

BALANUS LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2005

1837 821



BALANUS LIMITED**Report and Accounts for the year ended 31 December 2005**

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| | |
|----------------------------|--|
| Directors | A H Ekins G R Fitzjohn H D Hill T Marris M C Nower C P Shaw C H Sporborg |
| Company Secretary | G Williams |
| Registration number | 1837522 |
| Registered office | Countrywide House Perry Way Witham Essex CM8 3SX |
| Auditors | BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL |

BALANUS LIMITED

Report and Accounts for the year ended 31 December 2005

Directors' Report

The directors present their Report and the audited accounts of Balanus Limited for the year ended 31 December 2005.

Principal activity, review of business and future developments

The company is the principal investment holding subsidiary of Countrywide plc.

Results

The retained profit for the year amounted to £2,996,000 (2004: restated profit £10,330,000).

Dividends

The directors approved the payment of an interim dividend of 14.78 pence per share. The directors do not recommend the payment of a final dividend.

Directors

The directors who held office during the year were as follows:

H D Hill
A H Ekins
G R Fitzjohn
M C Nower
A B Crew resigned 16 April 2005
T Marris
C P Shaw
C H Sporborg

Directors' interests

None of the directors were beneficially interested in any of the shares of the company at any time during the year.

H D Hill, M C Nower and C H Sporborg are directors of the parent undertaking, Countrywide plc. Their shareholdings in any of the undertakings within the group are disclosed in the accounts of the parent undertaking.

The beneficial interests of the other directors in office at the year end in shares of Countrywide plc and rights under share option schemes were as follows:

Interests in ordinary shares of the company:-

| | Ordinary shares of 5p each | |
|--------------|-----------------------------------|-------------|
| | 2005 | 2004 |
| G R Fitzjohn | 172,390 | 142,390 |
| T Marris | 70,419 | 68,412 |
| C Shaw | - | 3,188 |

BALANUS LIMITED**Report and Accounts for the year ended 31 December 2005****Directors' Report (continued)****Directors' interests (continued)**

The directors had interests in the following share options of the ultimate parent company:

| Director | 1 January 2005 | Granted | Exercised | At 31 December 2005 | Option price | Exercisable from | Exercisable to |
|--------------|-------------------|---------|-----------|---------------------------|-----------------|---------------------|-------------------|
| A H Ekins | 50,000 | - | - | 50,000 | 198.0p | April 2007 | April 2009 |
| | 50,000 | - | - | 50,000 | 198.0p | April 2005 | April 2012 |
| G R Fitzjohn | 2,213 | - | - | 2,213 | 0p | May 2004 | May 2006 |
| | 37,500 | - | - | 37,500 | 198.0p | April 2005 | April 2012 |
| | 87,500 | - | - | 87,500 | 198.0p | April 2007 | April 2009 |
| | 3,220 | - | - | 3,220 | 140.8p | Nov 2007 | May 2008 |
| | - | 2,295 | - | 2,295 | 288.0p | Nov 2010 | April 2011 |
| T Marris | - | 3,901 | - | 3,901 | 288.0p | Nov 2010 | April 2011 |
| C P Shaw | 50,000 | - | - | 50,000 | 198.0p | April 2007 | April 2009 |
| | 50,000 | - | - | 50,000 | 198.0p | April 2005 | April 2012 |
| | 4,294 | - | - | 4,294 | 140.8p | Nov 2007 | May 2008 |
| | - | 1,721 | - | 1,721 | 288.0p | Nov 2010 | April 2011 |

Creditor payment policy

It is the company's policy that payments to suppliers are made within the terms agreed with the suppliers, providing that the supplier is also complying with the agreed terms of business. The number of creditor days outstanding at 31 December 2005 was 95.3 days (2004: 21.1 days).

Donations

Contributions to charities during the year totalled £nil (2004: £7,000).

BALANUS LIMITED

Report and Accounts for the year ended 31 December 2005

Directors' Report *(continued)*

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the company and of the result for that period. In preparing those financial statements, the directors are required to:-

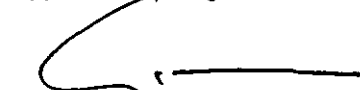
- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the provisions of the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

During the year KPMG Audit plc resigned as auditors and BDO Stoy Hayward LLP were appointed in their place. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Approved and signed on behalf of the Board



Gareth Williams
Secretary
13 March 2006

Independent Auditor's Report to the Shareholders of Balanus Limited

We have audited the financial statements of Balanus Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP

Chartered Accountants
and Registered Auditors
London



13 March 2006

BALANUS LIMITED**Report and Accounts for the year ended 31 December 2005****Profit and Loss Account
for the year ended 31 December 2005**

| | Note | 2005 £000 | Restated 2004 £000 |
|--|------|---------------|--------------------------|
| Other income and gains | 3 | 85,798 | 32,379 |
| Staff costs | 4 | - | (8,342) |
| Other operating (costs) / income | | (2,158) | 3,093 |
| Operating profit | 6 | 83,640 | 27,130 |
| Cost of group restructuring | | - | (1,760) |
| Loss on disposal/ amount written off investment property | | - | (1,909) |
| Net interest receivable | 7 | 982 | 1,147 |
| Profit on ordinary activities before tax | | 84,622 | 24,608 |
| Tax on profit on ordinary activities | 8 | 1,504 | 1,688 |
| Profit on ordinary activities after taxation | | 86,126 | 26,296 |
| Dividend paid | 9 | (83,130) | (15,966) |
| Retained profit | 17 | 2,996 | 10,330 |

All amounts above are derived from continuing operations.

The results for each financial year shown recognise all gains and losses of the company during the year.

The company's historical cost results are the same as the reported results.

The notes on pages 8 to 16 form part of these accounts.

BALANUS LIMITED*Report and Accounts for the year ended 31 December 2005***Balance Sheet at 31 December 2005**

| | Note | 2005 £000 | 2005 £000 | Restated 2004 £000 | £000 |
|---|-------|--------------|--------------|--------------------------|----------|
| Fixed assets | | | | | |
| Tangible fixed assets | 10 | | 1,137 | | 1,182 |
| Investments in subsidiaries and associates | 11(b) | 158,481 | | 159,784 | |
| Other investments | 12 | 1,225 | | 1,217 | |
| Total investments | | | 159,706 | | 161,001 |
| Total fixed assets | | | 160,843 | | 162,183 |
| Current assets | | | | | |
| Debtors | 13 | 7,161 | | 18,299 | |
| Cash at bank and in hand | | 76 | | 2,801 | |
| | | 7,237 | | 21,100 | |
| Creditors: amounts falling due within one year | 14 | (42,867) | | (61,680) | |
| Net current liabilities | | | (35,630) | | (40,580) |
| Total assets less current liabilities | | | 125,213 | | 121,603 |
| Provision for liabilities and charges | 15 | | (3,776) | | (3,162) |
| Net assets | | | 121,437 | | 118,441 |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 16,913 | | 16,913 |
| Share premium | 17 | | 37,014 | | 37,014 |
| Capital redemption reserve | 17 | | 3,256 | | 3,256 |
| Revaluation reserve | 17 | | - | | 1,701 |
| Other reserves | 17 | | 37,875 | | 37,875 |
| Profit and loss account | 17 | | 26,379 | | 21,682 |
| Equity shareholders' funds | 17 | | 121,437 | | 118,441 |

Approved by the Board of Directors on 13 March 2006 and signed on its behalf

H D Hill

M C Nower

The notes on pages 8 to 16 form part of the accounts.

Notes to the accounts**1. Accounting Policies****(a) Basis of preparation**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

The company's immediate parent undertaking, Countrywide plc, publishes a consolidated cash flow statement. A separate cash flow statement for the company is therefore not prepared.

(b) 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.

(c) Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation.

- (i) Tangible fixed assets are depreciated on a straight line basis over their estimated useful economic life as follows:

| | |
|--|------------------------------|
| Freehold buildings: | 50 years |
| Leasehold properties and improvements: | over the period of the lease |
| Office furniture and equipment: | 5 years |

- (ii) Vacant leasehold properties

Provision is made for the best estimate of the present value of unavoidable lease payments on vacant leasehold properties.

(d) Investments

Investments in subsidiaries and associates are held at cost less impairment. Investment properties are valued on an open market basis. Changes in market value are taken to the revaluation reserve unless a deficit (or its reversal) occurs on an individual property, whereby it is charged (or credited) to the profit and loss account. Valuations are undertaken by professional valuers at intervals of not more than three years. In the intervening years values are reviewed by the directors and adjustments made to the financial statements as appropriate. This treatment may be a departure from the requirements of the Companies Act 1985, concerning the depreciation of fixed assets. However, the directors consider this accounting policy is necessary for the financial statements to show a true and fair view, as the application of depreciation would be inappropriate.

(e) Pensions

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

(f) Operating leases

Operating lease rentals are charged against profit as incurred.

Notes to the accounts (continued)**(g) Deferred taxation**

The charge for tax is based on the profit and loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain capital and expense items for taxation and accounting purposes. Deferred tax assets and liabilities taxation are recognised in accordance with FRS19: Deferred Taxation. The company has chosen not to discount the deferred tax asset or liability, to reflect the time value of money, as permitted by FRS19. Except where permitted by FRS19, deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they will be relieved in the foreseeable future.

(h) Group accounts

The company has taken advantage of the exemption from the requirement to prepare group accounts because it is included in the accounts of the immediate parent undertaking, Countrywide plc, a company registered in England and Wales. The financial statements present information about the company and not about the group.

2. Prior year adjustments**Dividends**

The prior year adjustment relates to the implementation of FRS 21 'Events after the balance sheet date'. In accordance with FRS 21, if a final equity dividend is declared after the balance sheet date but before the financial statements are authorised for issue, the dividend is not recognised as a liability at the balance sheet date. The adoption of FRS 21 has resulted in an increase in shareholders funds of £336,000 at 1 January 2005 due to the write back of the dividend proposed of £33,130,000 and the reversal of the accrued dividends receivable from subsidiaries £32,794,000 at 31 December 2004. Shareholders funds at 1 January 2004 has decreased by £16,538,000 due to the write back of the dividend proposed of £15,517,000 and the reversal of the accrued dividends receivable from subsidiaries £32,055,000 at 31 December 2003.

Pensions

During the year, the company adopted FRS17: Retirement benefits in full. As a result of changing the accounting policy, all contributions to the pension scheme are charged to profit or loss as they are incurred. In addition to the regular contributions to the defined benefit scheme charged to the profit or loss in 2004 a single contribution of £5 million was made. Furthermore, the amortisation of the pension scheme deficit charged in 2004 - £1,584,000, as previously required by SSAP 24: Accounting for pension costs was reversed. The total impact of this change in accounting policy has been to reduce the profit after taxation for 2004 by £3,416,000 and reduce net assets at 31 December 2004 by £3,416,000.

3. Other income and gains

| | 2005 £000 | Restated 2004 £000 |
|--------------------------------------|---------------|--------------------------|
| Rent receivable | 465 | 134 |
| Dividends received from subsidiaries | 82,794 | 32,055 |
| Other income | 2,539 | 190 |
| | 85,798 | 32,379 |

BALANUS LIMITED**Report and Accounts for the year ended 31 December 2005****Notes to the accounts (continued)****4. Staff costs**

| | 2005 £000 | Restated 2004 £000 |
|-----------------------|----------------------------|--------------------------|
| Salaries | - | 2,447 |
| Social security costs | - | 623 |
| Pension costs | - | 5,272 |
| | <u>-</u> | <u>8,342</u> |

The average number of persons employed by category was:

| | Number | Number |
|----------------|---------------|-----------|
| Sales | - | 16 |
| Administration | - | 17 |
| | <u>-</u> | <u>33</u> |

5. Directors' emoluments

| | 2005 £000 | 2004 £000 |
|---|----------------------------|--------------|
| Directors' emoluments | - | 1,158 |
| Contributions to defined contribution schemes | - | 102 |
| | <u>-</u> | <u>1,260</u> |

None of the director's received any emoluments for their services as director during 2005.

The aggregate emoluments and amounts receivable under long-term incentive schemes of the highest paid director in 2004 was £438,000. He was a member of a defined contribution scheme and during 2004 contributions of £19,000 were paid.

6. Operating profit

| | 2005 £000 | 2004 £000 |
|--|----------------------------|--------------|
| Operating profit is stated after charging / (crediting): | | |
| Write back of loan from Countrywide Assured Limited | - | (3,790) |
| Depreciation of tangible assets | 45 | 51 |
| Auditors' remuneration for audit work | 2 | 12 |
| Auditors' remuneration for non audit work | - | 252 |
| Operating lease rentals - land and buildings | 436 | 319 |
| - other | - | 85 |
| | <u>-</u> | <u>85</u> |

7. Interest

| | 2005 £000 | 2004 £000 |
|--|----------------------------|--------------|
| (a) Interest receivable | | |
| Other interest receivable | 987 | 1,836 |
| (b) Interest payable | | |
| Interest on bank and other borrowings repayable in less than 5 years | (5) | (689) |
| | <u>982</u> | <u>1,147</u> |

BALANUS LIMITED*Report and Accounts for the year ended 31 December 2005***Notes to the accounts (continued)****8. Taxation**

| | 2005 £000 | 2004 £000 |
|---|--------------|--------------|
| (a) Taxation on profit on ordinary activities | | |
| Corporation tax at 30% (2004: 30%) | (198) | (946) |
| Adjustment in respect of prior years | (596) | (184) |
| Current tax for the year | (794) | (1,130) |
| Deferred tax | (710) | (558) |
| Tax on profit on ordinary activities | (1,504) | (1,688) |
| (b) Reconciliation of actual tax charge to UK corporate tax rate | | |
| Profit on ordinary activities before tax | 84,622 | 24,608 |
| Tax at UK rate of 30% (2004: 30%) on profit on ordinary activities | 25,387 | 7,382 |
| Effects of: | | |
| Group dividends | (25,299) | (9,616) |
| Utilisation of capital losses | (189) | (489) |
| Tax relief share options exercised | (347) | - |
| Capital allowances in excess of depreciation | (309) | (5) |
| Permanent depreciation | 11 | 20 |
| Loss on disposal/write down of investment | 70 | 565 |
| Write off of connected party loan | - | (1,137) |
| Short term timing differences | (362) | 1,582 |
| Adjustment to consortium relief | - | (56) |
| Other permanent differences | 244 | 624 |
| Reported current tax credit | (794) | (1,130) |
| (c) Deferred taxation | | |
| The components of the net deferred tax (asset)/ liability are as follows: | | |
| Liability recognised: | | |
| Capital allowances | 66 | 67 |
| Short term timing differences | (609) | 100 |
| | (543) | 167 |
| Deferred tax balances have not been discounted. | | |
| A potential tax asset of £11,989,000 (2004: £10,509,000) relating to realised capital losses has not been recognised in line with FRS19, where the recognition of deferred tax assets is only permissible to the extent that they will be relieved in the foreseeable future. | | |
| (d) Reconciliation of movement in deferred tax | | |
| Deferred tax liability at 1 January | 167 | 701 |
| Deferred tax liabilities transferred in the year | - | 24 |
| Deferred tax credited in profit and loss account in the year | (710) | (558) |
| Deferred tax (asset)/ liability at 31 December | (543) | 167 |
| (e) Factors that may affect future tax charges | | |
| The company anticipates that the effective tax rate will not alter materially in future years. | | |

BALANUS LIMITED**Report and Accounts for the year ended 31 December 2005****Notes to the accounts (continued)****9. Dividend**

| | 2005 £000 | Restated 2004 £000 |
|---|---------------|--------------------------|
| Under provision of final dividend for 2003 paid in 2004 | - | 449 |
| Final dividend paid: 9.79p per share (2004: 4.75p) | 33,130 | 15,517 |
| Interim dividend paid: 14.78p (2004: 2.15p) | 50,000 | - |
| | 83,130 | 15,966 |

The dividends for 2004 have been restated to reflect the amounts paid in the year. Previously the dividend reported was dividend proposed at the end of the year which was paid in the subsequent year. (See note 2).

The directors do not recommend the payment of a final dividend for the year.

10. Tangible Assets

| | Freehold Properties £000 | Short Leasehold Improve- ments £000 | Furniture and Equipment £000 | Total £000 |
|--------------------------------|--------------------------------|---|---------------------------------------|---------------|
| Cost or valuation | | | | |
| 1 January and 31 December 2005 | 1,167 | 165 | 160 | 1,492 |
| Depreciation | | | | |
| 1 January 2005 | 104 | 64 | 142 | 310 |
| Charge for the year | 23 | 14 | 8 | 45 |
| 31 December 2005 | 127 | 78 | 150 | 355 |
| Net book value | | | | |
| 31 December 2005 | 1,040 | 87 | 10 | 1,137 |
| 31 December 2004 | 1,063 | 101 | 18 | 1,182 |

11. Investment in Subsidiary Undertakings

The company owns the whole of the issued and fully paid share capital of its subsidiaries, all of which are registered in England and Wales and whose operations are conducted under agency agreements through the company.

(a) Principal subsidiary undertakings**Estate Agency**

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

Abbotts, Austin & Wyatt, Bairstow Eves, Beresford Adams, Bridgfords, Carson and Company, Constables, Countrywide North, Dixons, Faron Sutaria, Freeman Forman, Fulfords, H2O Homes Overseas, Countrywide, Hetheringtons, John D Wood & Co, King & Chasemore, Mann & Co., Miller, Palmer Snell, Chappell and Mathews, PKL, R A Bennett, Spencers, Taylors, Watson Bull & Porter, Entwistle Green, Frank Innes, Gascoigne Pees, Morris Dibben, Slater Hogg Howison, Stratten Creber, Sykes Waterhouse, Countrywide Residential Lettings, Countrywide Property Management, Countrywide Property Auctions.

CAG Overseas Investments Limited
Countrywide Franchising Limited.

BALANUS LIMITED*Report and Accounts for the year ended 31 December 2005***Notes to the accounts (continued)****11. Investment in subsidiary undertakings (continued)****(a) Principal subsidiary undertakings****Financial Services**

Countrywide Estate Agents FS Limited
 Countrywide Principal Services Limited
 Countrywide Mortgage Services plc
 Countrywide Leasing Limited
 Slater Hogg Mortgages Limited

Surveying & Valuation

Countrywide Surveyors Limited

Conveyancing

Countrywide Property Lawyers Limited
 Remortgage Conveyancing Matters Limited

(b) Investments in subsidiaries and associates

| | Subsidiaries £000 | Associates £000 | Total £000 |
|---------------------|------------------------------|----------------------------|-----------------------|
| At 1 January 2005 | 145,195 | 14,589 | 159,784 |
| Additions | 2,164 | 37 | 2,201 |
| Disposals | - | (3,504) | (3,504) |
| At 31 December 2005 | 147,359 | 11,122 | 158,481 |

Investment in subsidiaries

During the year, the company increased its shareholding in CAG Overseas Investments Limited. €3,243,250 additional preference shares were purchased. Balanus Limited owns 100% of the €9,500,000 issued preference share capital at 31 December 2005.

Investment in associates

In December 2005, Connells Ltd made an offer to acquire the shares in TMG held by all the non-Countrywide Shareholders, including the TMG employee trust. As a result of this certain ratchet arrangements were triggered whereby Balanus Limited increased its shareholding. The majority of these additional shares were also acquired by Connells Ltd. Following the restructuring Balanus Limited and Connells Ltd each held 50% of TMG. In January 2006, Rightmove and Halifax Estate Agency Limited each acquired a 25% holding in TMG from Connells Ltd and Balanus Limited.

12. Other Investments

| | Unlisted investments £000 |
|---------------------|--|
| At 1 January 2005 | 1,217 |
| Additions | 14 |
| Disposals | (4) |
| Unrealised losses | (2) |
| At 31 December 2005 | 1,225 |

BALANUS LIMITED*Report and Accounts for the year ended 31 December 2005***Notes to the accounts (continued)****13. Debtors**

| | 2005 £000 | Restated 2004 £000 |
|---|--------------|--------------------------|
| Amounts owed by subsidiary undertakings | 4,750 | 13,821 |
| Taxation recoverable | 269 | 662 |
| Other debtors | 1,393 | 3,718 |
| Prepayments | 206 | 98 |
| Deferred tax | 543 | - |
| | 7,161 | 18,299 |

14. Creditors: amounts falling due within one year

| | 2005 £000 | Restated 2004 £000 |
|--|---------------|--------------------------|
| Trade creditors | 18 | 368 |
| Amounts owed to fellow subsidiary undertakings | 18,291 | 17,060 |
| Amounts owed to immediate parent undertaking | 24,265 | 42,067 |
| Accruals and other creditors | 293 | 2,185 |
| | 42,867 | 61,680 |

15. Provision for liabilities and charges

| | Deferred tax £000 | Legal Claims £000 | Property rents £000 | Property repairs £000 | Total £000 |
|---------------------------------------|-------------------------|-------------------------|---------------------------|-----------------------------|---------------|
| At 1 January 2005 | 167 | 2,526 | 430 | 39 | 3,162 |
| Utilised | - | (433) | (220) | - | (653) |
| Profit and loss account | (710) | 1,300 | 144 | (10) | 724 |
| At 31 December 2005 | (543) | 3,393 | 354 | 29 | 3,233 |
| Disclosed as: | | | | 2005 £000 | 2004 £000 |
| Deferred tax asset (note 13) | | | | (543) | - |
| Provision for liabilities and charges | | | | 3,776 | 3,162 |
| | | | | 3,233 | 3,162 |

Property provisions: -

Provision has been made for the estimated unavoidable costs of leasehold properties which have become surplus to the company's requirements following the closure or relocation of business operations. The provision has been estimated by reference to the particular circumstances of each property and is based on the net rentals payable, (discounted to present values at a discount rate of 5% where appropriate) during the remaining lease periods, after taking into account rents receivable or expected to be receivable from subleases or potential leases. The provision also takes account of obligations in respect of business rates.

Provision has also been made for property repairs expected to be payable under lease covenants. A reasonable estimate of the amounts payable for each leasehold property has been made, however, due to the uncertainty of the amount and timing, the expenditure has not been discounted.

Legal claims:-

The provision comprises amounts set aside to meet amounts that might be payable as a result of a legal dispute. The provisions represent the directors' best estimate of the group's liability having taken professional advice.

BALANUS LIMITED

Report and Accounts for the year ended 31 December 2005

Notes to the accounts (continued)

16. Share capital

| | 2005 | 2004 |
|---|---------------|--------|
| | £000 | £000 |
| Authorised | | |
| 394,255,904 ordinary shares of 5p each | 19,713 | 19,713 |
| Allotted and fully paid ordinary shares of 5p each | | |
| 1 January | 16,913 | 16,455 |
| Exercise of share options | - | 458 |
| 31 December | 16,913 | 16,913 |

17. Reconciliation of movements in shareholders' funds

| | Share capital £000 | Share premium £000 | Capital redemp- tion reserve £000 | Revalua- tion reserve £000 | Other reserves £000 | Profit and loss account £000 | Total 2005 £000 | Restated Total 2004 £000 |
|--|--------------------------|--------------------------|---|-------------------------------------|---------------------------|---------------------------------------|-----------------------|-----------------------------------|
| At 1 January 2005 as previously reported | 16,913 | 37,014 | 3,256 | 1,701 | 37,875 | 24,762 | 121,521 | 113,670 |
| Prior year adjustment – note 2 | | | | | | | | |
| Dividends | - | - | - | - | - | 336 | 336 | (16,538) |
| Pensions | - | - | - | - | - | (3,416) | (3,416) | - |
| At 1 January 2005 as restated | 16,913 | 37,014 | 3,256 | 1,701 | 37,875 | 21,682 | 118,441 | 97,132 |
| Profit for the year | - | - | - | - | - | 2,996 | 2,996 | 10,330 |
| Write back revaluation reserve | - | - | - | (1,701) | - | 1,701 | - | - |
| Exercise of share options | - | - | - | - | - | - | - | 10,979 |
| At 31 December 2005 | 16,913 | 37,014 | 3,256 | - | 37,875 | 26,379 | 121,437 | 118,441 |

18. Operating lease commitments

Amounts payable under operating leases in the year ended 31 December 2006 are as follows:

| | 2005 | 2004 |
|---|-------------|-------|
| | £000 | £000 |
| Land and building with commitments expiring: | | |
| Within one year | - | 176 |
| After five years | 600 | 707 |
| Other operating leases with commitments expiring: | | |
| Within one year | - | 131 |
| Between two and five years inclusive | - | 97 |
| | 600 | 1,111 |

Notes to the accounts (continued)**19. Pensions arrangements**

The company offers membership of the Countrywide plc Pension Scheme to eligible employees. The Scheme has two sections of membership, defined benefit and defined contribution. The defined benefit section is closed to new entrants and from 31 December 2003 also to future service accrual.

Particulars of the actuarial valuation of the group pension scheme are disclosed within the accounts of Countrywide plc. The financial statements of this group company can be obtained from the address given in note 21.

Since the company is a member of a pension scheme providing benefits based on final pensionable pay and is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 1 April 2004 and was updated for FRS 17 purposes to 31 December 2005 by a qualified independent actuary. The valuation indicates a deficit of £15,514,000 at 31 December 2005. The group has a funding program to recover the deficit over the next ten years. A contribution of £1.4 million was paid in the year (2004: £5 million). The regular contribution for the year was £nil (2004: £105,000).

The pension cost charged for the company's defined contributions pension arrangements represents contributions payable by the company and amounted to £nil (2004: £167,000).

20. Related party transactions

The company has taken advantage of the exemption under FRS 8 where disclosure is not required of transactions with fellow subsidiary undertakings 90% or more of whose voting rights are controlled within the group.

21. Parent undertaking

The company is a subsidiary undertaking of Countrywide plc which is registered in England and Wales. Copies of its consolidated accounts are available from its registered office at Countrywide House, Perry Way, Witham, Essex, CM8 3SX.