31, 2010

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Annual Report of Countrywide Holdings, Ltd

Pursuant to section 4.2(i) of that certain indenture dated May 8, 2009, as amended and supplemented (the "Indenture"), among Countrywide Holdings, Ltd (the "issuer"), the guarantors (as defined therein) and Deutsche Bank AG, London Branch, as trustee (the "Trustee"), governing the issuer's Senior Secured Fixed Rate Notes due 2018

(The "Report")

On our behalf, the Trustee is providing you with a copy of the Report in satisfaction of our obligation under Section 4.2(i) of the Indenture to provide to holders of the Notes (as defined in the Indenture) certain information regarding Countrywide Holdings, Ltd and its subsidiaries (the Countrywide Group), including but not limited to audited non-statutory consolidated financial statements of the Countrywide Holdings, Ltd group.

This document does not constitute an offer or invitation to purchase or form part of an offer or invitation to purchase any securities, and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. The Notes and Guarantees (as defined in the Indenture) referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state of the United States and may not be offered or sold in the United States unless registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

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FORWARD-LOOKING STATEMENTS

This Report includes forward-looking statements, which involve risks and uncertainties. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "may," "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies, the industry in which we operate and potential acquisitions. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this Report.

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. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, the development of the industry in which we operate and the effect of acquisitions on us may differ materially from those made in or suggested by the forward-looking statements contained in this Report. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- a decline in the number of transactions, prices or commission levels in the UK residential property market, whether due to the impact of macroeconomic factors or otherwise;
- increased or reduced competition in the industry in which we operate;
- changes in, or our failure or inability to comply with, government laws or regulations;
- the loss of any of our important commercial relationships;
- any increase in our professional liabilities or any adverse development in the litigation or other disputes to which we are a party;

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. We urge you to read the sections of this Report entitled "Risks," and "Operating and Financial Review," and for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Report may not occur.

We undertake no obligation, and do not expect, to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Report.

SELECTED FINANCIAL AND OPERATIONAL INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

The financial information presented has been prepared on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union.

We are presenting the audited non-statutory consolidated financial statements of Countrywide Holdings, Ltd for the years ended December 31, 2010, December 31, 2009 and December 31, 2008, in accordance with clause 4.2 (i) of the Trust Indenture.

We define “EBITDA” as operating profit/(loss) after adding back: period depreciation, amortisation and impairment; share-based payments charged, as a non-cash charge permitted by the Trust Indenture dated as of May 8, 2009 ('the Indenture'); and management fees charged by our Investors. EBITDA and pro forma EBITDA and any related ratios presented in this Report are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with IFRS. Furthermore, EBITDA and pro forma EBITDA should not be considered as an alternative to profit or loss for the period or any other performance measure derived in accordance with US GAAP or IFRS or as an alternative to cash flow from operating, investing or financing activities as a measure of our liquidity as derived in accordance with IFRS. These non-GAAP financial measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations. In addition, such measures as we define them may not be comparable to other similarly titled measures used by other companies.

As required by the Indenture governing the high yield Notes issued by Countrywide Holdings, Ltd, the company has engaged PricewaterhouseCoopers LLP to audit its non-statutory financial statements for the period ended December 31 2010.

The sole purpose of the preparation by the directors of these non-statutory consolidated financial statements and the engagement of PricewaterhouseCoopers LLP to audit them is to assist the directors to discharge their stewardship obligations and fiduciary responsibilities in respect of the company and the company’s obligations under the terms of the Indenture and for no other purpose.

The Audit report and opinion included therein, which is addressed to the directors, contains statements to this effect and to the effect that in undertaking their audits and in giving their reports and the opinions included therein, PricewaterhouseCoopers LLP do not accept or assume responsibility for any other purpose or to any other person, to whom this report is shown or into whose hands it may come. This includes, without limitation, the Trustees and holders of the Senior Secured Notes issued under the Indenture, or anyone else who may seek to rely on this report.

The Indenture does not prohibit PricewaterhouseCoopers LLP from clarifying their responsibilities in this way or from including a statement to that effect in their audit report.

SELECTED FINANCIAL AND OPERATIONAL INFORMATION

HIGHLIGHTS

- Strong financial result in declining market
- Four out of five divisions report EBITDA growth, excluding Hamptons
- Structural cost saving programmes continue
- Strong result from key South East area from existing Countrywide business and new acquisitions (Hamptons / Sotheby's)
- Group continues to generate cash from operations / year end cash balance **£59 million**

However

- No evidence of any recovery in market volumes
- Bank of England mortgage approvals down 20% year on year in Q4 2010
- 2011 expected to show similar volumes to 2010
- House prices flat with downside risk

Results	Year ended December 31, (audited)		
	2010	**2009**	Variance
	£'000	**£'000**	%
Total income	**477,922**	445,989	+7
EBITDA before exceptional items	**51,476**	44,082	+17
Operating profit before exceptional items[1]	**27,400**	23,861	+15
Operating profit/(loss)	**8,408**	(3,888)	n/m[2]
	(unaudited)		
	Number	Number	
House sales exchanged	**58,984**	63,377	-7
Life policies arranged	**31,387**	31,449	—
Mortgages arranged	**37,324**	36,924	1
Valuations and survey instructions	**250,816**	281,278	-11
Total conveyances completed	**31,827**	34,517	-7
Headcount – average including Hamptons	**8,105**	7,584	+7
Headcount at year end	**7,872**	7,470	5
Segment results	(audited)		
Revenue	**£'000**	£'000	
Estate Agency	**232,157**	241,142	-4
Lettings	**73,559**	67,469	+9
Financial Services	**57,183**	55,718	+3
Surveying & Valuation	**52,621**	60,400	-13
Conveyancing	**21,558**	20,235	+7
Hamptons	**40,015**	—	n/m
Other segments	**829**	1,025	-19
	477,922	445,989	+7
EBITDA before exceptional items			
Estate Agency	**19,697**	26,355	-25
Lettings	**14,307**	12,620	+13
Financial Services	**5,654**	2,150	+162
Surveying & Valuation	**7,418**	7,368	+1
Conveyancing	**8,459**	8,190	+3
Hamptons	**9,474**	—	n/m
Segment EBITDA before exceptional items	**65,009**	56,683	+15
Unallocated expenses	**(13,533)**	(12,601)	+7
Group EBITDA before exceptional items	**51,476**	44,082	+17

[1] Exceptional items comprise operational restructuring, acquisition costs insurance and litigation charges.
[2] n/m indicates a non-meaningful calculation throughout.

SELECTED FINANCIAL AND OPERATIONAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	(unaudited)	(audited)				
	2010		Restated[1] 2009			Restated 2008
Continuing operations	*Pro forma[2] results for the year ended December 31 £'000*	Actual results for the year ended December 31 £'000	Trading £'000	Former debt structure and Impact of refinancing £'000	Total £'000	Total £'000
Revenue	*490,488*	**468,041**	439,105	—	439,105	413,539
Other income	*9,995*	**9,881**	6,884	—	6,884	8,018
	500,483	**477,922**	445,989	—	445,989	421,557
Employee benefit costs	*(282,965)*	**(270,464)**	(255,277)	—	(255,277)	(267,180)
Depreciation, amortisation	*(25,108)*	**(22,576)**	(19,125)	—	(19,125)	(29,415)
Impairment	—	—	—	—	—	(461,700)
Depreciation, amortisation and impairment	*(25,108)*	**(22,576)**	(19,125)	—	(19,125)	(491,115)
Other operating expenses	*(164,350)*	**(157,482)**	(147,726)	—	(147,726)	(172,147)
Exceptional expenses	*(19,107)*	**(18,992)**	(9,529)	(18,220)	(27,749)	(12,036)
Other expenses	*(183,457)*	**(176,474)**	(157,255)	(18,220)	(175,475)	(184,183)
Group operating profit/(loss) before exceptional items	*28,060*	**27,400**	23,861	—	23,861	(47,185)
Exceptional items	*(19,107)*	**(18,992)**	(9,529)	(18,220)	(27,749)	(473,736)
Group operating profit/(loss)	*8,953*	**8,408**	14,332	(18,220)	(3,888)	(520,921)
Cash payable finance expense	*(22,999)*	**(22,898)**	(11,908)	(1,297)	(13,205)	(57,057)
Non-cash payable finance expense	*(1,850)*	**(914)**	(755)	(13,555)	(14,310)	(48,173)
Finance expense	*(24,849)*	**(23,812)**	(12,663)	(14,852)	(27,515)	(105,230)
Cash receivable finance income	*2,227*	**2,014**	1,884	—	1,884	7,002
Non-cash receivable finance income	—	—	—	351,186	351,186	7,727
Finance income	*2,227*	**2,014**	1,884	351,186	353,070	14,729
Net finance (expense)/income	*(22,622)*	**(21,798)**	(10,779)	336,334	325,555	(90,501)
Share of profit post tax from joint venture	*359*	**359**	343	—	343	187
(Loss)/profit before taxation	*(13,310)*	**(13,031)**	3,896	318,114	322,010	(611,235)
Taxation	*5,296*	**4,758**	4,316	—	4,316	29,496
(Loss)/profit from continuing operations	*(8,014)*	**(8,273)**	8,212	318,114	326,326	(581,739)

[1] The prior period results have been restated to account for the insufficient deferred tax liability arising on the intangible assets recognised following the acquisition of Countrywide plc in May 2007.
[2] The pro forma results for the year ended December 31, 2010 include the full year trading results of the Hamptons Group acquired with effect from June 1, 2010, together with the costs of acquisition and the amortisation of the intangible assets acquired.

CONDENSED CONSOLIDATED BALANCE SHEET

	2010	Restated 2009	Restated 2008
	£'000	£'000	£'000
Assets			
Non-current assets			
Intangible assets:			
Goodwill	**333,668**	304,889	303,700
Other intangible assets	**200,731**	146,551	155,108
Property, plant and equipment	**22,614**	18,851	22,045
Investments accounted for using the equity method:			
Investments in joint venture	**2,672**	2,813	2,970
Other investments	**303**	—	16
Deferred tax asset	**15,766**	12,697	11,330
Total non-current assets	**575,754**	485,801	495,169
Current assets			
Trade and other receivables	**68,691**	59,575	51,751
Current tax asset	—	—	3,051
Cash and cash equivalents	**58,907**	100,117	82,562
Total current assets	**127,598**	159,692	137,364
Total assets	**703,352**	645,493	632,533
Non-current liabilities			
Financial liabilities – loans and borrowings	**248,240**	175,000	705,421
Defined benefit scheme liabilities	**5,506**	6,455	5,617
Provisions	**27,090**	21,764	21,637
Deferred income	**12,342**	12,901	14,985
Other liabilities due after one year	**6,295**	5,769	—
Deferred tax liability	**53,641**	40,813	42,546
Amount due to parent company	—	—	341,328
Total non-current liabilities	**353,114**	262,702	1,131,534
Current liabilities			
Trade and other payables	**72,579**	70,406	60,146
Financial derivative	—	—	1,917
Deferred income	**3,795**	3,396	5,303
Provisions	**16,052**	15,990	15,685
Current tax liabilities	**1,564**	2,349	—
Total current liabilities	**93,990**	92,141	83,051
Total liabilities	**447,104**	354,843	1,214,585
Net assets/(liabilities)	**256,248**	290,650	(582,052)

CONSOLIDATED CASH FLOW

	2010	2009	2008
	£'000	£'000	£'000
Cash flows from operating activities			
Cash generated from/(used by) operations	**27,477**	38,122	(32,538)
Interest paid	**(22,337)**	(11,847)	(59,245)
Tax (paid)/refund	**(2,918)**	5,926	1,935
Net cash inflow/(outflow) from operating activities	**2,222**	32,201	(89,848)
Cash flows from investing activities			
Acquisitions net of cash acquired	**(85,718)**	(2,530)	(6,171)
Purchase of property, plant and equipment	**(5,348)**	(2,727)	(2,234)
Purchase of intangible assets	**(2,718)**	(3,794)	(2,334)
Proceeds from sale of property, plant and equipment	**1,895**	112	1,510
Purchase of investments	**(303)**	—	—
Dividend received from joint venture	**500**	500	—
Interest received	**2,105**	2,427	6,813
Net cash outflow from investing activities	**(89,587)**	(6,012)	(2,416)
Cash flows from financing activities			
Proceeds from issue of share capital	**160**	112,617	—
Repayment of financial derivative	**—**	(3,120)	—
Fees paid in relation to financial restructuring	**—**	(12,381)	—
Issue/(purchase) of bonds net of fees	**73,080**	—	(3,273)
(Repayment of)/advance from Revolving Credit Facility	**—**	(90,000)	90,000
Repayment of overseas loan	**(1,070)**	—	—
Net proceeds from parent company	**—**	—	1,536
Purchase of own shares	**(26,015)**	(15,750)	—
Net cash inflow/(outflow) from financing activities	**46,155**	(8,634)	88,263
Net (decrease)/increase in cash and cash equivalents	**(41,210)**	17,555	(4,001)
Cash and cash equivalents at 1 January	**100,117**	82,562	86,563
Cash and cash equivalents at 31 December	**58,907**	100,117	82,562

SELECTED FINANCIAL AND OPERATIONAL INFORMATION

OTHER FINANCIAL DATA

	(unaudited) For the year ended December 31,		
	2010	2009	2008
	£'000	£'000	£'000
Pro forma EBITDA before exceptionals[1]	**54,599**	44,082	(15,806)
Cash and cash equivalents	**58,907**	100,117	82,562
Gross debt	**250,000**	175,000	724,056
Net debt	**191,093**	74,883	641,494
Pro forma consolidated interest expense[2]	**24,332**	15,955	57,921
Pro forma consolidated leverage ratio[3]	**3.50**	1.70	-40.59
Pro forma fixed charge ratio[4]	**2.24**	2.76	-0.27

The table below presents a reconciliation from the net profit or loss to EBITDA:

	(audited)		
	2010	2009	2008
	£'000	£'000	£'000
Consolidated net (loss)/profit	**(8,273)**	323,455	(599,405)
Finance income	**(2,014)**	(353,070)	(14,729)
Share of profit post tax from joint venture	**(359)**	(343)	(187)
Depreciation, amortisation and impairment	**22,576**	19,125	491,115
Share based payments	**—**	129	464
Management fee	**1,500**	967	1,500
Finance expense	**23,812**	27,515	105,230
Taxation	**(4,758)**	(1,445)	(11,830)
EBITDA	**32,484**	16,333	(27,842)
Financial restructuring costs	**—**	18,220	—
Other exceptional items	**18,992**	9,529	12,036
EBITDA before exceptionals	**51,476**	44,082	(15,806)

[2] The pro-forma interest expense assumes a full 12 months interest arising from the £250 million Notes, net of any interest received during the year and other interest payable.
[3] The consolidated leverage ratio is net debt over pro forma EBITDA before exceptionals
[4] The fixed charge ratio is pro forma EBITDA before exceptionals over pro forma consolidated interest expense

We are the leading estate agency-based residential property service provider in the United Kingdom, measured by both revenue and transaction volumes. We operate in five complementary businesses: (i) Estate Agency for residential property sales, (ii) Residential Lettings for residential property lettings and property management, (iii) Financial Services for arranging mortgages, insurance and related financial products for participants in residential property transactions, (iv) Surveying Services for mortgage lenders and prospective homebuyers and (v) Conveyancing Services for residential property conveyancing. Our business operates in approximately 700 towns throughout the United Kingdom, including almost every major UK population centre. More than 86% (2009: 89%, 2008: 89%) of the revenue and more than 65% (2009: 82%, 2008: 92%) of the operating loss/profit of our Estate Agency Division was generated outside of the London market, in the year ended December 31, 2010. We believe that the strength of our broad product offering allows our business to capture revenue streams across every stage of a typical residential property transaction from listing to completion.

Business review

The recovery in the UK housing market, experienced in the second half of 2009, faltered and then reversed during the last two quarters of 2010 resulting in the second worst housing market in living memory in terms of transaction volumes. The election, a hung parliament, austerity budgets, unemployment fears, and tax increases have all dented consumer confidence. The financial institutions remain conservative in their lending policies and the availability of mortgage lending for first time buyers is limited and expensive. Not unsurprisingly, house prices began to decline from mid-2010 and growth was more or less flat year on year. Finally, while interest rates remained low, borrowers were not motivated to remortgage resulting in a static remortgage market at around quarter of the level of activity experienced before 2008.

Despite this challenging market, Countrywide delivered EBITDA growth in 4 out of 5 of its divisions, excluding Hamptons. The Group raised a further £75 million of debt and acquired Hamptons International, the Sotheby's International franchise and three small lettings businesses strengthening the Group's presence in the London and Prestige markets. The Corporate Business team delivered significant contract wins with HSBC and Just Retirement, and Propertywide.co.uk, launched in September 2009, is now the second most visited agency website in the UK[1]. Management also continues to deliver structural cost savings; removing layers of operational management, non-customer facing premises and restructuring its back office functions.

[1] Source: Hitwise December 2010

Estate Agency Division

	(audited) Year ended December 31,		
	2010	2009	*Variance*
	£000	£000	%
Total revenue	**232,157**	241,142	-4
Operating costs	**(212,460)**	(214,787)	-1
EBITDA before exceptional items	**19,697**	26,355	-25
Depreciation, amortisation and share based payments	**(3,805)**	(4,995)	-24
Operating profit before exceptional items	**15,892**	21,360	-25
Exceptional expenses	**(870)**	(3,737)	-77
Operating profit	**15,022**	17,623	-15
Operational data		(unaudited)	
House sales exchanged	**58,984**	63,377	-7

2010 proved to be a challenging year for Estate Agency in the UK, with the number of market transactions falling by an estimated 3.6% from 2009 levels. Competition for sensibly priced listings proved intensive and we were pleased to hold our market share at historically high levels.

As ever, the recruitment and retention of top quality staff in each of our market sectors proved critical. Equally important was the number of National Marketing Campaigns that we successfully deployed during the year. These focused on sensibly priced stock and through seasonal campaigns boosted our branch activity in June, September and December.

The suspension of HIPs as a mandatory requirement in May 2010 saw an increase in Listings almost immediately as the market was “freed up”. However, the provision of HIPs to our clients had accounted for a material revenue source since their introduction in 2007. The UK market saw 24.2% fewer repossessions in 2010 and this impacted on revenue in our Asset Management business. The revenue impact on the Estate Agency division of these two factors was an estimated £9.5 million from 2009 levels.

In contrast, the average price of a house sold by Countrywide increased by 10% to £201,000 in 2010 (excluding Hamptons), well ahead of the average increase across the whole of the UK market. This was helped by a very strong performance by our prime London businesses, John D Wood and Faron Sutaria. As a result, the average fee per sale increased by 5.5% from 2009 levels to £3,465.

The division continued its focus on managing its costs and improving efficiency where possible. The consolidation and outsourcing of certain finance and administration functions was completed during the year, resulting in improved service delivery together with a lower ongoing cost base. An exceptional charge was recognised during the year in relation to a change in management structure, and the closure of a small number of underperforming branches.

In March 2010 we completed the acquisition of the Master License to operate the Sotheby’s International Realty brand throughout the UK together with a high profile branch in Mayfair, London. The Sotheby’s International Realty brand operates in the prime and super prime market place. We have exciting long term growth plans for the brand which will commence in 2011.

Lettings Division

	(audited) Year ended December 31,		
	2010	2009	Variance
	£000	£000	%
Total revenue	**73,559**	67,469	+9
Operating costs	**(59,252)**	(54,849)	+8
EBITDA before exceptional items	**14,307**	12,620	+13
Depreciation, amortisation and share based payments	**(3,564)**	(2,586)	+38
Operating profit before exceptional items	**10,743**	10,034	+4
Exceptional expenses	**(413)**	(2,387)	-83
Operating profit	**10,330**	7,647	+35
Operational data	(unaudited)		
Properties under management (retail) (average in the year)	**30,486**	28,656	+6
Properties under management (corporate) (average in the year)	**62,773**	66,871	-6

The lettings business delivers another year of strong revenue and profit growth maintaining the trend of recent years.

During 2010, the lettings market has seen a reduction in the supply of properties for rent across the country whilst demand, in the form of potential applicants, has increased. This has enabled the business to improve its conversion rates and increase business levels.

We have continued to invest in lettings as a business stream. The ongoing roll out of new IT platforms has progressed well and we are seeing real benefits being delivered. We have made further acquisitions with the addition of the Letmore Group of 6 offices in East London and 3 further small acquisitions giving a total investment of £3.6 million adding £1.2 million revenue and £0.3 million EBITDA in 2010. In addition to acquisitions the business has invested heavily in organic growth through a carefully focused program of expanding lettings into our estate agency office footprint. This program initiated in the second half of 2010, delivered 60 office openings during the last two quarters, with a revenue investment of £1.0 million. Since opening, these offices have generated in excess of £0.4 million revenue and are growing in line with expectations. Further expansion of this program is planned into 2011.

Our project to outsource a significant proportion of our client administration has progressed well and significant operational benefits are accruing including streamlined processing and more consistent customer service. It is envisaged that further benefits will continue to be realised throughout 2011.

Financial Services Division

	(audited) Year ended December 31,		
	2010	2009	Variance
	£000	£000	%
Total revenue	**57,183**	55,718	+3
Operating costs	**(51,529)**	(53,568)	-4
EBITDA before exceptional items	**5,654**	2,150	+163
Depreciation, amortisation and share based payments	**(5,517)**	(5,745)	-4
Operating profit/(loss) before exceptional items	**137**	(3,595)	n/m
Exceptional expenses	**(438)**	(403)	+8
Operating loss	**(301)**	(3,998)	-92
Operational data	(unaudited)		
Total mortgages arranged	**37,324**	36,924	+1
Value	**£4.3bn**	£4.0bn	+8
Life insurance policies arranged	**31,387**	31,449	—
General insurance policies arranged	**36,100**	41,175	-12

Against a backdrop of a subdued housing market and restricted availability of mortgage funds from lenders, the Financial Services Division has encouragingly increased our market share of total mortgage approvals from 3.9% to

4.1%. Our panel lenders continue to support us with strong product offerings and the value of mortgages we arranged increased by 7% to £4.3 billion.

The remortgage market continued at depressed levels following a collapse in 2009. However, laterally there has been an uplift in activity and we are positioned to take advantage of further recovery, although this is not anticipated until the Bank of England base rate increases.

Cross sales of life and general insurance continue at healthy rates although affordability is an issue with rising taxes.

The introduction of a Mortgage Administration Fee during 2010 is a valuable source of new revenue as we witness continued pressure on the level of procuration fees paid by lenders.

Turnover increased by 3% in the year whilst operating costs reduced by 4%, the latter due to continued focus on costs and headcount. Exceptional costs relate to management and other restructures to reduce our ongoing cost base.

Surveying & Valuation Division

	(audited) Year ended December 31,		
	2010	2009	Variance
	£000	£000	%
Total revenue	**52,621**	60,400	-13
Operating costs	**(45,203)**	(53,032)	-15
EBITDA before exceptional items	**7,418**	7,368	+1
Depreciation, amortisation and share based payments	**(2,091)**	(4,983)	-58
Operating profit before exceptional items	**5,327**	2,385	+123
Exceptional expenses	**(10,087)**	(1,333)	+657
Operating (loss)/profit	**(4,760)**	1,052	n/m
Operational data		(unaudited)	
Valuations and survey instructions completed	**250,816**	281,278	-11

The Surveying & Valuation Division faced a challenging year with poor levels of general market activity typified by remortgage volumes declining by 4.5% on 2009. Whilst revenues decreased 13% year-on-year, pre-exceptional EBITDA marginally increased to £7.4 million reflecting the improving operational efficiencies following operational restructuring in previous years, and the embedded focus on cost control. The exceptional expenses relate to provisions raised in respect of unprecedented levels of professional indemnity claim notifications experienced during 2010 and costs of continued business restructure programs.

The Division remains focussed on high quality standards and speed of service, and was delighted to announce the successful tender and appointment by HSBC to undertake valuations for its UK brands and businesses, as part of a new agreement that commenced in November. In 2010 we also saw the successful launch of survey sales through the Estate Agency Division branch network with a steadily building sales volume. While conditions remain challenging, the Division is well positioned both operationally and within its markets to build profitability further in 2011.

Conveyancing Division

	(audited) Year ended December 31,		
	2010	2009	Variance
	£000	£000	%
Total revenue	**21,558**	20,235	+7
Operating costs	**(13,099)**	(12,045)	+9
EBITDA before exceptional items	**8,459**	8,190	+3
Depreciation, amortisation and share based payments	**(576)**	(631)	-9
Operating profit	**7,883**	7,559	+4
Operational data		(unaudited)	
Total completions	**31,827**	34,517	-8

The Conveyancing division performed strongly again in 2010 posting record levels of profitability, with EBITDA increasing by 3% to £8.5 million versus £8.2 million in 2009. Despite poor market conditions, strong support from the branch network enabled the Conveyancing Division to continue its growth trends, both building and converting a higher value pipeline of cases throughout the year versus that seen in 2009.

Operationally, the business continues to build for the future and has invested in resource and infrastructure to continue delivering high standards of customer service in a growth environment. 2010 also saw the successful launch of Private Conveyancing, a tailored conveyancing service targeted at high value property transactions, enabling the Division to provide a full range of conveyancing services across the value spectrum.

Hamptons

	(audited) 7 months ended December 31,	(unaudited) Year ended December 31,		
	2010	**2010**	2009	*Variance*
	£000	**£000**	£000	%
Total revenue	**40,015**	**62,575**	56,274	+11
Operating costs	**(30,541)**	**(49,908)**	(46,385)	+8
EBITDA before exceptional items	**9,474**	**12,667**	9,889	+28
Depreciation and amortisation[1]	**(6,043)**	**(4,069)**	(4,150)	-2
Operating profit before exceptional items	**3,431**	**8,598**	5,739	+50
Exceptional expenses	**(1,707)**	**(1,822)**	(308)	n/m
Operating profit	**1,724**	**6,776**	5,431	+25
		(unaudited)		
House sales exchanged	**2,181**	**3,448**	3,245	+6

The Group acquired Hamptons International in June 2010 part way through what turned out to be Hamptons' strongest year ever. Despite a dismal year in the UK economy, the business' strong presence in London and the South East and prestige offering directed at high net worth and overseas individuals meant that it was protected from many issues affecting the rest of the country.

Since acquisition there has been a focus on identifying synergies with Countrywide and implementing any savings. Consequently there have been some redundancies and closure costs charged as exceptional expenses.

Central costs

Central overhead costs comprise the central management team, Web Marketing and Development and Corporate Business departments. These central functions are not recharged to the divisions where the benefits of their activities are realised.

[1] For the 7 months to December 2010 amortisation includes £4.5 million charged in respect of intangible assets recognised following the acquisition of Hamptons. This is not reported in the 12 month results for 2010.

Exceptional items

In light of the continuing difficult housing market conditions, the management team has 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 below, amount to £5.4 million of which £1.7 million related to Hamptons.

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.

During 2010 the Group, in common with others in the market, 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 Group robustly defends each and every claim but reserves have been set, where appropriate for these claims taking into account the information available at the balance sheet date. In addition, the volume of these claims received in 2010 has impacted the estimation of potential future claims not yet notified. Consequently the Group has 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. Had exceptionals in 2009 been defined on the same basis as in 2010, an exceptional charge of approximately £3.0 million would have been disclosed in respect of claims and litigation provisions.

A break down of the costs is as follows:

	2010	2009	2008
	£'000	£'000	£'000
Redundancies	**3,117**	6,458	6,933
Onerous lease provisions	**371**	992	3,772
Dilapidation provisions	**798**	234	307
Write down of assets	**802**	222	543
Other	**657**	1,623	481
Insurance claims and litigation	**11,934**	—	—
Acquisition expenses	**1,313**	—	—
	18,992	9,529	12,036

In May 2009 the Group's debt and equity was financially restructured; the costs of the restructuring of £18.2 million have been disclosed as exceptional due to materiality and unique nature. These costs comprised professional fees of £12.4 million, amounts payable to management under the Scheme of Arrangement of £4.3 million and the acceleration of share based payment charge of £1.5 million.

Depreciation, amortisation and impairment

The depreciation and amortisation charge for 2010 was £22.6 million compared to £19.1 million in 2009. The main reason for the increase is the amortisation of the Hamptons pipeline of £4.4 million which was fully written down in the three months post acquisition. The amortisation of other intangible assets also reduced in 2010 since they were fully amortised in 2009. Year on year, the depreciation charge for tangible fixed assets and computer software increased by £0.6 million, of which £1.5 million related to Hamptons.

Finance expense

The finance expense decreased by £3.7 million overall compared to 2009, but the 2009 expense included charges relating to the capital and funding structure of the Group prior to its restructuring in May 2009. The cash payable finance expense increased by £9.7 million which is broadly the impact of a full year's interest on £175 million of Notes issued in May 2009 of £5.9 million, plus a further 8 months interest on the additional £75 million of Notes raised at the end of April 2010 of £5.0 million, less interest paid on the Revolving Credit Facility in the first few months of 2009 of £1.2 million.

Finance income

In 2009 the Group recognised a one off credit arising on the cancellation of debt of £351.2 million. Deposits from cash balances held increased by £0.1 million year on year.

Taxation

Overall the Group is reporting an income tax credit of £4.8 million, 36.5% of the loss arising in the year. The effective tax rate is higher than the overall corporation tax rate primarily due to the reduction of the corporation tax rate in 2011 which has reduced the deferred tax liabilities by £1.5 million. Offsetting this, 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 one off items into account, the underlying tax rate for the year was 31.5% which is broadly the rate of tax incurred by the Group due to the level of permanently disallowed expenditure.

Liquidity and cash flow analysis

	2010	2009	2008
	£'000	£'000	£'000
Cash at December 31	**58,907**	100,117	82,562
Trapped cash (cash held by the insurance cell)	**(4,891)**	(6,393)	(5,181)
Cash available for working capital	**54,016**	93,724	77,381
Revolving Credit Facility (RCF)	—	—	100,000
Drawn - Cash	—	—	(90,000)
- Letters of Credit	—	—	(5,346)
Available	—	—	4,654

The Group's cash outflow for the year was £41.2 million after investing £92.2 million in new businesses and capital expenditure, net of disposals, £26.0 million buying back shares and paying net interest of £22.3 million. A further £75 million, before fees, was raised, though a private placement, to support the investment programme.

With £54 million of available funds moving into 2011, the Group is in a strong position to see through another dull year in terms of market growth. While the Group continues to generate positive EBITDA liquidity is not a significant issue. If the housing market should decline further and below those levels experienced in 2008, then the company has the option to elect to settle the interest by issuing PIK notes thus easing the cash burden by some £25 million per annum.

Capital expenditure

Capital expenditure remains closely controlled but following two years of little investment in the real estate network some refurbishment programmes were undertaken. The Group opened its new corporate offices in Milton Keynes mid-year at a cost of £0.8 million, but this was offset by £1.9 million generated from freehold property sales.

	2010	2009
	£'000	£'000
Leasehold improvements	**1,557**	1,005
Furniture and equipment	**3,791**	1,722
Computer software	**1,446**	3,794
Total	**6,794**	6,521

Contractual obligations

The following table summarises our contractual obligations and payments that we will be obligated to make under our financial obligations as of December 31, 2010. Our contractual obligations also include rent payments in respect of our leased properties, primarily in connection with our estate agency and lettings branch networks, and lease payments in respect of our vehicle fleet.

	Expected cash payments due by period			
	Total	Less than 1 year	2–5 years	After 5 years
	£'000	£'000	£'000	£'000
Contractual obligations				
Property[1]	**113,117**	21,354	55,242	36,521
Vehicles, plant and equipment[2]	**30,076**	10,101	19,975	—
Pension deficit[3]	**13,300**	1,900	7,600	3,800
Obligations under the Notes				
Senior secured fixed rate notes[4]	**250,000**	—	—	250,000
Interest on fixed rate notes[5]	**190,104**	25,347	101,389	63,368
Total	**596,597**	58,702	184,206	353,689

Material commitments

There has been no change to material contracts and material commitments since we issued our Annual Report in February 2010.

[1] Reflects minimum lease payments on leasehold facilities (including branches).
[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 for another seven years.
[4] Borrowings are stated at their principal.
[5] Reflects the interest expense on the senior secured notes. It assumes that the interest is paid bi-annually in cash.

WHAT WE DO

At Countrywide plc we strive to provide corporate clients and individual customers with a wide range of property services that are delivered to the highest standards of quality.

We recognise that Countrywide operates in an extremely competitive market where service standards are a key differentiator. Whilst the majority of our services are geared towards serving the needs of the residential market, assisting home movers every step of the way, we also operate a number of commercial and corporate property services for lenders, commercial agents, insurance brokers and pension funds alike.

In an increasingly competitive environment, with growing customer expectations, we've diversified and grown our market share in existing and new sectors.

Countrywide is at the heart of the property industry offering a range of services to help home movers with virtually every aspect of their move. Our comprehensive coverage and distribution network helps more home buyers and sellers than any other business in the UK.

Countrywide's service offering is equally well positioned to serve the needs of residential customers seeking home moving expertise and corporate clients looking to distribute their mortgage products and assets management portfolios.

OUR STRATEGY

Our business strategy is focused on the following initiatives:

Capitalise on our position as the United Kingdom's largest estate agency group

We believe that scale is a key success factor in the UK residential property market. We therefore intend to focus on further consolidating our leading market position by building on our extensive UK-wide footprint and increasing market share through organic growth and opportunistic acquisitions. We have historically grown our estate agency business through acquisitions and we will continue to make acquisitions in areas where there is potential for growth or that otherwise serve our overall long-term strategy and goals. Because there are few remaining large estate agency operations we intend to make opportunistic acquisitions, where possible and at a reasonable cost, of smaller regional and local estate agency businesses.

Exploit consolidation and growth opportunities in the UK lettings market

In the UK lettings market, which has yet to experience substantial consolidation, we intend to implement a targeted acquisition program to increase the scale of our operations. We believe that given the highly fragmented nature of the lettings market and the intensity of our focus on this sector, our Lettings Division will be able to increase its leading market share and achieve the same level of market penetration in the lettings market as our Estate Agency Division has in the residential property sales market. We recommenced our acquisition programme during 2010 and continue to investigate further opportunities in 2011.

Expand the products offered by our financial services division to our existing customer base

We intend to grow our Financial Services Division by expanding the range of products we offer to our existing financial services customer base and purchasers who buy their home through one of our estate agency branches. For example, we have already expanded our remortgage business by establishing a call centre to offer remortgaging advice, in partnership with our panel of mortgage lenders, to our past mortgage clients whose initial preferential mortgage arrangements are expiring.

Improve surveyor productivity by leveraging our technology

In our Surveying and Valuation Division, our proprietary tablet-based technology enables our surveyors to complete surveys and valuations more quickly and accurately. We believe that this technology will also allow all of our surveyors to work remotely. We also plan to complete the establishment of our Countrywide Associates Programme for independent surveyors, who, in exchange for a percentage of their fee, accept instructions from us. We believe this program has the potential to optimise the division's capacity and decrease its operational leverage without incurring the overhead cost of hiring additional surveyors.

Increase the capacity of our Conveyancing Division to capitalise on the leads generated by our Estate Agencies
We believe our Conveyancing Division is poised for renewed growth with the return of the housing market. We aim to increase the division's capacity by leveraging our upgraded information technology systems, improving communications channels between our conveyancers and our customers and outsourcing parts of the conveyancing process to India, which we believe will also decrease our per-unit costs. With increased capacity, we believe we can capture a larger percentage of the potential leads generated by our Estate Agency Division, which, in the longer term will free up capacity for our conveyancing panel management business to seek out third-party clients.

Improve operational performance and capture the benefits of synergies
As a result of our significant and growing market share and geographical presence we believe we will be able to successfully develop and implement group-wide best practices resulting in improved operational performance. We are also reviewing the infrastructure of the Group with a view to streamlining non-customer facing services and capitalising on efficiencies of scale within the business.

OUR STRENGTHS

Our key competitive strengths include:

The largest UK estate agency. We are the largest estate agency in the United Kingdom, with a network of around 1,000 branches, including our franchisees, as at December 31, 2010. We operate through a variety of established estate agency brands, including Bairstow Eves, John D Wood & Co., Hamptons International, Sotheby's International, Mann & Co., Dixons, Bridgfords, Taylors, Slater Hogg & Howison and Gascoigne-Pees. The scale of our estate agency operations gives our management the ability to negotiate favourable terms with our insurance providers, mortgage lenders and other third parties and to readily ascertain market changes in supply, demand, transaction volumes and prices and react accordingly.

Synergistic provision of residential property services. In addition to traditional estate agency and lettings services, we offer ancillary services to buyers, sellers, landlords, mortgage lenders and other third parties. The interplay between the services that we offer leads to significant synergies as it allows us to capture revenue on all aspects of a typical residential property sale or rental. We believe that our ability to provide service at every stage of a typical UK residential property sale or rental provides a significant competitive advantage over our competitors that do not offer such a comprehensive set of services.

High cash flow conversion due to limited capital expenditure. Our ability to convert trading results into cash generation due to limited capital expenditure requirements, comprising principally information technology expenditures and branch expansion and refurbishment expenditures, is normally a strength of this Group. Whilst a strength under normal trading conditions, in the extraordinary conditions of 2008, the trading losses were converted to a decrease in cash. However, in 2009 and 2010 cash conversion, in relation to EBITDA before exceptionals, returned to more normal levels. In addition, our capital expenditure is scalable and allows us to accelerate or delay our spending based on market conditions.

Flexible cost base. We believe that our cost structure provides the financial flexibility that the cyclical residential property market demands. Our variable costs include marketing expenses and estate agents' commissions, both of which fluctuate with revenue. In addition, due to the high turnover of our estate agents, when we forecast that a downturn in the UK residential property market is impending, we are able to reduce the number of our employees (by not replacing departing estate agents) in order to counter the reduced revenue that results from a market downturn. We believe that our variable cost structure, coupled with our ability to manage our headcount, allows us to better respond to fluctuations in the residential property market. However, the effective 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 can not be removed as quickly without damaging the Groups' ability to recover during the upturn.

RISKS

Housing market
The UK housing market is highly cyclical and historically has been central to the strength of the UK economy. Our businesses are highly linked to the UK housing market and any changes in volumes and price are immediately realised in the results of our businesses. Even the Lettings division, which has a more stable customer base, is linked to the volume of transactions of houses sold even though it is often counter-cyclical to the rest of the Group. The UK economy is still fragile with little growth recognised in 2010 or expected in the short term. The failure of the government backed initiatives to stimulate the economy and in particular to get credit flowing could give rise to further falls in house prices, beyond those already anticipated, and continuing low volumes of transactions. All of which would have a serious negative impact on the Group.

Liquidity risk
Our business is highly operationally geared and cash generation broadly follows the profitability of the business. The Group manages its cash balances through a central treasury arrangement. The timing of the Group's cash outflows can be predicted with reasonable accuracy, the major elements being salaries, VAT, rents, car leases, corporation tax and interest.

The Group's ability to take on further debt is restricted under the finance arrangements. However, the Group has the capacity to secure a £100 million Revolving Credit Facility under the terms of the Indenture. There are also provisions for incurring additional debt subject to certain conditions and covenants being met.

These financial results have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities when they fall due for the foreseeable future. The Board of Directors has reviewed cash flow forecasts which have been stress tested with various assumptions regarding the future housing market volumes. 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.

Interest rate risk
Increases in interest rates typically have a negative impact on the UK residential property market. A decline in the number of transactions, prices or commission rates in the UK residential property market, whether due to the impact of macroeconomic factors or otherwise, could have a material adverse effect on our business, financial condition and results of operations.

During 2010 the UK base rate has remained at a 50 year low of 0.5%, LIBOR rates have decreased also but not to the same level due to liquidity constraints in the financial markets. The Senior Secured Fixed Rates Notes are fixed at 10%, furthermore there is the option to Pay-In-Kind (PIK) the interest in the event that a Negative Fixed Charge Ratio is projected for future interest periods. The Group therefore has little risk from interest rate fluctuations.

Credit risk
We are exposed to credit risk from credit sales. It is our policy, implemented locally, to assess the credit risk of major new customers before entering contracts. The majority of customers use our services as part of a housing transaction and consequently we are paid from the proceeds of the house sale.

Loss of a major customer
There are a number of significant commercial relationships which affect more that one business area. The loss of a major contract would have a significant impact on the profitability of the Group. For this reason we have centralised the team responsible for liaising with key customers and developing new contracts.

Infrastructure and IT systems
The Group's business is dependent on reliable and efficient systems to process transactions, produce management information and financial statements. The failure of the systems could result in significant loss to the Group both financial and reputational. The management of our IT infrastructure has been recently centralised in order that a consistent strategy and approach to IT can be implemented across the divisions.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the 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.

Going concern
These financial results have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities when they fall due for the foreseeable future. The Board of Directors has reviewed cash flow forecasts which have been stress tested with various assumptions regarding the future housing market volumes. 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.

Accounting for acquisitions
We account for all acquisitions and business combinations under the purchase method. Under the purchase method, the cost of an acquired business is assigned to tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values requires us to make estimates and use valuation techniques when market values are not readily available. Any excess of purchase price over the fair value of the tangible and intangible assets acquired is allocated to goodwill.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Calculating the cash flows requires the use of judgements and estimates that have been included in our strategic plans and long range forecasts. In addition 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 12.

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 7 (d). Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes.

Provisions and other contingencies
When any of the 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 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.

The 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 and the views of the management as to when, if at all, the obligation is likely to be realised.

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.

When evaluating the impact of potential liabilities arising from claims against the Company, the Directors take professional advice to assist them in arriving at their estimation of the liability taking into account the probability of the success of any claims. The Group has made provision for claims received under its professional indemnity insurance arrangements. These provisions have been prepared on the advice of external insurance claims managers and based on the Group's historical claims experience. The Directors take legal advice in respect of the larger claims.

In addition to the claims provisions recognised, the Group also provides for future liabilities arising from claims Incurred But Not Received (IBNR) for mortgage valuation reports and home buyer reports performed by the Surveying & Valuation division. This provision is estimated on a future projection of historical data for all claims received based on the number of surveys undertaken to date. This projection takes into account the historic claim rate, claim liability rate and the average loss per claim. In view of the significant events in the financial markets and the UK property market in recent years, the Directors have identified a separate sub-population of claims received which is tracked separately from the normal level of claims. This sub-population has been defined as claims received since 2008 for surveys carried out between 2004 and 2007. The estimate of the provision required for IBNR is highly subjective and the results are sensitive to small changes to the assumptions. The Directors consider a number of reasonable scenarios of the projection using different assumptions before deciding on the final provision to recognise in the financial statements.

MANAGEMENT

Management of Countrywide Holdings, Ltd

The issuer is an exempted company incorporated in the Cayman Islands with limited liability.

Board of Directors

As at 31 December 2010, the following people were directors of the Company.

Name	Title	
Caleb Kramer	Director	Oaktree Capital Management
Sanjay Patel	Director	Apollo Management
Oren Peleg	Director	Oaktree Capital Management
Gernot Lohr	Director	Apollo Management
Justin Stevens	Director	Apollo Management
Ian Cash	Director	Alchemy Special Opportunities

With the exception of S Patel and J Stevens, the directors served throughout the year. M Rowan and R Griffith resigned and were replaced by S Patel and J Stevens.

Management of Countrywide

The following table provides information regarding certain of the Executive Officers and members of the Operating Committee of Countrywide.

Name	Title
Grenville Turner	Chief Executive Officer
Jim Clarke	Chief Finance Officer
Nick Dunning	Group Commercial Director
Paul Creffield	Corporate Projects Director and Chairman Surveying and Conveyancing Divisions
Robert Scarff	Managing Director, Estate Agency and Financial Services Division
Nigel Stockton	Financial Services Director

Executive Officers Biographies

Grenville Turner has been a member of the Board of Countrywide since August 1, 2006, when he joined Countrywide as an Executive Director. He became Group Managing Director on January 1, 2008 and is also a director of Countrywide Estate Agents and Executive Chairman of Hamptons International. Mr Turner qualified as a Chartered Banker in 1982 and holds a master's degree in business administration from Cranfield Business School. He was formerly Chief Executive, Intelligent Finance and Chief Executive, Business to Business at HBOS and previously served as a director of St James Place Capital Plc, Sainsbury's Bank Plc and Rightmove.co.uk Limited.

Jim Clarke joined the Group in November 2007. Was previously Finance Director and Company Secretary of JD Wetherspoon and previously worked for David Lloyd Leisure (a division of Whitbread plc) and HP Bulmer Holdings plc. A graduate of Stirling University and qualified as a Chartered Accountant in 1984.

Nick Dunning joined the Group in September 2007, as Commercial Director responsible for the Lettings Division, Marketing, Corporate Development and IT. Previously Vice President and General Manager of Home and Small business, EMEA, for Dell Computers. Graduated from Oxford University in 1985 and is a qualified Chartered Accountant.

Paul Creffield was formerly a Director of Countrywide Surveyors and other Group companies. Spent nearly two years at Rightmove.co.uk as one of the operational Managing Directors through a period of major growth before returning to Countrywide plc. Paul Creffield is now responsible for our Surveying and Conveyancing Divisions and Director of Group Projects and has extensive domain knowledge across the Group.

Robert Scarff joined Countrywide as a trainee sales negotiator with Taylors Estate Agents in 1978. Mr. Scarff was a Sales Director of the Estate Agency and Financial Services Division. He was instrumental in establishing Countrywide's Conveyancing Division in 1997 and held the position of Managing Director until December 31, 1998, when he was appointed to his current position. Mr. Scarff previously served as Managing Director of Dixons Estate Agents and is a Fellow of the National Association of Estate Agents.

Nigel Stockton joined Countrywide from Lloyds Banking Group where he was the Sales Director for Mortgages. Previous roles include Managing Director of Birmingham Midshires, Managing Director of HBOS Intermediary and HBOS Head of Partnerships, prior to which he held commercial directorships with the Financial Times, FT.com and an internet start up firm. After graduating from York University, Nigel spent the first 12 years of his career with NatWest in various commercial lending, sales and service roles. Nigel holds an MBA from London Business School.

Alan Snowball resigned from his Executive position as Managing Director of Countrywide Principal Services Limited at the end of 2010. He will support Mr Stockton during the transition period until May 2011.

Management compensation

Executive Service Contracts

The Executive Officers of Countrywide served throughout 2010, with the exception of Nigel Stockton, and their employment is subject to service agreements (the "Service Agreements"). Details of the terms of engagement for our Executive management team are set out below:

The salary of each Executive Officer is reviewed annually by the Board. The Executive Officers are entitled to reimbursement of expenses incurred during the course of their duties and are entitled to receive full remuneration and benefits if incapacitated by sickness for up to 26 weeks in any period of 12 months. Countrywide is entitled to pay the Executive remuneration and benefits in lieu of the whole of any part of the notice period.

Notice

The Service Agreement of Mr. Turner is terminable by either Countrywide or Mr Turner giving not less than 12 months' written notice. The employment of each Executive Officer is terminable with immediate effect if such Executive Officer 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 in any period of 12 months.

If any of the Executives Officers' employment is terminated as a result of liquidation, reorganisation or reconstruction of Countrywide and he is offered employment by a reconstructed company or by another Countrywide company on terms not less favorable, such Executive Officer shall be obliged to accept such an offer and shall have no claim against Countrywide.

However, if, as a result of a general offer made to members of Countrywide, a third party obtains control of Countrywide, each Executive Officers is entitled to terminate his employment on three months' written notice, provided that such notice is served within one month of the third party obtaining control. In such a case, the restrictive covenants described below will not apply. In addition, the period of notice required to be given by Countrywide to the Executive Officers to terminate their employment will, for a period of 12 months from the date of the third party obtaining control, be 12 months and the restrictive covenants will again not apply following any such termination.

Bonus

Each of the Executive Officers is entitled to participate in the bonus arrangements operated by Countrywide from time to time. Such bonus arrangements shall be determined at the discretion of the Board of Countrywide Holdings, Ltd. The bonuses are awarded subject to the achievement of certain targets notified to the Executive Officers at the commencement of each financial year. Bonuses were paid in respect of 2010 and 2009 performance (2008: nil).

Benefits

Each Executive Officer is entitled to 30 days' holiday per annum (in addition to statutory holidays). Each Executive Officer may elect to receive a car allowance for business and personal travel. Alternatively, each may have a company car for business and personal use for which Countrywide bears all related maintenance, insurance, tax and fuel expenses.

The Executive Officers are entitled to receive pension benefits under the Countrywide Group Pension Scheme which is a defined contribution scheme, with the exception of Mr Turner and Mr Creffield. Mr Clarke receives similar pension benefits, the contributions are made to his personal pension arrangements.

Each Executive is entitled to the benefits of a life assurance policy which provides a benefit of four times the applicable Executive Officer's pensionable salary plus a spouse's pension of one quarter of the applicable Executive Officer's pensionable salary. Each Executive Officer is entitled to private medical insurance (for himself and his family), and permanent health insurance.

Each Executive Officer is entitled to be indemnified by Countrywide against liabilities incurred in the course of his employment in defending proceedings in which he is acquitted or judgement is given in his favour. Each Executive Officer is entitled to cover under the Group Directors' and Officers' Liability Insurance Policy. The Board may at any time substitute any of the remuneration and benefits of any of the Executive Officers (with the exception of salary), provided that the total overall compensation does not disadvantage the applicable Executive Officer. In addition, upon a material change in the circumstances of Countrywide, the Board may withdraw or restrict the remuneration and benefits provided to the Executive Officer, except for salary and bonus, on giving not less than 12 months' notice.

Restrictions

The Executive Officers are prohibited, without prior consent from the Board, from being directly or indirectly engaged, concerned or interested in business activities which may compete with Countrywide. Each Executive Officer is subject to a confidentiality undertaking without limitation in time and is subject to copyright and intellectual property restrictions in respect of work undertaken in the course of his employment without limitation in time. In addition, each Executive Officer is subject to non-compete and non-solicitation restrictive covenants for a period of six months following termination of his employment and is restricted from soliciting, enticing away or employing any employee of Countrywide engaged in a managerial capacity in a department for which the Executive Officer has had direct or indirect responsibility. Each Executive Officer is also prohibited from assisting, advising or giving any information to any person in connection with the above restrictions.

Management Incentive Plan

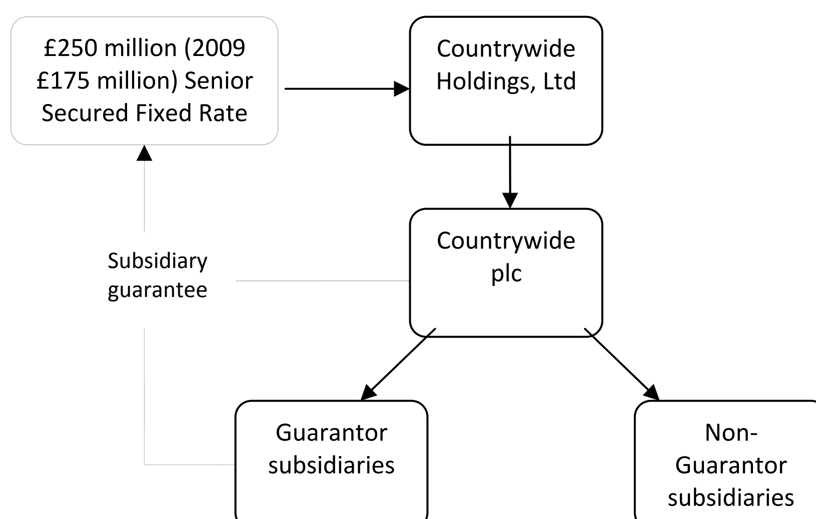
At December 31, 2010 the members of the Executive management team had subscribed to the Management Incentive Plan.

Under the terms of the Management Incentive Plan the Executive Directors subscribed for Class C Shares in the Company. The plan is designated such that the value of the employees' subscription is realised in the event of a disposal by the investors. There are provisions for leavers in the interim period, subject to the circumstances of that departure.

GROUP STRUCTURE AND OWNERSHIP

Summary Corporate and Financing Structure

Following the financial restructuring in May 2009, the Group has no overall controlling entity. The four parties who proposed the restructuring: Oaktree Capital Management, Apollo Management and Alchemy Special Opportunities each have the right to appoint a director to the Board of Countrywide Holdings, Ltd. However, none of these parties have beneficial interests over 40%.



The Senior Secured Fixed Rate Notes are secured by a first priority pledge of substantially all of the assets owned by the Group, including the equity interests of Countrywide plc.

Principal shareholders

The following table sets out information on the material beneficial ownership of the shares at 31 December 2010.

Owner	Number of A shares beneficially owned	Number of B shares beneficially owned	Percentage of voting share capital	Number of C shares beneficially owned
Oaktree Capital Management	52,261,635	52,261,635	35.8%	—
Apollo Fund VI BC LP	36,882,957	36,882,957	25.3%	—
Alchemy Special Opportunities Fund LP	12,896,834	12,896,834	8.8%	—
Management team	—	—	—	12,042,187
Other investors, all less than 10%	44,024,886	44,024,886	30.1%	—
	146,066,312	146,066,312	100.0%	12,042,187

Guarantor Information

The following subsidiary companies of Countrywide Holdings, Ltd have guaranteed the obligations under the Notes:

- Countrywide plc, 17 Duke Street, Chelmsford, Essex CM1 1HP, United Kingdom, with registered number 04947152, date of incorporation: October 29, 2003,
- Countrywide Property Lawyers Limited, Lee House, 90 Great Bridgewater Street, Manchester M1 5RR, United Kingdom, with registered number 02066827, date of incorporation: October 23, 1986,
- Balanus Limited, 17 Duke Street, Chelmsford, Essex CM1 1HP with registered number 01837522, date of incorporation: August 1, 1984,
- Countrywide Estate Agents FS Limited, Sovereign House, Leighton Buzzard LU7 1GT United Kingdom with registered number 01084123, date of incorporation: November 28, 1972,
- Slater Hogg Mortgages Limited, Sovereign House, Hockliffe Street, Leighton Buzzard LU7 1GT, United Kingdom with registered number 04206425, date of incorporation: April 26, 2001,

- Countrywide Estate Agents, First Floor Lavells House, 31-33 Hockliffe Street, Leighton Buzzard, Beds, LU7 1EZ, United Kingdom, with registered number 00789476, date of incorporation: January 27, 1964,
- Countrywide Franchising Limited ,Century House, Rosemount Avenue, West Byfleet KT14 6LB, United Kingdom with registered number 03777494, date of incorporation: May 26, 1999, ;
- Countrywide Surveyors Limited, Market House, Market Square, Stony Stratford, Milton Keynes, MK11 1BE, United Kingdom with registered number 01954031, date of incorporation: November 4, 1985; and

For the year ended 31 December 2010 the guarantors accounted for 83% of the consolidated revenue, 63% of consolidated EBITDA before exceptionals and 73% of total assets excluding intercompany balances, internally generated goodwill and investments in subsidiaries. Our FSA regulated entity is not a guarantor and accounted for approximately 4% of our revenue, 17% of EBITDA before exceptionals and 6% of total assets excluding intercompany balances, internally generated goodwill and investments in subsidiaries.

No significant change

Except as disclosed in these financial statements

- there has been no material adverse change in the financial position of the company or any of the guarantors (the "Companies") since December 31, 2010; and
- we are not, and have not been, involved in any governmental, legal or arbitration proceedings that may have or had in the 12 months before the date of this Report, a significant effect on our financial position or profitability. We are not aware that any such proceedings are pending or threatened.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The non-statutory consolidated financial statements are published on the Group's website in accordance with the Company's obligations under the Trust Indenture dated May 8, 2009 governing the Senior Secured Notes issued by the Company. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors are responsible for preparing the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS).

Consolidated financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Going concern

These financial results have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities when they fall due for the foreseeable future. The Board of Directors have reviewed 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.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF COUNTRYWIDE HOLDINGS, LTD

We have audited the non-statutory consolidated financial statements of Countrywide Holdings, Ltd for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, and the related notes. These non-statutory consolidated financial statements have been prepared under the accounting policies set out in Note 2 to the financial statements.

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for preparing the non-statutory consolidated financial statements in accordance with the basis of preparation and accounting policies in Note 2 to the non-statutory consolidated financial statements. Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Directors and no-one else, to assist the Directors in discharging their stewardship obligations and fiduciary responsibilities in respect of the Company's obligations under the Trust Indenture ('the Indenture') dated 8 May 2009 governing the Senior Secured Notes, issued by Countrywide Holdings, Ltd, which requires the preparation of audited consolidated financial statements and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come including without limitation under any contractual obligations of the company and including without limitation the Trustees for and holders of the Senior Secured Notes issued under the Indenture, save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion

In our opinion the non-statutory consolidated financial statements for the year ended 31 December 2010 have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in Note 2 to the non-statutory consolidated financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
24 February 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	2010	Restated 2009	Restated 2008
		£'000	£'000	£'000
Revenue		**468,041**	439,105	413,539
Other income	6	**9,881**	6,884	8,018
	5	**477,922**	445,989	421,557
Employee benefit costs	7	**(270,464)**	(255,277)	(267,180)
Depreciation and amortisation		**(22,576)**	(19,125)	(29,415)
Exceptional impairment		**—**	—	(461,700)
Depreciation, amortisation and impairment		**(22,576)**	(19,125)	(491,115)
Other operating expenses		**(157,482)**	(147,726)	(172,147)
Exceptional items	10	**(18,992)**	(27,749)	(12,036)
Other expenses		**(176,474)**	(175,475)	(184,183)
Group operating profit/(loss) before exceptional items		**27,400**	23,861	(47,185)
Exceptional items	10	**(18,992)**	(27,749)	(473,736)
Group operating profit/(loss)		**8,408**	(3,888)	(520,921)
Cash payable finance expense	8	**(22,898)**	(13,205)	(57,057)
Non-cash payable finance expense	8	**(914)**	(14,310)	(48,173)
Finance expense		**(23,812)**	(27,515)	(105,230)
Cash receivable finance income		**2,014**	1,884	7,002
Non-cash receivable finance income		**—**	351,186	7,727
Finance income	9	**2,014**	353,070	14,729
Net finance (expense)/income		**(21,798)**	325,555	(90,501)
Share of profit post tax from joint venture	15(b)	**359**	343	187
(Loss)/profit before taxation	10	**(13,031)**	322,010	(611,235)
Taxation	11	**4,758**	4,316	29,496
(Loss)/profit for the year from continuing operations		**(8,273)**	326,326	(581,739)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010	Restated 2009	Restated 2008
		£'000	£'000	£'000
(Loss)/profit for the year		**(8,273)**	326,326	(581,739)
Other comprehensive income:				
Foreign exchange rate losses		**(30)**	—	(81)
Actuarial loss arising in the pension scheme net of tax	7(d)	**(244)**	(1,500)	(3,323)
Total other comprehensive income		**(274)**	(1,500)	(3,404)
Total comprehensive (loss)/income for the year, net of tax		**(8,547)**	324,826	(585,143)

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 11.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign exchange reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2008 as originally presented	155	30,405	—	(58)	(39,996)	(9,494)
Prior period adjustment (note 4)	—	—	—	—	12,121	12,121
At 1 January 2008 as restated	155	30,405	—	(58)	(27,875)	2,627
Comprehensive loss						
Loss for the year as restated (note 4)					(581,739)	(581,739)
Other comprehensive income/(loss)						
Currency translation differences	—	—	—	58	(139)	(81)
Actuarial loss in the pension fund	—	—	—	—	(4,615)	(4,615)
Deferred tax movement on pension reserve	—	—	—	—	1,292	1,292
Total other comprehensive loss	—	—	—	58	(3,462)	(3,404)
Total comprehensive income/(loss)	—	—	—	58	(585,201)	(585,143)
Transactions with owners						
Employee share option scheme:						
- Value of employee services	—	—	—	—	464	464
Transactions with owners	—	—	—	—	464	464
Balance at 1 January 2009 as restated (note 4)	155	30,405	—	—	(612,612)	(582,052)
Comprehensive income						
Profit for the year as restated(note 4)					326,326	326,326
Other comprehensive income/(loss)						
Actuarial loss in the pension fund	—	—	—	—	(2,083)	(2,083)
Deferred tax movement on pension reserve	—	—	—	—	583	583
Total other comprehensive loss	—	—	—	—	(1,500)	(1,500)
Total comprehensive income	—	—	—	—	324,826	324,826
Transactions with owners						
Employee share option scheme:						
- Value of employee services	—	—	—	—	1,682	1,682
Cancellation of shares under Court Approved Scheme of Arrangement	(155)	(30,405)	30,560	—	—	—
Issue of new shares as part of debt for equity swap	50,000	416,778	—	—	—	466,778
Write off capitalised banking fees relating to cancelled debt	—	(17,451)	—	—	—	(17,451)
Issue of new shares for cash	112,617	—	—	—	—	112,617
Repurchase of shares	(5,914)	—	5,914	—	(15,750)	(15,750)
Transactions with owners	156,548	368,922	36,474	—	(14,068)	547,876
Balance at 31 December 2009 as restated (note 4)	**156,703**	**399,327**	**36,474**	**—**	**(301,854)**	**290,650**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

	Share capital	Share premium	Other reserves	Foreign exchange reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2010 as restated (note 4)	**156,703**	**399,327**	**36,474**	**—**	**(301,854)**	**290,650**
Loss for the year					**(8,273)**	**(8,273)**
Other comprehensive income/(loss)						
Currency translation differences	—	—	—	**(30)**	—	**(30)**
Actuarial loss in the pension fund	—	—	—	**—**	**(336)**	**(336)**
Deferred tax movement on pension reserve	—	—	—	**—**	**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**	**399,484**	**45,533**	**(30)**	**(336,386)**	**256,248**

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	2010	Restated 2009	Restated 2008
		£'000	£'000	£'000
Assets				
Non-current assets				
Intangible assets:				
Goodwill	**12**	**333,668**	304,889	303,700
Other intangible assets	**13**	**200,731**	146,551	155,108
Property, plant and equipment	**14**	**22,614**	18,851	22,045
Investments accounted for using the equity method:				
Investments in joint venture	**15(b)**	**2,672**	2,813	2,970
Other investments	**15(c)**	**303**	—	16
Deferred tax asset	**22**	**15,766**	12,697	11,330
Total non-current assets		**575,754**	485,801	495,169
Current assets				
Trade and other receivables	**16**	**68,691**	59,575	51,751
Current tax asset		—	—	3,051
Cash and cash equivalents	**17**	**58,907**	100,117	82,562
Total current assets		**127,598**	159,692	137,364
Total assets		**703,352**	645,493	632,533

CONSOLIDATED BALANCE SHEET *(continued)*

As at 31 December 2010

	Note	2010	Restated 2009	Restated 2008
		£'000	£'000	£'000
Capital and reserves attributable to the equity shareholders of the Company				
Share capital	23	**147,647**	156,703	155
Share premium	24	**399,484**	399,327	30,405
Other reserves	26	**45,533**	36,474	—
Foreign exchange reserve		**(30)**	—	—
Retained earnings	25	**(336,386)**	(301,854)	(612,612)
Total shareholders' equity/(deficit)		**256,248**	290,650	(582,052)
Non-current liabilities				
Financial liabilities – loans and borrowings	19	**248,240**	175,000	705,421
Defined benefit scheme liabilities	7(d)	**5,506**	6,455	5,617
Provisions	21	**27,090**	21,764	21,637
Deferred income	20	**12,342**	12,901	14,985
Other liabilities due after one year	33	**6,295**	5,769	—
Deferred tax liability	22	**53,641**	40,813	42,546
Amount due to parent company		**—**	—	341,328
Total non-current liabilities		**353,114**	262,702	1,131,534
Current liabilities				
Trade and other payables	18	**72,579**	70,406	60,146
Financial derivative		—	—	1,917
Deferred income	20	**3,795**	3,396	5,303
Provisions	21	**16,052**	15,990	15,685
Current tax liabilities		**1,564**	2,349	—
Total current liabilities		**93,990**	92,141	83,051
Total liabilities		**447,104**	354,843	1,214,585
Total equity and liabilities		**703,352**	645,493	632,533

The balance sheet at 31 December 2009 has been restated for the adjustment to deferred tax as disclosed in note 4. In accordance with IAS 1 (revised) an additional balance comparative has been presented as at 1 January 2009.

The accompanying notes are an integral part of these consolidated financial statements.

On its behalf of the Board:

J Clarke
Chief Finance Officer
24 February 2011

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2010

	Note	2010	2009	2008
		£'000	£'000	£'000
Cash flows from operating activities				
Cash generated from/(used by) operations	27	27,477	38,122	(32,538)
Interest paid		(22,337)	(11,847)	(59,245)
Tax (paid)/refund		(2,918)	5,926	1,935
Net cash inflow/(outflow) from operating activities		2,222	32,201	(89,848)
Cash flows from investing activities				
Acquisitions net of cash acquired	28	(85,718)	(2,530)	(6,171)
Purchase of property, plant and equipment	14	(5,348)	(2,727)	(2,234)
Purchase of intangible assets	13	(2,718)	(3,794)	(2,334)
Proceeds from sale of property, plant and equipment		1,895	112	1,510
Purchase of investments		(303)	—	—
Dividend received from joint venture	15(b)	500	500	—
Interest received		2,105	2,427	6,813
Net cash outflow from investing activities		(89,587)	(6,012)	(2,416)
Cash flows from financing activities				
Proceeds from issue of share capital		160	112,617	—
Repayment of financial derivative		—	(3,120)	—
Fees paid in relation to financial restructuring		—	(12,381)	—
Issue/(purchase) of bonds net of fees		73,080	—	(3,273)
(Repayment of)/advance from Revolving Credit Facility		—	(90,000)	90,000
Repayment of overseas loan		(1,070)	—	—
Net proceeds from parent company		—	—	1,536
Purchase of own shares		(26,015)	(15,750)	—
Net cash inflow/(outflow) from financing activities		46,155	(8,634)	88,263
Net (decrease)/increase in cash and cash equivalents		(41,210)	17,555	(4,001)
Cash and cash equivalents at 1 January		100,117	82,562	86,563
Cash and cash equivalents at 31 December		58,907	100,117	82,562

The accompanying notes are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company is responsible for the financial statements on the basis of preparation set out below and in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union.

Countrywide Holdings, Ltd. is a company incorporated in the Cayman Islands. The address of the registered office is: Walkers House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands. The Company is the holding company of Countrywide plc group, whose principal activity is the provision of services to the residential property market in the UK.

The Consolidated Financial Information is presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

(a) New and amended standards adopted by the Group

The following interpretations to existing standards have been published and have been adopted by the Group during the year.

- **IFRS 3 (revised), 'Business combinations'**, and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. The revised standard was applied to the acquisition of the controlling interest in Hamptons Group Limited and other smaller acquisitions during the year.

- **IAS 27 (revised)** requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events)

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- **IFRIC 17, 'Distribution of non-cash assets to owners'** (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- **IFRIC 18, 'Transfers of assets from customers**', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

- **IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments**: Recognition and measurement', effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category.

1. **GENERAL INFORMATION** *(continued)*

- **IFRIC 16, 'Hedges of a net investment in a foreign operation'** effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied
- **IAS 1 (amendment), 'Presentation of financial statements**'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current.
- **IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010**. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).
- **IFRS 2 (amendments), 'Group cash-settled share-based payment transactions**', effective from 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.
- **IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations**'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.
- **IFRIC 12, 'Service concession arrangements'** (effective 30 March 2009). This interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Under these arrangements, assets are assessed as either intangible assets or finance receivables.
- **IFRIC 15, 'Agreements for construction of real estates'** (effective 1 January 2009; EU-endorsed for use 1 January 2010). This interpretation clarifies which standard (IAS 18, 'Revenue', or IAS 11, 'Construction contracts') should be applied to particular transactions. It is likely to mean that IAS 18 will be applied to a wider range of transactions.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted

The Group's assessment of the impact of these new standards and interpretations is set out below.

- **IFRS 9, 'Financial instruments'**, issued in November 2009. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.
- **IAS 24 (revised), 'Related party disclosures**', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.
- **'Classification of rights issues' (amendment to IAS 32)**, issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.
- **IFRIC 19, 'Extinguishing financial liabilities with equity instruments**', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap).
- **'Prepayments of a minimum funding requirement' (amendments to IFRIC 14)**. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The group will apply these amendments for the financial reporting period commencing on 1 January 2011.

1. GENERAL INFORMATION *(continued)*

- **Amendments to IFRS 7,'Financial instruments: Disclosures**' on derecognition The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.
- **Amendment to IAS 12,'Income taxes'** on deferred tax. Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. 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 new guidance is not expected to have a material impact on the Group's financial statements.

2. ACCOUNTING POLICIES

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.

(a) Basis of preparation

The Group's Consolidated Financial Information has been prepared in accordance with International Financial Reporting Standards including International Accounting Standards and Interpretations (collectively 'IFRS') issued by the International Accounting Standards Board ('IASB') and endorsed for use by companies in the EU.

The preparation of the Consolidated Financial Information in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from those estimates.

Going concern

These financial results have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities when they fall due for the foreseeable future. The Board of Directors have reviewed 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.

(b) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the 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. 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. The accounting policies of subsidiaries acquired are changed, where necessary, to ensure consistency with policies operated by the Group.

Jointly controlled entities

A jointly controlled entity is an undertaking in which the Group has a long-term interest and over which it exercises joint control. Jointly controlled entities are equity accounted, meaning that the 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 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.

2. ACCOUNTING POLICIES *(continued)*

(b) Basis of consolidation *(continued)*

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 associated and jointly controlled entities are eliminated to the extent of the 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.

(c) 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. 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.

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. 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
- Office furniture and equipment – 3 to 5 years
- Motor vehicles – 3 to 5 years

The residual value is reassessed annually.

Leased assets

Leases under which the 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

(d) Intangible assets

Goodwill

Goodwill has been recognised on acquisitions of subsidiaries, associates and joint ventures. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

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. In respect of associated undertakings and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the associated undertakings and joint ventures.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Other intangible assets

Intangible assets other than goodwill that are acquired by the Group, principally customer contracts and relationships, are stated at cost less accumulated amortisation and impairment losses.

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.

2. ACCOUNTING POLICIES *(continued)*

(d) Intangible assets *(continued)*

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 estate agency pipeline has a very short life and it is charged to profit or loss over the period that it unwinds, which is typically 3 to 4 months. All goodwill and intangible assets with an indefinite useful life are tested systematically for impairment at each annual balance sheet date. Computer software is amortised over 3 to 5 years. Customer relationships on contracts are amortised over the life of the contract typically 5 to 10 years.

(e) Trade and other receivables

Trade and other receivables are stated initially at fair value and subsequently at their amortised cost less impairment losses

(f) 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 Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Impairment

The carrying amounts of the Group's assets are reviewed annually to determine whether there is any indication of impairment. 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.

Impairment losses 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) 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 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 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 the consolidated statement of comprehensive income.

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.

2. ACCOUNTING POLICIES *(continued)*

(h) Employee benefits *(continued)*

Share-based payment transactions

Certain members of the management team have participated in the management equity plan. The fair value of options purchased 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 options. The fair value of the options granted is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase or decrease in the fair value of the options measured immediately before and after the modification is also charged to the income statement over the remaining vesting period.

(i) Provisions

A provision is recognised in the balance sheet when the 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.

(j) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost.

(k) Revenue

Services rendered

Revenue, which arises wholly in the United Kingdom, 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. 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.

(l) Other income

Other income is recognised when its receipt is assured and the Group has no further obligations to any other party in respect of that income. Rental income from sub-let properties is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(m) 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.

Net financing costs

Net financing costs comprise interest payable on borrowings, calculated using the effective interest rate method, interest receivable on funds invested, dividend income and foreign exchange gains and losses. Interest income is recognised in profit or loss as it accrues using the effective interest method.

(n) Exceptional items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the Group and which, individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or nature in the Consolidated Financial Information is to give a true and fair view.

2. ACCOUNTING POLICIES *(continued)*

(o) Income tax

Income tax on the profit or loss for the periods 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: goodwill amortisation not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and 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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(p) 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.

(q) Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

- Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are recognised at cost less any provision for impairment.
- 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 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 administrative expenses 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.
- Cash and cash equivalents are non-derivative monetary assets including cash in hand, deposits held at call with banks, or other short term highly liquid investments with original maturities of three months or less.

2. ACCOUNTING POLICIES *(continued)*

(r) Financial liabilities

The Group classifies its financial liabilities into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

- Trade payables and other short-term monetary liabilities: These are recognised at amortised cost.
- Bank 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 premia payable on redemption, as well as any interest payable while liability is outstanding.
- Provisions and accruals: These are estimates of future payables and liabilities held at cost or discounted value.

(s) Financing costs

Interest bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the 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.

Going concern

These financial results have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities when they fall due for the foreseeable future. The Board of Directors have reviewed 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.

Accounting for acquisitions

We account for all acquisitions and business combinations under the purchase method. Under the purchase method, the cost of an acquired business is assigned to tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values requires us to make estimates and use valuation techniques when market values are not readily available. Any excess of purchase price over the fair value of the tangible and intangible assets acquired is allocated to goodwill.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Calculating the cash flows requires the use of judgements and estimates that have been included in our strategic plans and long range forecasts. In addition 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 12.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

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 7 (d). Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes.

Provisions and other contingencies

When any of the 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 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.

The 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 our retail properties, the likelihood of exiting each property is taken into account.

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.

When evaluating the impact of potential liabilities arising from claims against the Company, the Directors take professional advice to assist them in arriving at their estimation of the liability taking into account the probability of the success of any claims.

The Group has made provision for claims received under its professional indemnity insurance arrangements. These provisions have been prepared on the advice of external insurance claims managers and based on the Group's historical claims experience. The Directors have taken legal advice in respect of the larger claims.

In addition to the claims provisions recognised, the Group also provides for future liabilities arising from claims Incurred But Not Received (IBNR) for mortgage valuation reports and home buyer reports performed by the Surveying & Valuation division. This provision is estimated on a future projection of historical data for all claims received based on the number of surveys undertaken to date. This projection takes into account the historic claim rate, claim liability rate and the average loss per claim. In view of the significant events in the financial markets and the UK property market in recent years, the Directors have identified a separate sub-population of claims received which is tracked separately from the normal level of claims. This sub-population has been defined as claims received since 2008 for surveys carried out between 2004 and 2007. The estimate of the provision required for IBNR is highly subjective and the results are sensitive to small changes to the assumptions. The Directors consider a number of reasonable scenarios of the projection using different assumptions before deciding on the final provision to recognise in the financial statements.

4. PRIOR PERIOD RESTATEMENT

At the time of the acquisition of Countrywide plc in 2007, an insufficient deferred tax liability was recognised in respect of the intangible assets recorded on consolidation. The opening balance sheet has been restated and the prior period results restated reflecting a deferred tax credit. The impact on the Income Statement and Balance Sheet for each of the prior years is:

	2009	2008	2007
	£'000	£'000	£'000
Impact on deferred tax credited to the Income Statement in the period	2,871	17,666	12,121
Impact on the value of certain assets and liabilities at the 31 December			
Goodwill	30,172	29,921	29,438
Other intangible assets – brand names	42,412	42,412	42,412
Deferred tax liability	(39,926)	(42,546)	(59,729)
Retained earnings	(32,658)	(29,787)	(12,121)

In accordance with IAS 1 (Revised): "Presentation of Financial Statements", we have presented the balance sheet as at 31 December 2008 being the balance sheet at the beginning of the earliest comparative period presented. Accordingly we have presented the supporting balance sheet notes for those line items affected. Furthermore we have presented the impact on the financial statement line items in the year in which the adjustment arose, ie: 2007, as shown above.

5. 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 five main types of business generating revenue; Estate Agency, Lettings, Financial Services, Surveying & Valuation and Conveyancing divisions. All other segments comprise central head office functions. At present management consider Hamptons to be a separate operating segment and has been reported separately in these financial statements.

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 Service division receives commission from the sale of insurance policies, mortgages and related products under contracts with financial service providers. Surveying and valuation fees are received primarily under contracts with financial institutions with some survey fees being earned from home buyers. Conveyancing revenue is earned from conveyancing work undertaken from customers buying or selling houses through our network. Other revenue, not generated by our core businesses, relates primarily to sub-let rental income or other sundry fees. Revenues from external customers arising from activities in the UK were £477,579,000 (2009: £445,989,000, 2008: £421,557,000) and arising from activities overseas £343,000 (2009 and 2008: nil).

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 arms length basis. Non current assets attributable to the UK of £559,988,000 (2009: £474,104,000; 2008: £483,839,000) included in the total assets of the tables below.

5. SEGMENTAL REPORTING *(continued)*

	2010							
	Estate agency	**Lettings**	**Financial services**	**Surveying and valuation**	**Conveyancing**	**Hamptons**	**All other segments**	**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)**
Exceptional expenses								
Restructuring 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**	**(21,490)**	**8,408**
Share of profit from joint venture								**359**
Finance income								**2,014**
Finance expense								**(23,812)**
Loss before tax								**(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**
Tangible fixed assets	**3,036**	**475**	**86**	**51**	**30**	**6,943**	**1,221**	**11,842**

	2009						
	Estate agency	Lettings	Financial services	Surveying and valuation	Conveyancing	All other segments	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Total income	243,900	67,469	56,928	60,400	20,235	1,025	449,957
Inter-segment revenue	(2,758)	—	(1,210)	—	—	—	(3,968)
Total income from external customers	241,142	67,469	55,718	60,400	20,235	1,025	445,989
EBITDA before exceptional items	26,355	12,620	2,150	7,368	8,190	(12,601)	44,082
Share based payments charge	(35)	(3)	—	(13)	—	(78)	(129)
Management fee	—	—	—	—	—	(967)	(967)
Depreciation and amortisation	(4,960)	(2,583)	(5,745)	(4,970)	(631)	(236)	(19,125)
Exceptional expenses	(3,737)	(2,387)	(403)	(1,333)	—	(1,669)	(9,529)
Restructuring costs	—	—	—	—	—	(18,220)	(18,220)
Segment operating profit/(loss)	17,623	7,647	(3,998)	1,052	7,559	(33,771)	(3,888)
Share of profit from joint venture						343	343
Finance income							353,070
Finance expense							(27,515)
Profit before tax							322,010
Total assets – restated	254,035	91,533	104,148	130,494	52,439	12,844	645,493
Total liabilities - restated	51,217	12,574	22,600	12,440	3,923	252,079	354,843
Additions in the year							
Goodwill	—	2,324	—	—	—	—	2,324
Intangible assets	40	749	81	67	41	3,712	4,690
Tangible fixed assets	1,945	552	113	32	77	346	3,065

5. SEGMENTAL REPORTING *(continued)*

	2008						
	Estate agency	Lettings	Financial services	Surveying and valuation	Conveyanc-ing	All other segments	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Total income	204,196	57,038	62,524	84,493	15,309	257	423,817
Inter-segment sales	(1,535)	—	(725)	—	—	—	(2,260)
Total income from external customers	202,661	57,038	61,799	84,493	15,309	257	421,557
EBITDA before exceptional items	**(36,593)**	**11,087**	**3,717**	**11,068**	**238**	**(5,323)**	**(15,806)**
Share based payments charge	(110)	(36)	(37)	(57)	(4)	(220)	(464)
Management fee	—	—	—	—	—	(1,500)	(1,500)
Depreciation and amortisation	(5,073)	(2,104)	(5,748)	(15,541)	(773)	(176)	(29,415)
Exceptional items:							
– Exceptional expenses	(6,801)	(705)	(284)	(2,987)	(1,148)	(111)	(12,036)
– Exceptional impairment	(261,000)	(16,300)	(106,100)	(50,500)	(27,800)	—	(461,700)
Segment operating loss	**(309,577)**	**(8,058)**	**(108,452)**	**(58,017)**	**(29,487)**	**(7,330)**	**(520,921)**
Share of post tax results of joint venture	—	—	—	—	—	187	187
Finance income							14,729
Finance expense							(105,230)
Loss before tax							(611,235)
Total assets – restated	218,952	83,652	166,946	213,272	37,103	(87,392)	632,533
Total liabilities - restated	38,519	10,819	29,727	29,268	101	1,106,151	1,214,585
Additions in the year							
Goodwill	—	6,276	—	—	—	—	6,276
Intangible assets	29	1,130	505	624	19	1,782	4,089
Tangible fixed assets	980	742	275	261	83	113	2,454

The assets and liabilities of the segments have been restated to reflect the impact of recognizing further deferred tax on intangible assets at the time of the acquisition of Countrywide plc in 2007.

6. OTHER INCOME

	2010	2009	2008
	£'000	£'000	£'000
Rent receivable	**1,473**	2,033	2,456
Other operating income	**8,408**	4,851	5,562
	9,881	6,884	8,018

7. EMPLOYEES AND DIRECTORS

(a) Staff costs for the Group during the year:

	2010	2009	2008
	£'000	£'000	£'000
Wages and salaries	**238,686**	226,538	236,735
Other long-term employee benefits	**526**	1,483	—
Defined benefit pension cost	—	—	65
Defined contribution pension cost	**5,310**	2,005	4,361
Share-based payment expense (note 7 (c))	—	129	464
Employer's national insurance contributions and similar taxes	**25,942**	25,122	25,555
	270,464	255,277	267,180

Average monthly number of people (including executive Directors) employed:

By business segment

	2010 Number	2009 Number	2008 Number
Estate agency	**4,011**	3,992	4,932
Hamptons	**668**	—	—
Lettings	**1,289**	1,282	1,090
Financial services	**1,049**	1,174	1,307
Surveying and valuation	**565**	666	1,018
Conveyancing	**306**	271	397
Head office	**217**	199	33
	8,105	7,584	8,777

Included within head office headcount for 2010 are 164 staff (2009: 158) who are employed in the IT function which was centralised at the beginning of the year.

(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	2009	2008
	£'000	£'000	£'000
Wages and salaries	**2,781**	4,472	1,933
Other long term employee benefits	**—**	586	—
Short-term non-monetary benefits	**54**	118	117
Defined contribution pension cost	**83**	—	170
Share-based payment expense	**—**	847	206
	2,918	6,023	2,426

The other long term employee benefits relate to the cash bonus entitlement arising from the executives' investment in the former management equity plan.

7. EMPLOYEES AND DIRECTORS *(continued)*

(c) Share-based payments

As a result of the implementation of the Court Approved Scheme of Arrangement in May 2009, the value of equity instruments of Castle Holdco, 1 Ltd was worthless as that company no longer had any interest in the Company. As a result the options outstanding under the management equity plan introduced in May 2007 became null and void.

Options in Castle Holdco 1, Ltd	2009 Number	2008 Number
At 1 January	1,956,910	1,954,224
Granted during the year	—	98,100
Lapsed during the year	(1,956,910)	(95,414)
Outstanding at 31 December	—	1,956,910

The cessation of the management equity plan resulted in an acceleration of the remaining fair value of the scheme in the current period.

	2010	2009	2008
	£'000	£'000	£'000
The share-based remuneration expense (note 7(a)) comprises:			
Castle Holdco 1, Ltd Equity-settled schemes			
- charged to employee benefit costs	—	129	464
- charged to exceptional items	—	1,553	—
	—	1,682	464

The Group did not enter into any share-based payment transactions with parties other than employees during any of the periods presented.

(d) Retirement benefits

The Group offers membership of the Countrywide plc Pension 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 defined contribution schemes in the year was £5,310,000 (2009: £2,005,000, 2008: £4,361,000). For the defined benefit scheme, the Group has a funding programme to recover the deficit over the next eight years. During the year the Group paid £1.9 million contribution to the defined benefit scheme (2009: £2.0 million). In 2008, the Trustees agreed that the £2.0 million contribution scheduled for that year could be used to enhance the transfer values for members who wished to transfer out of the scheme. Payments amounting to £1,870,000 were made in the 2008. Further contributions of £1.9 million will be made in each of the next seven years.

The Group immediately recognises the actuarial gains and losses as shown in the consolidated statement of comprehensive income.

7. EMPLOYEES AND DIRECTORS *(continued)*

(d) Retirement benefits *(continued)*

The amounts recognised in the balance sheet are as follows:

	2010	2009	2008
	£'000	£'000	£'000
Present value of funded obligations	**(39,394)**	(37,991)	(35,336)
Fair value of plan assets	**33,888**	31,536	29,719
Net liability recognised in the balance sheet	**(5,506)**	(6,455)	(5,617)

Reconciliation of scheme assets:

	2010	2009	2008
	£'000	£'000	£'000
At 1 January	**31,536**	29,719	53,960
Expected return on scheme assets	**1,517**	1,253	2,691
Actuarial gains/(losses)	**186**	340	(7,198)
Settlements	—	—	(19,524)
Employer contributions	**1,900**	2,000	—
Benefits paid	**(1,251)**	(1,776)	(1,736)
Enhanced transfer values	—	—	1,526
At 31 December	**33,888**	31,536	29,719

The actual return on plan assets was a gain of £1,703,000 (2009: £1,593,000, 2008: loss of £4,507,000). This represents the combination of the expected return on scheme assets of £1,517,000 (2009: £1,253,000, 2008: £2,691,000) and the actuarial losses arising on those assets during the year was £186,000 (2009:£340,000, 2008: loss of £7,198,000).

The weighted averages of asset allocations at the year end were:

	2010	2009	**2008**
Equities	**22%**	21%	24%
Bonds	**46%**	72%	70%
Other	**32%**	7%	6%

Reconciliation of scheme liabilities:

	2010	2009	2008
	£'000	£'000	£'000
At 1 January	**37,991**	35,336	56,735
Interest cost	**2,132**	2,008	2,723
Actuarial losses/(gains)	**522**	2,423	(2,583)
Benefits paid	**(1,251)**	(1,776)	(1,736)
Settlements	—	—	(19,803)
At 31 December	**39,394**	37,991	35,336

The amounts recognised in the income statement are:

	2010	2009	2008
	£'000	£'000	£'000
Settlement gain (included in Employee benefits note 7 (a)	**—**	—	53
Unwinding of discount on scheme liabilities	**2,132**	2,008	2,723
Expected return on scheme assets	**(1,517)**	(1,253)	(2,691)
Included within finance expense	**615**	755	32
Total charge to profit or loss	**615**	755	85

7. EMPLOYEES AND DIRECTORS *(continued)*

(d) Retirement benefits *(continued)*

The amounts recognised in the statement of comprehensive income are:

	2010	2009	2008
	£'000	£'000	£'000
Actuarial gain/(loss) on scheme assets	**186**	340	(7,198)
Actuarial (loss)/gain on scheme liabilities	**(522)**	(2,423)	2,583
	(336)	(2,083)	(4,615)
Deferred tax adjustment arising on the pension scheme assets and liabilities	**92**	583	1,292
	(244)	(1,500)	(3,323)
Cumulative actuarial loss recognised in the statement of comprehensive income (before tax)	**(4,018)**	(3,682)	(1,599)

The principal assumptions made by the actuaries were:

	2010	2009	2008
Rate of increase in pensions in payment and deferred pensions			
On benefits earned prior to 1 December 1999	**4.30%**	4.30%	4.00%
On benefits earned after 1 December 1999	**3.15%**	3.60%	2.75%
Discount rate	**5.40%**	5.70%	5.80%
Inflation assumption	**3.40%**	3.70%	2.90%
Expected net return on plan assets	**5.10%**	4.90%	5.80%
Life expectancy at age 65 (years)			
Male Pensioner member	**22.30**	22.20	21.90
Female Pensioner member	**24.70**	24.60	24.80
Male Pensioner non-member (age 45 now)	**24.30**	24.10	23.00
Female Pensioner non-member (age 45 now)	**26.60**	26.50	25.80

To develop the expected long-term rate of return on assets assumption, the Company 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.

Defined benefit obligation trends:

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Scheme assets	**33,888**	31,536	29,719	53,960	45,076
Scheme liabilities	**(39,394)**	(37,991)	(35,336)	(56,735)	(60,943)
Scheme deficit	**(5,506)**	(6,455)	(5,617)	(2,775)	(15,867)
Experience adjustments on liabilities	**499**	(761)	—	—	3,538
Changes in the assumptions	**(1,021)**	(1,662)	2,583	5,275	687
Experience adjustments on assets	**186**	340	(7,198)	939	1,396

8. FINANCE EXPENSE

	2010	2009	2008
	£'000	£'000	£'000
Interest expense:			
Interest payable on bank borrowings	**59**	1,168	5,423
Interest payable on bonds - cash	**22,839**	11,569	51,402
Other interest paid	—	339	—
Fees and commissions	—	129	232
Cash payable interest	**22,898**	13,205	57,057
Interest chargeable on bonds – PIK	—	1,077	6,181
Amortisation of loan facility fee	**160**	1,165	2,614
Interest expense on loan from parent company	—	10,130	37,195
Interest expense arising in the pension scheme	**615**	755	32
Change in fair value of financial derivative	—	1,183	1,917
Other finance expenses	**139**	—	234
Non-cash payable interest	**914**	14,310	48,173
Finance expense	**23,812**	27,515	105,230

9. FINANCE INCOME

	2010	2009	2008
	£'000	£'000	£'000
Interest income:			
Interest receivable on bank deposits	**2,014**	1,249	6,446
Other interest receivable	—	635	556
	2,014	1,884	7,002
Credit arising on the release of a debt	—	351,186	7,727
	2,014	353,070	14,729

The credit arising on the release of a debt in 2009 relates to the loans from the former parent companies of the Group that were waived as part of the financial restructuring in May 2009. The credit arising on the release of a debt in 2008 relates to the gain from the £11.0 million of Senior Notes purchased by the Group. £7.0 million of the Notes were cancelled before the year end, and the remaining £4.0 million were cancelled in 2009.

10. PROFIT/(LOSS) BEFORE TAXATION

	2010	2009	2008
	£'000	£'000	£'000
The following items have been included in arriving at loss before taxation:			
Depreciation of property, plant and equipment:			
– Owned assets	**6,517**	5,879	7,077
Amortisation of intangibles	**16,059**	13,246	22,338
(Profit)/loss on disposal of property, plant and equipment	**(333)**	9	290
Other operating lease rentals payable:			
– Plant and machinery	**15,930**	15,938	19,066
– Property	**26,538**	25,233	26,940
Repairs and maintenance expenditure on property, plant and equipment	**5,044**	3,670	2,920
Trade receivables impairment	**986**	1,124	3,689
Exceptional items:			
– Impairment	**—**	—	461,700
– Financial restructuring costs	**—**	18,220	—
– Other exceptional items	**18,992**	9,529	12,036

The following table provides a breakdown of the other exceptional items:

	2010	2009	2008
	£'000	£'000	£'000
Redundancies	**3,117**	6,458	6,933
Onerous lease provisions	**371**	992	3,772
Dilapidation provisions	**798**	234	307
Write down of assets	**802**	222	543
Other	**657**	1,623	481
Insurance claims and litigation	**11,934**	—	—
Acquisition expenses	**1,313**	—	—
	18,992	9,529	12,036

In light of the continuing poor housing market conditions, the management team has 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 £5.4 million of which £1.7 million related to Hamptons. During 2008 and 2009 we implemented a number of measures to reduce the fixed cost base of the Group and the costs of those measures were £12.0 million and £9.5 million and treated as exceptional expenses due to materiality of the combined measures and their non-recurring nature.

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.

During 2010 the 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 Group robustly defends each and every claim but reserves have been set, where appropriate for these claims taking into account the information available. In addition, the volume of these claims received in 2010 has impacted the estimation of potential future claims not yet notified. Consequently the Group has 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. Had exceptionals in 2009 been defined on the same basis as in 2010, an exceptional charge of approximately £3.0 million would have been disclosed in respect of claims and litigation provisions.

In May 2009 the Group's debt and equity was financially restructured; the costs of the restructuring of £18.2 million have been disclosed as exceptional due to materiality and unique nature. These costs comprised professional fees of £12.4 million, amounts payable to management under the Scheme of Arrangement of £4.3 million and the acceleration of share based payment charge of £1.5 million.

10. PROFIT/(LOSS) BEFORE TAXATION *(continued)*

Services provided by the Group's Auditors and network firms

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's Auditors at costs as detailed below:

	2010	2009	2008
	£'000	£'000	£'000
Audit services:			
– Non-statutory audit in relation to the consolidated financial statements	**121**	108	51
– Statutory audit in relation to the statutory accounts of the subsidiary companies	**196**	175	175
Fees payable for other services			
Non-audit work	**180**	—	29
Tax services	**10**	7	40
Transaction support services	**—**	267	—
	507	557	295

11. TAXATION

Analysis of (credit)/charge in year	**2010**	Restated 2009	Restated 2008
	£'000	£'000	£'000
Current tax on profits for the year	**1,184**	—	(7,098)
Adjustments in respect of prior years	**1,276**	(686)	(6)
Total current tax	**2,460**	(686)	(7,104)
Deferred tax on profits for the year	**(5,189)**	(862)	(22,392)
Adjustments in respect of prior years	**(2,029)**	(2,768)	—
Total deferred tax (note 22)	**(7,218)**	(3,630)	(22,392)
Income tax credit	**(4,758)**	(4,316)	(29,496)

Tax on items credited to other comprehensive income	**2010**	2009	2008
	£'000	£'000	£'000
Deferred tax adjustment arising on the pension scheme assets and liabilities	**(92)**	(583)	(1,292)

The tax charge for the year differs from the standard rate of corporation tax in the UK 28% (2009: 28%, 2008: 28%). The differences are explained below:

	2010	Restated 2009	Restated 2008
	£'000	£'000	£'000
(Loss)/profit on ordinary activities before tax	**(13,031)**	322,010	(611,235)
(Loss)/profit on ordinary activities multiplied by the rate of corporation tax in the UK of 28% (2009: 28%, 2008: 28%)	**(3,649)**	90,163	(171,146)
Effects of:			
Profits from joint venture	**(101)**	(96)	(52)
Share options	**—**	539	130
Other expenses not deductible	**334**	4,653	(1,148)
Depreciation and impairment not deductible	**276**	513	118,005
Utilisation of unprovided capital losses	**(5)**	(470)	(285)
Rate change on deferred tax provision	**(1,505)**	—	(473)
Interest relief restricted on parent company loan	**—**	2,168	8,516
Credit on release of debt	**—**	(98,332)	—
Amendments in respect of prior years	**(755)**	(3,454)	(6)
Overseas tax losses	**174**	—	—
Acquisition costs expensed	**473**	—	—
Interest tax relief not expected to crystallise	**—**	—	16,963
Total taxation credit	**(4,758)**	(4,316)	(29,496)

12. GOODWILL

	2010		
	Subsidiary companies	**Joint venture**	**Total**
	£'000	£'000	£'000
Cost			
At 1 January	**722,245**	**1,480**	**723,725**
Additions	**28,779**	**—**	**28,779**
At 31 December	**751,024**	**1,480**	**752,504**
Impairment			
At 1 January	**417,356**	**—**	**417,356**
Charge for the year	**—**	**—**	**—**
At 31 December	**417,356**	**—**	**417,356**
Net book amount	**333,668**	**1,480**	**335,148**

	2009 restated		
	Subsidiary companies	Joint venture	Total
	£'000	£'000	£'000
Cost			
At 1 January	721,056	1,480	722,536
Additions	2,324	—	2,324
Fair value adjustments	(1,135)	—	(1,135)
At 31 December	722,245	1,480	723,725
Impairment			
At 1 January as restated (note 4)	417,356	—	417,356
Charge for the year	—	—	—
At 31 December	417,356	—	417,356
Net book amount			
At 31 December as restated (note 4)	304,889	1,480	306,369

	2008 restated		
	Subsidiary companies	Joint venture	Total
	£'000	£'000	£'000
Cost			
At 1 January	714,988	1,480	716,468
Additions	6,276	—	6,276
Disposals	(208)	—	(208)
At 31 December	721,056	1,480	722,536
Impairment			
Charge for the year as restated (note 4)	417,356	—	417,356
At 31 December	417,356	—	417,356
Net book value			
At 31 December as restated (note 4)	303,700	1,480	305,180

12. GOODWILL *(continued)*

Carrying amount of goodwill by operating unit

	2010	Restated 2009	Restated 2008
	£'000	£'000	£'000
Estate Agency	**64**	—	—
Lettings	**64,057**	61,271	58,947
Financial Services	**70,634**	70,634	71,769
Surveying & Valuation	**132,285**	132,285	132,285
Conveyancing	**40,699**	40,699	40,699
Hamptons	**25,929**	—	—
Total goodwill in subsidiary companies	**333,668**	304,889	303,700

	2010	2009	2008
	£'000	£'000	£'000
TMG Holdings Limited	**1,480**	1,480	1,480
Total goodwill in joint ventures	**1,480**	1,480	1,480

Impairment

Goodwill is allocated to cash generating units and has 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 has been tested against the recoverable amount of the cash generating unit reported at the higher level.

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 2015. These growth rates are based on past experience. The discount rate used is based on the Group's estimated cost of capital. To evaluate the recoverable amount of each division, a terminal value has been assumed from the fifth year.

Under IAS 36 Impairment of Assets, the Company is required to review its intangible assets annually each year or in the event of a significant change in circumstances. As a result of the review at the end of 2008 the Company recognised a significant impairment in the goodwill and intangible assets recognised on the acquisition of Countrywide plc in May 2007. This was a direct result of the turmoil in the financial markets where the housing market transactions have declined below expectations. The impairment reviews conducted at the end of 2010 and 2009 concluded that there had been no further impairment of goodwill.

The impairment review for 2010 was conducted in accordance with IAS 36: Impairment of Assets by estimating the value in use of each of the operating segments based on the following assumptions:

- There is only a modest increase in housing transaction volumes in 2011 from 2010 and the recovery to average long term levels of transactions would be over 5 years.
- The pre-tax discount rate was calculated to be 10%.
- The benefits of the restructure changes have been taken into account.

13. OTHER INTANGIBLE ASSETS

	2010					
	Computer software	**Brand Names**	**Customer contracts and relationships**	**Pipeline**	**Other intangibles**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January	**41,174**	**122,368**	**81,656**	**—**	**—**	**245,198**
Acquisitions through business combinations	**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**
Aggregate amortisation and impairment						
At 1 January	**32,272**	**33,844**	**32,531**	**—**	**—**	**98,647**
Charge for the period	**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**

	Restated 2009			
	Computer software	Brand Names	Customer contracts and relationships	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January	37,431	122,368	80,760	240,559
Acquisitions through business combinations	—	—	896	896
Additions	3,794	—	—	3,794
Disposals	(51)	—	—	(51)
At 31 December	41,174	122,368	81,656	245,198
Aggregate amortisation and impairment				
At 1 January as restated (note 4)	27,948	33,844	23,659	85,451
Charge for the period	4,374	—	8,872	13,246
On disposals	(50)	—	—	(50)
At 31 December	32,272	33,844	32,531	98,647
Net book amount				
At 31 December as restated (note 4)	8,902	88,524	49,125	146,551

13. OTHER INTANGIBLE ASSETS *(continued)*

	Restated 2008				
	Computer software	Brand Names	Customer contracts and relationships	Pipeline	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January	36,070	122,368	79,036	32,551	270,025
Acquisitions through business combinations	31	—	1,724	—	1,755
Additions	2,334	—	—	—	2,334
Disposals	(1,004)	—	—	(32,551)	(33,555)
At 31 December	37,431	122,368	80,760	—	240,559
Aggregate amortisation and impairment					
At 1 January	12,057	—	7,716	32,551	52,324
Charge for the period	6,395	—	15,943	—	22,338
On disposals	(1,004)	—	—	(32,551)	(33,555)
Impairment as restated (note 4)	10,500	33,844	—	—	44,344
At 31 December	27,948	33,844	23,659	—	85,451
Net book amount					
At 31 December as restated (note 4)	9,483	88,524	57,101	—	155,108

All amortisation charges have been treated as an expense in the income statement. Brand values are treated as having an indefinite life and are therefore subject to annual impairment reviews.

At the end of 2008, the impairment identified in the Estate Agency division was found to be greater than the goodwill balance held in that division and therefore the balance of the impairment was applied to Brand Names. In-house computer software has been specifically impaired and has been written down by £10.5 million. The table below indicates the impact of impairment on the business units in respect of both goodwill (note 11) and intangible assets. The review of impairment conducted at the end of 2010 and 2009 did not identify any further impairment of value in goodwill or intangible assets.

	Restated Goodwill	Restated Brands	Computer software	Total
	£'000	£'000	£'000	£'000
Estate agency	227,156	33,844	—	261,000
Lettings	16,300	—	—	16,300
Financial services	106,100	—	—	106,100
Surveying & valuation	40,000	—	10,500	50,500
Conveyancing	27,800	—	—	27,800
	417,356	33,844	10,500	461,700

The prior period adjustment, in respect of insufficient deferred tax recognised on the acquisition of Countrywide in 2007, has resulted in a reclassification of the original impairment charge of £42,412,000 between Goodwill and Brands in the Estate Agency division. There is no impact on the overall impairment charge for the division.

14. PROPERTY, PLANT AND EQUIPMENT

	2010				
	Freehold land and buildings	**Leasehold improvements**	**Motor vehicles**	**Furniture and equipment**	**Total**
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January	**6,925**	**17,738**	**380**	**41,429**	**66,472**
Additions at cost	—	**1,557**	—	**3,791**	**5,348**
Acquisition of subsidiary	—	**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**

	2009				
	Freehold land and buildings	Leasehold improvements	Motor vehicles	Furniture and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January	7,063	17,481	370	41,700	66,614
Additions at cost	—	1,005	—	1,722	2,727
Acquisition of subsidiary	—	—	20	318	338
Disposals	(138)	(748)	(10)	(2,311)	(3,207)
At 31 December	6,925	17,738	380	41,429	66,472
Accumulated depreciation					
At 1 January	875	11,718	311	31,665	44,569
Charge for the period	838	1,536	17	3,488	5,879
Acquisition of subsidiary	—	—	18	167	185
Disposals	(29)	(674)	(9)	(2,300)	(3,012)
At 31 December	1,684	12,580	337	33,020	47,621
Net book amount					
At 31 December	5,241	5,158	43	8,409	18,851

15. INVESTMENTS

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

(a) Principal subsidiary undertakings of the Group

Countrywide plc – directly held
Balanus Limited

Estate Agency and Lettings

Countrywide Estate Agents (Incorporated with Unlimited Liability) trading as:

Abbotts, Alan de Maid, Austin & Wyatt, Bairstow Eves, Beresford Adams, Bridgfords, Buckell & Ballard, Carsons, Chappell & Matthews, Countrywide North, Dixons, Entwistle Green, Faron Sutaria, Frank Innes, Freeman Forman, Fulfords, Gascoigne-Pees, Hetheringtons, John D Wood, King & Chasemore, Locke & England, Mann & Co, Miller Countrywide, Morris Dibben, Palmer Snell, R A Bennett & Partners, Rentons Countrywide, Slater Hogg & Howison, Spencers, Stratton Creber, Taylors, Watson Bull & Porter, Wilson Peacock, Countrywide Property Auctions, Countrywide Corporate Property Services, *Lettings*: Ashton Burkinshaw, Countrywide Residential Lettings, Countrywide Managing Agents, Letmore group, PKL

Countrywide Franchising Limited, Sotheby's International Real Estate Limited

Hamptons

Hamptons Group Limited
Hamptons Estates Limited

Financial Services

Countrywide Estate Agents F S Limited
Countrywide Principal Services Limited
Slater Hogg Mortgages Limited
Hurst Independent Financial Services Limited

Surveying and Valuation

Countrywide Surveyors Limited
Countrywide Social Housing Limited

Conveyancing

Countrywide Property Lawyers Limited
TitleAbsolute Limited

(b) Interests in jointly controlled entities

TMG Holdings Limited

At 31 December, 2010 the Group had a 33.3% (2009: 33.3%) interest in the ordinary share capital TMG Holdings Limited a UK company. During the year, TMG was a joint venture company.

	2010	2009
	£'000	£'000
At 1 January or acquired on acquisition of Countrywide group		
– Net assets excluding goodwill	**1,333**	1,490
– Goodwill	**1,480**	1,480
	2,813	2,970
Dividend received	**(500)**	(500)
Share of profits retained	**359**	343
At 31 December		
– Net assets excluding goodwill	**1,192**	1,333
– Goodwill	**1,480**	1,480
	2,672	2,813

15. INVESTMENTS

(b) Interests in jointly controlled entities *(continued)*

TMG Holdings Limited

	2010	2009
	£'000	£'000
Current assets	**1,804**	1,708
Non-current assets	**117**	161
Current liabilities	**(729)**	(536)
	1,192	1,333
Income	**10,667**	11,041
Expenses	**(10,308)**	(10,698)
Share of post tax results	**359**	343

(c) Other investments

	2010	2009
	£'000	£'000
Other financial assets	**303**	—

Other investments relate to unlisted securities and assets held at original cost. These investments are not held for sale and their fair value is not expected to be materially different from original cost.

16. TRADE AND OTHER RECEIVABLES

	2010	2009
	£'000	£'000
Amounts falling due within one year:		
Trade receivables due but not past due	**33,241**	31,154
Trade receivables past due	**15,812**	12,871
Trade receivables	**49,053**	44,025
Less: Provision for impairment of receivables	**(6,141)**	(6,048)
Trade receivables – net	**42,912**	37,977
Other debtors	**8,507**	7,379
Prepayments and accrued income	**17,272**	14,219
	68,691	59,575

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.

A summary of the movement in the provision for impairment of receivables is detailed below:

	2010	2009
	£'000	£'000
As at 1 January	**6,048**	7,773
Additional provisions	**986**	1,124
Amounts used	**(893)**	(2,849)
As at 31 December	**6,141**	6,048

17. CASH AND CASH EQUIVALENTS

	2010	2009
	£'000	£'000
Cash and cash equivalents		
Cash at bank and in hand	**19,018**	57,882
Short term bank deposits	**39,889**	42,235
	58,907	100,117

Of the cash at bank and in hand, £4,891,000 (2009: £6,393,000) is held by the insurance cell and not available for use as working capital.

18. TRADE AND OTHER PAYABLES – CURRENT

	2010	2009
	£'000	£'000
Trade payables	**9,620**	10,499
Other tax and social security payable	**18,651**	17,194
Accruals and other creditors	**43,839**	42,713
Obligations under finance leases	**469**	—
	72,579	70,406

Trade and other payables are all current and any fair value difference is not material.

19. FINANCIAL LIABILITIES – BORROWINGS

	2010	2009
	£'000	£'000
Non-current		
Secured	**250,000**	175,000
Capitalised banking fees	**(1,760)**	—
	248,240	175,000

Debt issued by the Company and outstanding at 31 December 2010 was follows:-
Senior Secured Fixed Rate Notes due 2018 - £250,000,000 aggregate principal due 2018. Interest is paid on the Senior Secured Fixed Rate notes at 10% per annum payable on 1 June and 1 December.

On 30 April 2010, the Company raised £75 million through a private placement tap of the existing 10% Senior Secured Notes due 2018. These additional funds raised are covered by the Indenture dated 8 May 2009.

The indenture governing the notes contains certain covenants which limit the 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 Group's assets.

20. DEFERRED INCOME

Deferred income will unwind as follows:

	2010	2009
	£'000	£'000
Within 1 year	**3,795**	3,396
After 1 year		
Between 1 and 2 years	**3,057**	1,790
Between 2 and 3 years	**2,634**	3,431
Between 3 and 4 years	**2,129**	1,623
Between 4 and 5 years	**1,623**	1,623
Over 5 years	**2,899**	4,434
	12,342	12,901
	16,137	16,297

Deferred income relates to cash received in advance in relation to certain distribution contracts and motor manufacturer rebates. The cash received is being amortised over the life of the contracts to which they relate.

21. 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 one year or less	**979**	**1,889**	**2,331**	**8,193**	**2,660**	**16,052**
Due after more than one year	**3,257**	**4,025**	**452**	**19,356**	—	**27,090**
	4,236	**5,914**	**2,783**	**27,549**	**2,660**	**43,142**

	2009					
	Onerous contracts	Property repairs	Clawback	Claims and litigation	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	7,919	6,752	2,758	17,009	2,884	37,322
Utilised in the period	(2,460)	(1,098)	(3,812)	(3,815)	(2,062)	(13,247)
Charged to income statement	612	1,147	3,342	6,932	1,275	13,308
Unwind of discount rate	371	—	—	—	—	371
At 31 December	6,442	6,801	2,288	20,126	2,097	37,754
Due within one year or less	637	3,239	1,579	8,438	2,097	15,990
Due after more than one year	5,805	3,562	709	11,688	—	21,764
	6,442	6,801	2,288	20,126	2,097	37,754

The provision for onerous contracts relates to property leases and represents the estimated unavoidable costs of leasehold properties which have become surplus to the 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 expected maturity of the provisions is included within the analysis in note 33.

21. PROVISIONS *(continued)*

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.

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 Director's best estimate of the Group's liability having taken professional advice.

In addition to the claims provisions recognised, the Group also provides for future liabilities arising from claims Incurred But Not Received (IBNR) for mortgage valuation reports and home buyer reports provided by the Surveying & Valuation division. The basis for calculating this provision is outlined further in note 3: Critical Accounting Judgements and Estimates. During 2010, the methodology for calculating the provision was changed, in light of new information and claims experience in the year. Accordingly management have treated this as a change in accounting estimate which is accounted for prospectively in accordance with IAS 8. This methodology has been applied to the claims data as at the end of 2009. On this basis the level of provisioning in the balance sheet as at 31 December 2009 would have increased by £5.4 million.

Other provisions mainly comprise items relating to the operational reorganisation including some business closure costs.

22. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28%.

The movement on the deferred tax account is shown below:

	2010	Restated 2009	Restated 2008
	£'000	£'000	£'000
Deferred tax liability at 1 January as restated (note 4)	**(28,116)**	(31,216)	(54,417)
Credited to income statement as restated (note 4)	**7,218**	3,630	22,392
Acquired on acquisition of subsidiary	**(17,069)**	(226)	(483)
Transferred from corporation tax	**—**	(887)	—
Credited to equity	**92**	583	1,292
Net deferred tax liability at 31 December as restated (note 4)	**(37,875)**	(28,116)	(31,216)
Deferred tax asset	**15,766**	12,697	11,330
Deferred tax liability as restated (note 4)	**(53,641)**	(40,813)	(42,546)
Net deferred tax liability at 31 December as restated (note 4)	**(37,875)**	(28,116)	(31,216)

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.

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.

22. DEFERRED TAX *(continued)*

	2010		
	Asset/ (liability)	(Charged)/ credited to income	(Charged)/ 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 roll over relief	**(887)**	—	—
Other temporary and deductible differences	**2,431**	**315**	—
	(37,875)	**7,218**	**92**

	Restated 2009		
	Asset/ (liability)	(Charged)/ credited to income	(Charged)/ credited to equity
	£'000	£'000	£'000
Origination and reversal of temporary differences			
Capital allowances	6,993	2,843	—
Employee pension liabilities	2,167	(703)	583
Trading losses	1,421	(2,282)	—
Intangible assets	(39,926)	2,871	—
Gain deferred by roll over relief	(887)	—	—
Other temporary and deductible differences	2,116	901	—
	(28,116)	3,630	583

	Restated 2008		
	Asset/ (liability)	(Charged)/ credited to income	(Charged)/ credited to equity
	£'000	£'000	£'000
Origination and reversal of temporary differences			
Capital allowances	4,129	1,956	—
Employee pension liabilities	2,287	(853)	1,292
Trading losses	3,703	3,703	—
Intangible assets	(42,546)	17,666	—
Other temporary and deductible differences	1,211	(80)	—
	(31,216)	22,392	1,292

A deferred tax asset has not been recognised in respect of unused capital losses of £26,948,000 (2009: £26,964,000, 2008: £26,961,000) and £25,756,000, (2009: £24,130,000, 2008: £25,477,000) in respect of non-trading loan relationships.

The Government has set out proposals to reduce the corporation tax over the next 3 years to 24%. If the proposed rates are enacted then the deferred tax liability would be reduced by £6.0 million.

23. CALLED UP SHARE CAPITAL

On 8 May 2009, the company implemented the Court Approved Scheme of Arrangement (the "Scheme") which restructured the Company equity and debt. The $0.01 Ordinary Shares in the Company were cancelled and New Class A with a par value of £1.00 and B and C shares with a par value of £0.01 were issued.

The A shares do not have voting rights but have the right to receive upto 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 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 of Directors to implement a management incentive plan for the management team. The C shares 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 issued in consideration of A shares redeemed once the Priority Distribution has been paid.

Under the Scheme £50 million of new share capital was issued to the holders of the Notes held by Noteholders immediately prior to implementation of the Scheme. The holders of the £370 million Senior Secured Floating Rate Notes due 2014 and £100 million Senior Secured Floating Rate PIK Election Notes due 2014 received 91.0791 and 89.6671 A and B shares per £1,000 of Notes held including accrued interest respectively. The holders of the £170 million Senior Notes due 2015 received 38.919 A and B shares per £1,000 of debt held. The Additional Offering enabled Noteholders to subscribe for new shares at par for cash raising £37.5 million and finally new share capital of £75 million par value was issued to the Sponsors of the Scheme for cash.

	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**
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 the year as part of the longer term strategy in respect of maximising shareholder value.

23. CALLED UP SHARE CAPITAL *(continued)*

	2009					
	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 8 May 2009 following Court Approved Scheme of Arrangement						
Debt for equity swap	49,504,949	49,505	49,504,949	495	—	—
Issued for cash	111,386,138	111,386	111,386,138	1,114	—	—
Shares issued to Management	—	—	—	—	11,740,699	117
Shares repurchased in the year	(5,855,555)	(5,855)	(5,855,555)	(59)	—	—
At 31 December 2009	155,035,532	155,036	155,035,532	1,550	11,740,699	117

24. 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.

Other reserves
The other reserve represents the cancellation of the original share capital and share premium of the 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 Group income statement and pension scheme gains and losses recognised in the statement of recognised income and expense.

25. RETAINED EARNINGS

	2010	Restated 2009	Restated 2008
	£'000	£'000	£'000
At 1 January as restated (note 4)	**(301,854)**	(612,612)	(27,875)
(Loss)/profit for the year	**(8,273)**	326,326	(581,739)
Actuarial loss on post employment benefit obligations net of tax	**(244)**	(1,500)	(3,323)
Currency translation difference	—	—	(139)
Value of employee services	—	1,682	464
Repurchase of shares	**(26,015)**	(15,750)	—
At 31 December as restated (note 4)	**(336,386)**	(301,854)	(612,612)

26. OTHER RESERVES

	2010	2009
	£'000	£'000
At 1 January	**36,474**	—
Cancellation of shares under the Scheme of Arrangement	**—**	30,560
Par value of shares repurchased	**9,059**	5,914
	45,533	36,474

27. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of loss before taxation to cash generated from /(used by) operations:

Cash generated from /(used by) operations

	2010	2009	2008
	£'000	£'000	£'000
(Loss)/profit before taxation	**(13,031)**	322,010	(611,235)
Adjustments for:			
Depreciation	**6,517**	5,879	7,077
Amortisation of intangible assets	**16,059**	13,246	22,338
Impairment	—	—	461,700
Share-based payments	—	129	464
Exceptional charge re: refinancing	—	18,220	—
Write down of investment	—	17	8
(Profit)/loss on disposal of fixed assets	**(333)**	9	—
Income from joint venture	**(359)**	(343)	(187)
Movement on provisions	**3,123**	61	1,533
Finance expense	**23,812**	27,515	105,230
Finance income	**(2,014)**	(353,070)	(14,729)
	33,774	33,673	(27,511)
Changes in working capital (excluding affects of acquisitions and disposals of Group undertakings):			
Decrease/(increase) in trade and other receivables	**4,451**	(7,255)	25,697
(Decrease)/increase in trade and other payables	**(10,748)**	11,704	(30,724)
Cash generated from/(used by) continuing operations	**27,477**	38,122	(32,538)

The principal non-cash transaction is the issue of new share capital and Senior Secured Notes due 2018 to the holders of the Notes cancelled under the Scheme of Arrangement, as described in note 23.

28. ACQUISITIONS DURING THE YEAR

On 16 June 2010, Countrywide acquired 100% of the equity interests in Hamptons Group Limited, together with its ten subsidiaries, the principal operating company being Hamptons Estates Limited which is registered in the UK. The acquisition was settled entirely by cash.

During the year the Group also acquired four businesses for cash principally in the Lettings division. None of these acquisitions are material to the 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 & 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 including costs	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**

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 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 have all been written off to profit or loss and disclosed as exceptional expenses.

Since acquisition, Hamptons has contribution £40.0 millions towards revenue and £7.9 million towards operating profit, excluding the amortisation of the intangible assets post acquisition which was £4.5 million and exceptional expenses. For the twelve months to December 2010 Hamptons generated £62.6 million in revenue and £8.5 million towards operating profit.

29. ACQUISITIONS DURING THE PRIOR YEAR

During the prior year the Lettings division acquired three small lettings business; Accord, Andrew Reeve and Hunters. The total consideration paid was £3.9 million and goodwill recognised was £2.1 million. The combined revenue and EBITDA generated by these businesses in the twelve months prior to acquisition were £3.0 million and £0.9 million respectively.

30. OPERATING LEASE COMMITMENTS – MINIMUM LEASE PAYMENTS

Commitments under non cancellable operating leases due are as follows:

	2010		2009	
	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment
	£'000	£'000	£'000	£'000
Within one year	**21,354**	**10,101**	23,911	6,214
Later than one year and less than five years	**55,242**	**19,975**	49,865	5,897
After five years	**36,521**	—	20,298	—
	113,117	**30,076**	94,074	12,111

31. CLIENT MONIES

At 31 December 2010, client monies held by subsidiaries in approved bank and building society accounts amounted to £132,051,000 (2009: £87,327,000). Neither this amount nor the matching liabilities to the clients concerned are included in the Group balance sheet.

32. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The 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

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.

Cash flow interest rate risk
The interest payable on the Senior Secured Fixed Rate Notes is fixed; therefore there is little impact from changes in the interest rate. The Group treasury function manages the 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.

Liquidity risk
The liquidity risk of each Group entity is managed centrally by the Group treasury function. The Group's cash requirement is monitored closely.

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 Group's forecast cash requirements. The Group maintains an overdraft facility with a major banking corporation to manage any unexpected short-term cash shortfalls.

The 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.

32. FINANCIAL INSTRUMENTS – RISK MANAGEMENT *(continued)*

Counterparty credit risk

The Group is exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of major new customers before entering contracts. The majority of customers use the 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 customer:

	2010	2009
	£'000	£'000
Individual customers	**29,708**	31,046
Major lenders	**11,410**	5,866
Other commercial customers	**7,935**	7,113
	49,053	44,025

33. FINANCIAL ASSETS AND LIABILITIES – NUMERICAL INFORMATION

The Group's financial assets at the year end are as follows:

	2010	**2009**
	£'000	£'000
Cash and cash equivalents	**58,907**	100,117
Trade receivables	**42,912**	37,977
Other receivables	**8,507**	7,379
	110,326	145,473

As stated in note 16 trade and other receivables are current assets and expected to convert to cash over the next twelve months.

The Group's financial liabilities at the year end are as follows:

	2010	2009
	£'000	£'000
Trade payables	**9,620**	10,499
Other tax and social security payable	**18,651**	17,194
Accruals and other creditors	**44,308**	42,713
Provisions	**43,142**	37,754
Borrowings	**250,000**	175,000
Commitments payable after one year in respect of management incentives	**6,295**	5,769
	372,016	288,929

Maturity of financial liabilities

The carrying amounts of financial liabilities, all of which are exposed to cash flow or fair value interest rate risk, are repayable as follows:

	2010	**2009**
	£'000	£'000
In less than one year	**88,628**	84,848
In more than one year but not more than two years	**8,077**	5,727
In more than two years but less than three years	**5,729**	4,018
In more than three years but not more than four years	**7,236**	5,034
In more than four years but less than five years	**4,152**	2,931
Over five years	**258,194**	186,371
	372,016	288,929

33. FINANCIAL ASSETS AND LIABILITIES – NUMERICAL INFORMATION *(continued)*

Interest rate risk

The currency and interest profile of the Group's financial assets and liabilities are as follows:

	2010	2009
	£'000	£'000
Floating rate assets	**29,018**	57,882
Fixed rate assets	**29,889**	42,235
Interest free assets	**51,419**	45,356
Total financial assets	**110,326**	145,473
Floating rate liabilities	—	—
Fixed rate liabilities	**250,000**	175,000
Interest free liabilities	**122,016**	113,129
Total financial liabilities	**372,016**	288,929

The average rate at which the fixed rate liabilities were fixed in 2010 was 10% (2009: 10%) and the average period for which the liabilities were fixed was 365 days (2009: 365 days).

There is no material difference between the book and the fair values of the financial assets and liabilities.

34. RELATED PARTY TRANSACTIONS

Key management compensation is given in note 7 (b). Other related party transactions are as follows:

Trading transactions

		Transaction amount		**Balance owed/(owing)**	
Related party relationship	**Transaction type**	**2010**	2009	**2010**	2009
		£'000	£'000	£'000	£'000
Joint venture	Sales to/(from) Group	**(2,403)**	(3,008)	**45**	14
Joint venture	Rebate received	**419**	155	—	—
Joint venture	Dividend received	**(500)**	(500)	—	—
Apollo Management	Management fee paid	**750**	452	—	—
Oaktree Capital Management	Management fee paid	**750**	452	—	—

With the exception of dividends, these transactions are trading relationships which are made at market value. The Company has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given during 2010 regarding related party transactions.

Oaktree Capital Management and Apollo Management LP both own in excess of 20% of the share capital of the Group. Polygon Global Opportunities Master Fund and Alchemy Special Opportunities Fund LP have directors on the Board of the Company and are therefore deemed to have significant control even though their shareholdings fall below 20%.

During 2010 the Group incurred £1,500,000 split equally between Apollo Management and Oaktree Capital Management, in respect of management fees for the period 15 December 2009 to 14 December 2010. The £1.5 million fee for the twelve months commencing 15 December 2010 has been accrued for the period upto the year end.

At the end of 2010 the following related parties had an interest in the Group's debt:

	Face value	Interest received
	£000	£000
Related party debt	70,666	7,129

35. CONTROLLING ENTITIES

The Group does not have any single controlling entity. Following the financial restructuring in May 2009, there are only two shareholders with holdings in excess of 20% but neither in excess of 50%.