

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PART 2 OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985. If you are in any doubt as to the action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all of your Existing Ordinary Shares, please send this document and the other enclosed documents at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

This document should be read as a whole, in conjunction with the accompanying documents including the Listing Particulars and the Forms of Proxy. Copies of the Listing Particulars have been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 83 of the Financial Services and Markets Act 2000 and are available free of charge at the address of the registered office of Countrywide Assured Group plc as set out in paragraph 17 of Part 2 of this document or from the offices of Pinsents at Dashwood House, 69 Old Broad Street, London EC2M 1NR.

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## **Countrywide Assured Group plc**

*(Incorporated and registered in England and Wales under the Companies Act 1985, registered number 1837522)*

### **Recommended proposals (including a scheme of arrangement under section 425 of the Companies Act 1985) for the demerger of the life assurance business and for a return of capital to Shareholders**

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Meetings of Shareholders to consider the Proposals will be held at the offices of Pinsents at 1 Gresham Street, London EC2V 7BU on 28 April 2004. The Court Meeting will start at 10.20 a.m. on that date (or as soon thereafter as the Annual General Meeting concludes or is adjourned) and the Extraordinary General Meeting will start at 10.30 a.m. (or as soon thereafter as the Court Meeting concludes or is adjourned). Your Board is unanimously recommending you to vote in favour of the Proposals. You should complete, sign and return your Forms of Proxy for each of the Court Meeting and the EGM to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event to arrive not later than the times specified on page 3 of this document.

Application has been made to the UK Listing Authority for the New Ordinary Shares and the Chesnara Shares to be admitted to the Official List and to the London Stock Exchange for such shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that dealings in the Existing Ordinary Shares will continue until the close of business on 21 May 2004 and that Admission of the New Ordinary Shares and the Chesnara Shares will become effective and that unconditional dealings in them will commence on 25 May 2004. No application is currently intended to be made for the New Ordinary Shares or the Chesnara Shares to be admitted to listing or dealing on any other exchange.

Hawkpoint Partners Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting as financial adviser to Countrywide Assured Group plc and as sponsor to Countrywide plc and Chesnara plc, and for no-one else in connection with the Proposals and will not be responsible to any other person for providing the protections afforded to its customers or for providing advice in relation to the Proposals or the contents of this document.

This document does not constitute an offer to sell or the solicitation of an offer to buy any security. None of the securities referred to in this document shall be sold, issued or transferred in any jurisdiction in contravention of any applicable law.

Securities may not be offered or sold in the United States unless they are registered under the US Securities Act or are exempt from such registration requirements. Any securities issued pursuant to the Scheme have not been and will not be registered under the US Securities Act but will be issued in reliance on the exemption provided by section 3(a)(10) thereof.

Shareholders of Countrywide Assured Group plc who are or will be "affiliates" of Countrywide Assured Group plc prior to, or of Countrywide plc or Chesnara plc after, 25 May 2004 will be subject to certain US transfer restrictions relating to the New Ordinary Shares and the Chesnara Shares received pursuant to the Proposals.

The New Ordinary Shares and the Chesnara Shares have neither been approved nor disapproved by the US Securities and Exchange Commission nor has such Commission or any US state securities commission passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2004

Latest time for receipt of BLUE Form of Proxy for the Court Meeting (i)	10.20 a.m. on 26 April
Latest time for receipt of GREEN Form of Proxy for the EGM	10.30 a.m. on 26 April
Voting record time for the Court Meeting (ii)	6.00 p.m. on 26 April
Voting record time for the EGM (ii)	6.00 p.m. on 26 April
Annual General Meeting	10.00 a.m. on 28 April
Court Meeting (iii)	10.20 a.m. on 28 April
EGM (iv)	10.30 a.m. on 28 April
Court hearing of the petition to sanction the Scheme	18 May
Court hearing of the petition to confirm the reduction of capital of Countrywide Assured Group provided for under the Scheme (v)	20 May
Last day of dealings in Existing Ordinary Shares (v)	21 May
Scheme Record Time and record date for 2003 Final Dividend (v)	4.30 p.m. on 21 May
Effective Date of the Scheme (v)	21 May
Court hearing of the petition to confirm the Reduction of Capital (vi)	24 May
Reduction of Capital occurs and Demerger is completed (vii)	25 May
Dealings in New Ordinary Shares and Chesnara Shares commence on the London Stock Exchange (vii)	8.00 a.m. on 25 May
Crediting of New Ordinary Shares and Chesnara Shares to CREST accounts (vii)	25 May
Despatch of share certificates for New Ordinary Shares and Chesnara Shares (vii)	by 1 June
Despatch of cheques and proceeds credited to CREST accounts in respect of the Return of Capital and 2003 Final Dividend (vii)	by 11 June

### Notes

- (i) If the Form of Proxy for the Court Meeting is not returned by this time, it may be handed to the Chairman of the Court Meeting at the meeting.
- (ii) If either the Court Meeting or the EGM is adjourned, the voting record time for the adjourned meeting will be 6.00 p.m. on the day two days prior to the date of the adjourned meeting.
- (iii) To begin at the time fixed or, if later, immediately following the end, or adjournment, of the Annual General Meeting.
- (iv) To begin at the time fixed or, if later, immediately following the end, or adjournment, of the Court Meeting.
- (v) These dates are indicative only and will depend, amongst other things, on the date on which the Court sanctions the Scheme.
- (vi) This date is indicative only and will depend, amongst other things, on the date on which the Scheme becomes effective.
- (vii) These dates are indicative only and will depend, amongst other things, on the date on which the Scheme becomes effective and the date on which the Court confirms the Reduction of Capital.

All references to time in this document are to London time.

**The dates given are based on Countrywide Assured Group's current expectations and may be subject to change. In particular, certain Court dates are subject to confirmation by the Court.**

This document contains certain statements that are or may be forward-looking. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and therefore undue reliance should not be placed on such forward-looking statements. Forward-looking statements speak only as of the date they are made and save as required by law or by the Listing Rules, Countrywide Assured Group undertakes no obligation to update publicly any of them in light of new information or future events. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements.

## PART 1

### Letter from the Chairman of Countrywide Assured Group plc



Countrywide Assured Group plc

#### Directors:

Christopher Sporborg, *Non-executive Chairman*  
Harry Hill, *Group Managing Director*  
Michael Nower, *Group Finance Director*  
Gerald Fitzjohn, *Executive Director*  
Terry Marris, *Executive Director*  
Anthony Ekins, *Executive Director*  
Anthony Crew, *Executive Director*  
Christopher Shaw, *Executive Director*  
Peter Mason, *Non-executive Director*  
Michael Gordon, *Non-executive Director*  
Andrew Brown, *Non-executive Director*

#### Registered Office:

Countrywide House  
Perry Way  
Witham  
Essex  
CM8 3SX

18 March 2004

*To Countrywide Assured Group Shareholders and, for information only, to holders of options under the Countrywide Assured Group Share Plans*

Dear Shareholder

#### **Recommended proposals for the demerger of the Life Business and for a payment of cash to Shareholders of approximately £100 million in aggregate**

##### **1. Introduction**

I am writing to you today to ask for your support for the Demerger of our Life Business from our estate agency and professional property services businesses and for the Return of Capital. On 5 December 2003 the Board of Countrywide Assured Group announced that it intended to sell or demerge the Life Business and, on 18 December 2003 the Board of Countrywide Assured Group confirmed: (i) its intention to demerge the Life Business from the rest of the Countrywide Assured Group and (ii) that it was continuing to consider the appropriate capital structure for the Countrywide Group and that its favoured option was a one-off return of capital. The Demerger and the Return of Capital were confirmed in our preliminary results announcement on 10 March 2004 and approval for the Demerger, subject to Admission, was received from the Financial Services Authority in February 2004.

The Proposals will result in two separately listed companies offering discrete investment propositions in the UK's leading residential estate agency and property services business and in a well capitalised life assurance business with a significant potential dividend stream, which will each be better placed to pursue their individual strategies following the Demerger. In the Board's unanimous view, this will enhance the ability of both companies to generate value for Shareholders in the future. The Return of Capital, which also forms part of the Proposals, will result in a return of cash to Shareholders of £85 million (equating to approximately 25.8 pence per Existing Ordinary Share in issue) and, when added to the payment of the 2003 Final Dividend, will result in a cash payment to Shareholders of, in aggregate, approximately £100 million (equating to approximately 30.6 pence per Existing Ordinary Share in issue).

The purpose of this document is:

- to provide you with full details of the Proposals, which will be put to Shareholders at the Court Meeting and the EGM, both of which are to be held on 28 April 2004;
- to explain why the Directors believe that the Proposals are in the best interests of Countrywide Assured Group and its Shareholders; and

- to ask you to vote in favour of the Proposals.

In order for the Proposals to be completed, it is important that there is sufficient Shareholder support. I therefore urge you to vote at both the Court Meeting and the EGM. Details on how to do this are set out in paragraph 16 of this letter and in paragraph 16 of Part 2 of this document.

Your Board unanimously recommends you to vote in favour of the Proposals and requests you to complete, sign and return the Forms of Proxy enclosed with this document as soon as possible, but in any event no later than 48 hours before the time appointed for the relevant meeting, being 10.20 a.m. on 26 April 2004 for the BLUE Form of Proxy for the Court Meeting and 10.30 a.m. on 26 April 2004 for the GREEN Form of Proxy for the EGM. The Form of Proxy in respect of the Court Meeting may alternatively be handed to the Chairman of the Court Meeting at that meeting.

## **2. Background to and reasons for the Proposals**

Your Board has for some time been considering ways in which to improve the efficiency of the capital structure of the Group, in particular the balance between equity funding and debt funding, and to rationalise the Group's corporate structure around its core estate agency and professional property services businesses and the Life Business.

### *The Demerger*

The Board has taken the decision to demerge the Life Business from the rest of the Countrywide Group for the following reasons:

- the Life Business is substantially closed to new business and its activities are fundamentally different in nature to the rest of the Countrywide Group;
- there are no operating synergies between the two businesses or any other compelling reasons for them to remain as part of the same group;
- the capital requirements and investment propositions of the two businesses are entirely different; and
- it gives Shareholders a pure play investment in both the UK's leading residential estate agency and professional property services business and in a well capitalised life assurance business with a significant potential dividend stream.

The Demerger will:

- create two separate UK listed companies, offering discrete investment propositions with clear market valuations;
- create greater flexibility for the continuing Countrywide business and for the Life Business to manage their own resources and pursue strategies appropriate to their respective markets, including the adoption of more appropriate capital structures; and
- leave the remaining Countrywide business as a highly cash generative, market leading residential estate agency and professional property services business.

Following the Demerger the Life Business will:

- target the payment of a dividend of approximately £10 million in respect of the year ending 31 December 2004, equating to approximately 3.0 pence per Existing Ordinary Share;
- be capable of producing an attractive ongoing dividend yield for shareholders, arising both from future earnings and the potential release of surplus capital;
- be well capitalised with solvency margins significantly in excess of regulatory requirements;
- have a strong board and senior management team with an average of over 15 years' experience managing life assurance businesses; and
- be able to pursue an independent strategy, which is likely to include the outsourcing of certain of its operations and the minimisation of operating costs and may also include acquiring or managing other closed books of insurance business.

### *Return of Capital*

Your Board has considered the appropriate capital structure for the continuing Countrywide Group following the Demerger of the Life Business, taking into account both the cash generative nature of the

Non-life Business and the markets in which it operates. As a result, the Board is proposing a significant return of capital to Shareholders by means of the Return of Capital, which, when added to the 2003 Final Dividend, will give Shareholders a substantial cash payment of, in aggregate, approximately £100 million (equating to approximately 30.6 pence per Existing Ordinary Share). The Return of Capital will leave the Countrywide Group with a more efficient capital structure going forward, with a more appropriate balance between equity and debt and consequently a lower overall cost of capital. The Return of Capital will be assisted by a new £100 million revolving bank facility; further details of this facility are set out in paragraph 13.3 of Part 5 of the Countrywide Listing Particulars.

The Return of Capital will only be completed if the Demerger becomes effective and if the bank facilities described above become unconditionally available to Countrywide.

### **3. Outline of the Proposals**

There are a number of key elements to the implementation of the Proposals:

- (a) the creation of a new listed company, Countrywide plc, which will, pursuant to the Scheme, become the new holding company of the residential estate agency and professional property services businesses;
- (b) the creation of a new listed company, Chesnara plc, which will become the new holding company of the Life Business;
- (c) the Return of Capital to Shareholders, pursuant to the Scheme, which will result in a cash payment to Shareholders of, in aggregate, £85 million (equating to approximately 25.8 pence per Existing Ordinary Share in issue) and which, when added to the payment of the 2003 Final Dividend, will result in a cash payment to Shareholders of, in aggregate, approximately £100 million (equating to approximately 30.6 pence per Existing Ordinary Share in issue); and
- (d) the separation of the Group, pursuant to the Demerger, into two new separate listed companies:
  - Countrywide plc, which will own the residential estate agency and professional property services businesses; and
  - Chesnara plc, which will own the Life Business.

Shareholders should note that the Return of Capital referred to at (c) above will only be completed if the Demerger becomes effective and if the bank facilities described in paragraph 2 above become unconditionally available to Countrywide.

### **4. Effect of the Proposals**

As a result of the Proposals you will receive, in exchange for the Existing Ordinary Shares you hold at 4.30 p.m. on 21 May 2004, New Ordinary Shares, Chesnara Shares and a cash payment on the following basis:

**For every 4 Existing Ordinary Shares**

**2 New Ordinary Shares  
and  
1 Chesnara Share  
and  
approximately 122.2 pence in cash  
(comprising approximately 103.2 pence  
by way of the Return of Capital  
and 19 pence by way of the 2003  
Final Dividend)**

The amount of cash paid to Shareholders per Existing Ordinary Share in respect of the Return of Capital set out above is based on the number of Existing Ordinary Shares currently in issue; the exact Return of Capital per Existing Ordinary Share will be based on the number of Existing Ordinary Shares in issue as at the Scheme Record Time. As part of the Proposals, your Existing Ordinary Shares will be cancelled. The consolidation ratios set out above arising from the Countrywide Share Consolidation and the Chesnara Share Consolidation are intended to ensure that the Countrywide plc and Chesnara plc shares trade at an appropriate level on Admission.

Application has been made for the New Ordinary Shares and the Chesnara Shares to be admitted to the Official List and for such shares to be admitted to trading on the London Stock Exchange, in the same way as your Existing Ordinary Shares. Immediately after the completion of the Proposals, and subject to the effect

of any exercise of options under the Countrywide Assured Group Share Plans (and to any other share issues prior to the Scheme Effective Time and ignoring the effect of the Subscriber Shares), you will own the same proportion of both Countrywide and Chesnara, in the form of your New Ordinary Shares and your Chesnara Shares respectively, as you currently own of Countrywide Assured Group, in the form of your Existing Ordinary Shares.

Further details of the Proposals, including the conditions to which the Proposals are subject, are set out in the Explanatory Statement from Hawkpoint in Part 2 of this document. The Scheme is set out in Part 6 of this document.

#### *Management incentivisation*

Countrywide's Executive Directors and senior management will be eligible to participate in the Countrywide Share Plans. More details of the Countrywide Share Plans can be found in the Countrywide Listing Particulars.

Chesnara proposes to adopt a cash-based long-term incentive plan for its Executive Directors and senior management, who will also be eligible to participate in the Chesnara Share Plans. More details of the Chesnara Management Performance Incentive Plan and the Chesnara Share Plans can be found in the Chesnara Listing Particulars.

### **5. Countrywide**

Countrywide plc will become the holding company of Countrywide Assured Group. The continuing activities of the Countrywide Group will consist of the estate agency business (Countrywide Estate Agents) and the surveying, conveyancing and financial services businesses, which comprise Countrywide Surveyors, Countrywide Property Lawyers, Countrywide Assured Financial Services, Countrywide Assured Mortgage Services, Countrywide Assured Insurance Services and Countrywide Lending Solutions.

With over 875 offices, including 76 franchised offices in the UK, the Group's residential estate agency business is the largest network of estate agents in the UK. Its well known brands include John D. Wood & Co., Faron Sutaria, Bairstow Eves, Mann & Co, Palmer Snell and Taylors.

The surveying, conveyancing and financial services businesses provide surveys on behalf of lenders, residential conveyancing services and mortgage and insurance broking services. Products offered include mortgages, income protection policies, general insurance policies and mortgage and personal protection policies.

The Countrywide Group is one of the UK's largest arrangers of mortgage products and other financial services products associated with housing transactions. In the year ended 31 December 2003, the Countrywide Group arranged over £4.6 billion of mortgages on behalf of its panel of leading mortgage providers. The current level of the Countrywide Group's mortgage arranging activities is equivalent to placing a mortgage with approximately 60 per cent. of those customers who buy a property through the Countrywide Group. A significant majority of those customers taking a mortgage product also purchase one or more general insurance and/or mortgage protection products.

In addition, the Countrywide Group has the UK's largest residential surveying and valuation practice, with approximately 645 qualified surveyors providing residential surveys and valuations, principally on behalf of lenders and/or purchasers. It also has one of the largest residential conveyancing businesses in the UK and has a nascent remortgage conveyancing business, which is due to commence operations in the second half of 2004, in order to take advantage of this rapidly expanding market.

The Non-life Business generated operating profits of £81.5 million on revenues of £455 million in the year ended 31 December 2003.

#### *Strategy*

The strategy of the Countrywide Group going forward will be to:

- develop its nascent remortgage conveyancing business and also increase the market share of its existing residential conveyancing business by exploiting the additional capacity provided by the recent investment in IT systems;
- reap the full benefits from the consolidation of the estate agencies that it acquired from Friends Provident and make further acquisitions when opportunities arise;
- develop further its estate agency franchising operations;

- expand its Spanish estate agency business and explore other possible geographies for expansion;
- increase further the penetration of its financial services products;
- continue to expand the Countrywide Group's surveying business by increasing the number of surveyors and the implementation of more efficient IT systems and continue to consider acquisitions when opportunities arise; and
- maximise the opportunities available to the Countrywide Group from the probable introduction of Home Information Packs.

Further information on the Countrywide Group is set out in the accompanying Countrywide Listing Particulars.

## **6. Chesnara**

The Life Business is based in Preston and operates predominantly in the UK with a small presence in Guernsey. Around 200 staff manage the existing life book and administer approximately a quarter of a million policies, most of which are either non-linked term assurance or linked endowment policies.

As at 31 December 2003, the embedded value of the Life Business was £152.7 million, which comprised of £54.2 million of net assets and retained surplus and £98.5 million of value-in-force, net of cost of capital of £4.4 million. The Life Business' solvency cover at this date was approximately 177 per cent. of the required minimum under FSA rules. The solvency cover was reduced to 160 per cent. as a result of new solvency rules which became effective on 1 January 2004. Details of the impact due to the change of solvency rates are set out in section 8 of Part 3 of the Chesnara Listing Particulars.

In August 2002, the financial services division of Countrywide Assured Group entered into a distribution agreement and the Life Business entered into reinsurance arrangements with Friends Provident. The Life Business ceased to write new business under the reinsurance arrangement with effect from 8 August 2003, thereby substantially closing the Life Business to new business. It continues to service existing clients and market a small number of Guaranteed Income Bonds and Guaranteed Growth Bonds and protection products, as market conditions allow.

As a substantially closed book, it is expected that the embedded value will decline over time as the surplus emerging is distributed by way of dividends and the number of policies in-force is reduced. As the book runs off, the regulatory capital supporting the Life Business may also be reduced and distributed.

In common with the rest of the industry, in response to its current programme of mailing re-projections to mortgage endowment policyholders, the Life Business is currently experiencing a higher level of complaints than normal. This experience has been reflected in the current endowment mis-selling claims provision of £12.25 million.

The Life Business' funds under management are approximately £857 million (as at 31 December 2003) and are principally managed by Henderson and Schroders. Those assets backing Guaranteed Income Bonds and Guaranteed Growth Bonds (approximately £170 million), which are generally AA rated or above and of suitable term, are managed directly by the Life Business.

In the United Kingdom the profits of a life insurance company are required to be presented under the modified statutory solvency basis ("MSSB") method and may also be presented as supplementary information under the achieved profit basis ("Achieved Profit Basis"). The Achieved Profit Basis is supplementary financial information, which is published regularly by life insurance companies listed on the London Stock Exchange.

The MSSB loss after tax for the year ended 31 December 2003 was £10.8 million. On an Achieved Profit Basis, the loss after tax for the year ended 31 December 2003 was £46.4 million.

Detailed financial information in respect of the Life Business is contained in Part 3 of the Chesnara Listing Particulars.

### *Strategy*

The Chesnara Group's principal objective is to maximise cash flows and shareholder returns from its life books, which are substantially closed to new business, and to continue to service its existing policyholders.

Chesnara aims to maximise shareholder returns through the release of capital and dividends to shareholders. In order to achieve this:

- the Chesnara Group will focus on operating efficiency by reducing costs and managing them to reflect appropriately the run-off profile of its life book. The Board of Chesnara will consider outsourcing or joint ventures as a means of achieving operating efficiency;
- the Chesnara Group will continue to provide accurate and timely services to its existing policyholders with a focus on policyholder retention through the ongoing development of its customer facing teams. This will include maintaining investment performance through effective management of the Chesnara Group's external and internal fund management operations;
- the Chesnara Group will continue to sell a small number of protection policies to existing customers and Guaranteed Income Bonds and Guaranteed Growth Bonds. In addition, the Board of Chesnara may choose to sell other low risk products in order to enhance future cash flows; and
- the Chesnara Group will focus on the development and retention of key personnel, many of whom have significant experience of the life assurance industry. The successful operation of the Chesnara Group is largely dependent on having high quality people.

In the medium term, the Board of Chesnara may also consider acquiring other life assurance books similar to its own. Chesnara would act as a consolidation platform for such books and take advantage of potential economies of scale. The Board of Chesnara will be seeking to ensure that such acquisitions do not disturb the cash flows emerging from the existing book.

## 7. Management and board changes

Following the Demerger, Countrywide and Chesnara will be separate listed companies. The boards of the two companies upon Admission will be as follows:

	<b>Countrywide plc</b>	<b>Chesnara plc</b>
Non-executive Chairman	Christopher Sporborg	Christopher Sporborg
Group Managing Director/Chief Executive	Harry Hill	Graham Kettleborough
Group Finance Director/Finance Director	Michael Nower	Ken Romney
Executive Director		Frank Hughes
Non-executive Directors	Michael Gordon	Michael Gordon
	Andrew Brown	Peter Mason
	Peter Mason	Terry Marris

In addition, Countrywide will create an Executive Board which, in addition to Harry Hill and Michael Nower, will consist of the following senior executives:

Gerald Fitzjohn	National Sales Director, Estate Agency & Financial Services
Terry Marris	Managing Director, Countrywide Property Lawyers
Christopher Shaw	Managing Director, Countrywide Surveyors
Anthony Ekins	Divisional Director, London, Estate Agency & Financial Services
Anthony Crew	Managing Director, Countrywide Spain
John Williams	Managing Director, Countrywide Financial Services

## 8. Proposed name changes

In order to emphasise the different nature of the Non-life Business and the Life Business operations, upon the Demerger the names of all Countrywide Group operations will be amended to remove "Assured" from their titles.

## 9. Approval of the Proposals

Shareholder approval of the Proposals is required at both the Extraordinary General Meeting and the Court Meeting.

At the Extraordinary General Meeting, Shareholders will be asked to approve the insertion of Countrywide as the new holding company of Countrywide Assured Group, certain consequential changes to the share capital and articles of association of Countrywide Assured Group, the Countrywide Share Consolidation, the Demerger, the Reduction of Capital and the Chesnara Share Consolidation.

Shareholders will also be asked to approve the adoption of the Countrywide Share Plans, the Chesnara Share Plans and the Chesnara Management Performance Incentive Plan.

The Scheme and the Reduction of Capital also require the sanction of the Court.

Notices of the Court Meeting and the Extraordinary General Meeting are set out in Parts 7 and 8 respectively of this document.

## **10. Taxation**

A general description of the UK tax consequences of the Proposals is contained in Part 3 of this document.

If you are in any doubt as to your tax position in relation to any aspect of the Proposals, you should consult an appropriate professional adviser without delay. The absence of any reference to the tax consequences of the Proposals for Shareholders who are subject to tax in any particular jurisdiction should not be taken to imply that the implementation of the Proposals might not have adverse tax consequences for such Shareholders.

## **11. Employee share schemes**

The effect of the Proposals on the existing entitlements under the Countrywide Assured Group Share Plans is summarised in paragraph 11 of Part 2 of this document.

Each of Countrywide and Chesnara intends to adopt an all-employee savings related share option plan and discretionary approved and unapproved share option plans. More details of these plans and the applicable limits can be found in the accompanying Listing Particulars.

In accordance with best corporate governance practice, Shareholders will be asked at the EGM to approve the Countrywide Share Plans, the Chesnara Share Plans and the Chesnara Management Performance Incentive Plan.

## **12. Current trading and prospects**

### *Countrywide*

The Non-life Business started 2004 with a strong pipeline of sales arranged awaiting exchange, and in January and February business has been stronger than the comparable period in 2003; the fee value of net new sales arranged in February was the second best ever achieved in a single month in the Group's corporate history. Both volumes and house prices have continued to rise since the beginning of the year, and thus the fee value of house sales arranged has increased by £11.2 million over the same period last year.

Although sales in the financial services business started the year slowly, momentum has since increased, while both Countrywide Surveyors and Countrywide Property Lawyers have had encouraging starts to 2004.

With a pipeline of commission 31 per cent. up on the comparable period last year, and strong activity levels across all divisions, the current outlook for the Non-life Business appears to be excellent.

### *Chesnara*

The Board of Chesnara believes that, following the substantial closure to new business, the Life Business is well positioned to manage the existing book of business efficiently and deliver management's objective of maximising cash flows and shareholder returns.

An update on the key factors that are likely to affect the Chesnara Group's financial performance and trading during 2004 are set out below. Shareholders should note that 2004 year-to-date experience consists of only two months and therefore there can be no certainty that the trading experience of these two months will turn out to apply to the year as a whole.

- *Mortgage endowment complaints:* complaints received in the first two months of 2004 have been significantly higher than expected. However, this has been offset to some extent by a decrease in the uphold rate. The provision at the end of 2003 makes allowance for this experience.
- *Persistency:* experience during the first two months of 2004 has generated a small positive variance to the underlying assumptions. The temporary lapse rate assumptions reflect additional adverse persistency for protection policies during 2004 and endowment policies during 2004 and 2005, after which point increased longer-term persistency rates are assumed to apply.
- *Operating expenses:* the Life Business has operated in line with its expense budgets and to related deductions from premiums for the first two months of 2004.
- *Investment performance:* movements in those investment markets to which the Life Business is exposed have had no significant impact in the first two months of 2004.

The Board of Chesnara believes that the financial strength of the Life Business, the substantial closure to new business and the recent strengthening of the endowment complaints reserve and the lapse rate assumptions, provide a strong platform for Chesnara's future as an independent entity. The Board of Chesnara is confident of its prospects for the remainder of the financial year and believes that surpluses from the life book should now begin to emerge, together with the release of capital in the longer-term as the book runs off.

### **13. Dividend policy**

#### *Countrywide*

The Board of Countrywide has given careful consideration to the appropriate dividend policy for the Group following the Demerger, taking into account both the cash generative nature of Countrywide's business and the markets in which it operates. The Board of Countrywide intends to pursue a progressive dividend policy and, in the absence of unforeseen circumstances, it intends to target a level of dividend cover of 2.5 to 3.0 times for the year ending 31 December 2004, based on pre-exceptional earnings.

#### *Chesnara*

The Board of Chesnara intends to provide an attractive dividend flow for its shareholders. In setting the dividend policy for Chesnara, the Board of Chesnara will have regard to both the cashflows generated by the Life Business, the outlook for the business going forward and the level of capital in the Life Business which is surplus to that required to maintain prudent solvency margins. The board of the Life Business has historically targeted a 150 per cent. or greater solvency margin, a policy the Board of Chesnara intends to continue to pursue.

Barring unforeseen circumstances and subject to the capital adequacy requirements referred to above, the Board of Chesnara is targeting the payment of an aggregate dividend of approximately £10 million, after prudently satisfying the minimum solvency requirement, in respect of the year ending 31 December 2004 (equating to approximately 3.0 pence per Countrywide Assured Group Share currently in issue). In particular, Shareholders should note that any adverse movements in the endowment complaints provision would affect the amount of surplus emerging from the life book and consequently Chesnara's dividend capacity.

As surplus profit emerges in future years, the Board of Chesnara believes that there should be scope to pay out any further excess cash as dividends in subsequent years, subject to the need to retain funds within the Life Business to maintain prudent reserves and to pursue its future strategy. In pursuing new strategies, as discussed in section 4 of Part 1 of the Chesnara Listing Particulars, the Board of Chesnara will focus on providing a steady dividend flow to shareholders and seek to ensure that such strategies do not disturb the cash flows emerging from the existing book.

The Board of Chesnara intends that the first dividend to be paid following Admission will be in respect of the period from Admission to 30 June 2004, which is expected to be paid in November 2004. Subsequently, it is intended that interim dividends will be paid in November and final dividends will be paid in May each year. Initially, the interim dividend is expected to represent approximately 40 per cent. of the expected total annual dividend.

### **14. Further information**

Notices convening the Court Meeting and the EGM are set out in Parts 7 and 8 of this document. The remainder of this document contains important information to help you to decide how to vote. Please do not just rely on the summary information contained in this letter.

Additional information on Countrywide Assured Group is contained in Part 5 of this document. If you wish, you can also obtain additional copies of the Listing Particulars free of charge from Countrywide Assured Group's registered office or from the offices of Pinsents at Dashwood House, 69 Old Broad Street, London EC2M 1NR.

### **15. Overseas Shareholders**

Further information for Overseas Shareholders is contained in paragraph 13 of Part 2 of this document.

### **16. Action to be taken**

You are being asked to approve the Proposals which involve the creation of a new holding company for Countrywide Assured Group, the Return of Capital of £85 million to Shareholders and the Demerger of the Life Business. Further information relating to the specific resolutions being proposed is set out in paragraph

15 of Part 2 of this document. It is very important that you use your vote in order that the Court can be satisfied that the votes cast constitute a fair representation of the views of Shareholders.

With this document you will find two Forms of Proxy, a BLUE one for the Court Meeting and a GREEN one for the EGM, which are the meetings at which your Board will ask you to approve the Proposals. Please ensure you complete, sign and return both Forms of Proxy to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but, in any event, so as to be received no later than 10.20 a.m. and 10.30 a.m. on 26 April 2004 for the Court Meeting and the EGM respectively. In the case of the Court Meeting, the BLUE form can alternatively be handed to the Chairman at the meeting.

The Court Meeting will be held on 28 April 2004 at 10.20 a.m. (or as soon thereafter as the Annual General Meeting concludes or is adjourned) and the EGM will be held on 28 April 2004 at 10.30 a.m. (or as soon thereafter as the Court Meeting concludes or is adjourned). The meetings (including the Annual General Meeting) will be held at the offices of Pinsents at 1 Gresham Street, London EC2V 7BU.

#### **17. Recommendation**

Your Board, which has been so advised by Hawkpoint in its capacity as financial adviser to Countrywide Assured Group, considers the terms of the Proposals to be fair and reasonable and the Proposals to be in the best interests of Shareholders as a whole. In providing advice to Countrywide Assured Group, Hawkpoint has relied on the Board's commercial assessments.

Accordingly, the Directors of Countrywide Assured Group unanimously recommend that Shareholders vote in favour of the Scheme and in favour of the resolutions to be proposed at the EGM, as they intend to do in respect of their own beneficial holdings of 1,617,711 Existing Ordinary Shares which represent approximately 0.5 per cent. of Countrywide Assured Group's existing issued share capital.

Yours faithfully

**Christopher Sporborg**  
*Chairman*

## PART 2

### Explanatory statement from Hawkpoint Partners Limited

# HAWKPOINT

18 March 2004

*To Countrywide Assured Group Shareholders and, for information only, to holders of options under the Countrywide Assured Group Share Plans*

Dear Shareholder

#### **Recommended proposals for the demerger of the Life Business and for a payment of cash to Shareholders of approximately £100 million in aggregate**

#### **1. Introduction**

Your attention is drawn to the letter from your Chairman in Part 1 of this document, which outlines the reasons for the Proposals and contains the recommendation of your Board. The Chairman's letter forms part of this Explanatory Statement.

#### **2. Summary of the Proposals**

The Proposals will result in two separately listed companies, comprising the UK's leading residential estate agency and professional property services business and a well capitalised life assurance business with a significant potential dividend stream. In the Board's unanimous view, this will enhance the ability of both companies to generate value for Shareholders in the future. The Return of Capital, which also forms part of the Proposals, will result in a return of cash to Shareholders of, in aggregate, £85 million (equating to approximately 25.8 pence per Existing Ordinary Share in issue) and, when added to the payment of the 2003 Final Dividend, will result in a payment to Shareholders of, in aggregate, approximately £100 million (equating to approximately 30.6 pence per Existing Ordinary Share in issue).

Following implementation of the Proposals, Countrywide will become the ultimate holding company (through Countrywide Assured Group) for the estate agency and professional property services businesses, and Chesnara will become the ultimate holding company for the Life Business. Shareholders will hold New Ordinary Shares and Chesnara Shares instead of their Existing Ordinary Shares and will also receive £85 million in cash (equating to approximately 25.8 pence per Existing Ordinary Share in issue) by way of the Return of Capital, in addition to the payment of the 2003 Final Dividend of 4.75 pence per Existing Ordinary Share, on the basis set out below.

Under the currently expected timetable, if you are on the shareholder register of Countrywide Assured Group at 4.30 p.m. on 21 May 2004, you will receive the following:

**For every 4 Existing Ordinary Shares**

**2 New Ordinary Shares  
and  
1 Chesnara Share  
and  
approximately 122.2 pence in cash  
(comprising 103.2 pence by way of the Return of  
Capital and 19 pence by way of the 2003 Final  
Dividend)**

The amount of cash paid to Shareholders per Existing Ordinary Share in respect of the Return of Capital, set out above, is based on the number of Existing Ordinary Shares currently in issue; the exact Return of Capital per Existing Ordinary Share will be based on the number of Existing Ordinary Shares in issue as at the Scheme Record Time.

Under the Proposals:

- (a) the Existing Ordinary Shares will be cancelled pursuant to the Scheme and Shareholders at the Scheme Record Time will:
  - (i) have allotted and issued to them New Ordinary Shares, credited as fully paid; and
  - (ii) also receive, in aggregate, £85 million in cash (equating to approximately 25.8 pence per Existing Ordinary Share then held) by way of the Return of Capital, in addition to the 2003 Final Dividend of 4.75 pence per Existing Ordinary Share;
- (b) following the cancellation of the Existing Ordinary Shares, the issued share capital of Countrywide Assured Group will be restored to its former amount by the application of the credit arising in the books of Countrywide Assured Group in issuing shares of an equivalent nominal amount to Countrywide;
- (c) the New Ordinary Shares will be consolidated on a 1 for 2 basis;
- (d) the Life Business will be transferred from Countrywide Assured Group to Countrywide and Countrywide will then, by way of the Reduction of Capital (which also requires Court approval) transfer the Life Business to Chesnara;
- (e) in consideration of the transfer described at paragraph (d) above, Chesnara will issue 1 Chesnara Share, credited as fully paid, to Countrywide Shareholders for every 1 New Ordinary Share they then hold;
- (f) the Chesnara Shares will be consolidated on a 1 for 2 basis; and
- (g) Countrywide will become the new holding company of Countrywide Assured Group and the issued share capital of Countrywide and Chesnara will be owned by the former Countrywide Assured Group Shareholders.

The rights attaching to the New Ordinary Shares and to the Chesnara Shares will be equivalent to the rights attaching to the Existing Ordinary Shares in all material respects. Holders of Existing Ordinary Shares whose holdings are registered in CREST will automatically have their New Ordinary Shares and Chesnara Shares credited to their CREST accounts.

### **3. Detailed terms and description of the Proposals**

#### *The Scheme*

The Board has determined that, in order to effect the Proposals in full, it is necessary to insert a new holding company, Countrywide, above Countrywide Assured Group. This will be effected pursuant to the Scheme, which is a Court approved process under section 425 of the Companies Act. Under the Scheme, Shareholders will receive New Ordinary Shares and (when aggregated with the payment of the 2003 Final Dividend) a cash payment of approximately 30.6 pence per Existing Ordinary Share, in place of their Existing Ordinary Shares.

Although the Scheme provides for Shareholders to receive a New Ordinary Share for each Existing Ordinary Share held at the Scheme Record Time, the Countrywide Share Consolidation (which will take place after the Scheme has come into effect but before the Demerger is implemented) will consolidate New Ordinary Shares on a 1 for 2 basis. As this consolidation will be implemented before Admission of the New Ordinary Shares, shareholdings in Countrywide will have been adjusted to reflect the Countrywide Share Consolidation by the time that holders of New Ordinary Shares are able to commence trading these shares on the London Stock Exchange. Any fractions arising from the Countrywide Share Consolidation will be aggregated and sold with the net proceeds being retained by the Company.

Under the Scheme:

- (a) all Existing Ordinary Shares in issue will be cancelled and the holders of Existing Ordinary Shares at the Scheme Record Time will be allotted one New Ordinary Share, credited as fully paid, and, subject to the conditions set out below (and when aggregated with the payment of the 2003 Final Dividend), will also be paid approximately 30.6 pence in cash for every Existing Ordinary Share then held; and
- (b) because the Existing Ordinary Shares will have been cancelled, a credit will arise in the books of account of Countrywide Assured Group, and this credit will be used to pay up in full at par new ordinary shares in Countrywide Assured Group equal in number to the Existing Ordinary Shares cancelled. These will be issued to Countrywide or its nominee in return for the issue of the New

Ordinary Shares and the payment of cash to Countrywide Assured Group Shareholders which, when added to the payment of the 2003 Final Dividend, will result in a payment to Shareholders of approximately 30.6 pence per Existing Ordinary Share.

The Return of Capital will be approved as part of the Scheme. The payment of the 2003 Final Dividend is not dependent on the approval or sanction of the Scheme.

Pursuant to the Scheme, Countrywide will become the holding company of Countrywide Assured Group and all of the New Ordinary Shares will be owned by former Countrywide Assured Group Shareholders (other than those New Ordinary Shares owned by the Countrywide Subscribers). At present, Countrywide is wholly owned by the Countrywide Subscribers.

At the Extraordinary General Meeting, Shareholders will be asked to authorise the issue and allotment to Countrywide of one new deferred share in Countrywide Assured Group. This deferred share is required to be issued and allotted to Countrywide prior to the Scheme Effective Time in order to avoid the risk of a legal technicality.

Immediately prior to the Scheme Effective Time, the Countrywide Subscribers will each hold a single ordinary share in Countrywide. The Countrywide Subscribers may acquire a limited number of further ordinary shares prior to the Countrywide Share Consolidation so as to ensure that there will be a whole number of New Ordinary Shares and Chesnara Shares in issue after the Countrywide Share Consolidation and the Chesnara Share Consolidation have been effected and to maintain the proportions of subscriber shareholdings between Countrywide and Chesnara. One of the two Countrywide Subscribers will also hold a redeemable preference share of £50,000 in Countrywide. Immediately following the Scheme Effective Time, all of the remaining share capital of Countrywide will be held by former Countrywide Assured Group Shareholders. Countrywide intends to redeem the redeemable preference share as soon as is reasonably practicable following the Demerger Effective Time.

The nominal value of the New Ordinary Shares to be issued pursuant to the Scheme will be determined by resolution of the Countrywide Subscribers shortly before the Scheme Effective Time. It is expected that, following the Scheme becoming effective, and following the Countrywide Share Consolidation and Reduction of Capital, the nominal value of the New Ordinary Shares will be 5 pence per share.

As part of the applications to the Court in connection with the Scheme and the Reduction of Capital occurring as part of the Scheme, Countrywide Assured Group will seek an order from the Court under section 139 of the Companies Act authorising the re-registration of Countrywide Assured Group as a private company.

The Scheme is not conditional upon the Demerger proceeding, but the Demerger will not proceed unless the Scheme has become effective. If for any reason the Demerger does not proceed, the Scheme may still become effective and Shareholders will receive New Ordinary Shares only but will not receive Chesnara Shares and will not receive the Return of Capital.

#### *Transfer of the Life Business*

Following the Scheme becoming effective, the Life Business will be transferred by Countrywide Assured Group to Countrywide (by way of a transfer of the shares of Countrywide Assured Life Holdings Limited) at market value, with the consideration being left outstanding on inter-company loan account. The result of this is that the Life Business will no longer be owned by Countrywide Assured Group but will be owned directly by Countrywide.

The Court will be asked to sanction the terms of this transfer of the Life Business as part of the Scheme. Without this sanction, the transfer of the Life Business on these terms may involve unlawful financial assistance under technical provisions of English company law.

#### *Countrywide Share Consolidation*

It is proposed that the Countrywide Share Consolidation (under which New Ordinary Shares will be consolidated on a 1 for 2 basis) will be approved, conditional on the Scheme becoming effective, by the Countrywide Subscribers prior to the Scheme Effective Time. The Countrywide Share Consolidation will be implemented after the Scheme Effective Time but before the Demerger Effective Time.

The Countrywide Share Consolidation could result in Countrywide Shareholders being entitled to fractions of New Ordinary Shares. However, the terms of the Countrywide Share Consolidation will provide that no Countrywide Shareholder will be entitled to hold a fraction of a New Ordinary Share. Instead, all fractions

of shares will be aggregated and consolidated into whole New Ordinary Shares which will be transferred to a nominee. These whole New Ordinary Shares will be sold (together with the Chesnara Shares issued to that nominee pursuant to the terms of the Demerger in respect of these New Ordinary Shares) as soon as reasonably practicable following the implementation of the Proposals and the net proceeds of such sales will be retained by Countrywide. None of Countrywide Assured Group, Countrywide, Chesnara or the nominee (nor any of their respective agents) will have any liability for any losses or damages arising as a result of the timing or terms of this sale, barring bad faith or wilful default.

In order to ensure that the number of New Ordinary Shares and Chesnara Shares in issue following the Countrywide Share Consolidation and the Chesnara Share Consolidation is a number which will result in a whole number of New Ordinary Shares and Chesnara Shares, Countrywide Assured Group may purchase or issue new Existing Ordinary Shares under the terms of existing authorisations before the Scheme Record Time. In addition, Countrywide will have been authorised to issue New Ordinary Shares and may take advantage of this authorisation and issue New Ordinary Shares following the implementation of the Scheme (and prior to the Countrywide Share Consolidation Record Time) for the same purpose. Countrywide and Chesnara may also take advantage of relevant authorities (and/or the subscriber shareholders may gift back shares) in order to maintain or achieve the desired proportionality of subscriber shareholdings between Countrywide and Chesnara.

#### *The Reduction of Capital and the Demerger*

The Demerger will not proceed unless the Scheme, the transfer of the Life Business and the Countrywide Share Consolidation have occurred. Assuming these steps have taken place and the other conditions to the Demerger explained below have been satisfied, Chesnara will then issue Chesnara Shares to Countrywide Shareholders on the following basis:

<b>For every 1 New Ordinary Share held in Countrywide (after the Countrywide Share Consolidation)</b>	<b>1 Chesnara Share (before the Chesnara Share Consolidation)</b>
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The Demerger will be effected by the Reduction of Capital, which will involve a reduction in the nominal value of the New Ordinary Shares and which, like the Scheme, is a Court approved process. The Demerger will be effected as follows:

- (a) the share capital of Countrywide will be reduced by reducing the nominal value of each New Ordinary Share by an amount which, in aggregate, is expected to exceed the market value of the Life Business (the amount of such excess being credited to the reserves of Countrywide and being expected to be distributable);
- (b) Countrywide will transfer the Life Business to Chesnara (by way of a transfer of the shares of Countrywide Assured Life Holdings Limited) with the result that Chesnara becomes the holding company of the Life Business; and
- (c) Countrywide Shareholders (other than the Chesnara Subscribers) at the Demerger Record Time will be allotted and issued 1 Chesnara Share, credited as fully paid, for every 1 New Ordinary Share then held.

#### *Chesnara Share Consolidation*

The Chesnara Share Consolidation under which Chesnara Shares will be consolidated on a 1 for 2 basis will be approved, conditional upon the Demerger becoming effective, by the Chesnara Subscribers prior to the Demerger Effective Time. The Chesnara Share Consolidation will be implemented immediately after the Demerger Effective Time and immediately before the Admission of the Chesnara Shares.

The terms of the Chesnara Share Consolidation could result in Countrywide Shareholders being entitled to fractions of Chesnara Shares. The terms of the Chesnara Share Consolidation will provide that no Countrywide Shareholder will be entitled to hold a fraction of a Chesnara Share. Instead, all fractions of such shares will be aggregated and consolidated into whole Chesnara Shares which will be transferred to a nominee. These shares will be sold as soon as reasonably practicable following the implementation of the Proposals and the net proceeds of such sale will be retained by Chesnara. None of Countrywide Assured Group, Countrywide, Chesnara or the nominee will have any liability for any losses or damages arising as a result of the timing or terms of this sale, barring bad faith or wilful default.

The end result will be that former Countrywide Assured Group Shareholders will hold 2 New Ordinary Shares and 1 Chesnara Share in place of every 4 Existing Ordinary Shares held at the Scheme Record Time and will also have received (when aggregated with the payment of the 2003 Final Dividend) approximately 30.6 pence in cash for each Existing Ordinary Share held.

Numis has been appointed as stockbroker to Chesnara. Pursuant to the terms of its appointment, Numis will receive, on the Admission of Chesnara, options to subscribe for such number of Chesnara Shares as equals 2 per cent. of the issued share capital of Chesnara at the date of Admission. The exercise price for the shares subject to this option will be calculated on the basis of a market capitalisation of £76.67 million. Numis will be entitled to exercise this option in the period commencing 6 months after Admission and terminating 36 months after Admission. Subject to the aforementioned restriction, and to any limitations imposed by law, Numis may exercise this option at such times and in such instalments as it determines in its absolute discretion.

Definitive share certificates in respect of the New Ordinary Shares and Chesnara Shares will be despatched to Shareholders who hold their shares in certificated form by 1 June 2004.

Cheques in respect of the Return of Capital and the 2003 Final Dividend are expected to be despatched by 11 June 2004.

Application has been made for the New Ordinary Shares and the Chesnara Shares to be admitted to the Official List and to be admitted to trading on the London Stock Exchange's market for listed securities, with dealings expected to commence on 25 May 2004. Application has been made for the New Ordinary Shares and Chesnara Shares to be admitted to CREST with effect from Admission.

#### **4. Conditions of the Proposals**

The implementation of the Proposals in full is conditional upon the following:

- (a) the approval of the Scheme by a majority in number representing 75 per cent. by nominal value of the holders of the Existing Ordinary Shares present and voting either in person or by proxy at the Court Meeting;
- (b) the passing of the necessary resolutions to give effect to the Proposals at the EGM;
- (c) the sanction of the Scheme, and the confirmation of the reduction of capital of Countrywide Assured Group which comprises part of the Scheme, by the Court;
- (d) the registration by the Registrar of Companies of an office copy of the Court Order sanctioning the Scheme and confirming the reduction of capital of Countrywide Assured Group;
- (e) the grant by the UK Listing Authority of permission for the whole of the Countrywide ordinary share capital and the Chesnara ordinary share capital to be admitted to the Official List subject only to allotment, and such permission not being withdrawn prior to the Demerger Effective Time;
- (f) the agreement of the London Stock Exchange for the whole of Countrywide's ordinary share capital and Chesnara's ordinary share capital to be admitted to trading on its market for listed securities, subject only to allotment, and such agreement not being withdrawn prior to the Demerger Effective Time;
- (g) the transfer of the Life Business and the Countrywide Share Consolidation being completed;
- (h) the Board of Countrywide resolving (following the Scheme and the transfer of the Life Business to Countrywide becoming effective and the Countrywide Share Consolidation being completed) that the Demerger is in the best interests of Countrywide and its shareholders and approving the amount of the Reduction of Capital;
- (i) the confirmation of the Reduction of Capital by the Court and the registration by the Registrar of Companies of an office copy of the Court Order confirming the Reduction of Capital;
- (j) the Chesnara Share Consolidation being completed; and
- (k) the conditions precedent to the availability of the bank facilities under the Facility Agreement being satisfied in full. A summary of the Facility Agreement (including a summary of the aforementioned conditions precedent) is included at paragraph 13.3 of Part 5 of the Countrywide Listing Particulars.

#### **5. Management incentivisation**

##### *Countrywide*

Countrywide's Executive Directors and senior management will be eligible to participate in the Countrywide Share Plans.

Further details of the Countrywide Share Plans can be found in the Countrywide Listing Particulars.

## *Chesnara*

Chesnara proposes to adopt a cash-based long-term incentive plan for its Executive Directors.

The Chesnara Management Performance Incentive Plan will enable the Executive Directors of Chesnara to earn a cash bonus of up to two times their annual basic salary, dependent on performance over a 3 year period. One half of the payment will be deferred until the end of the fourth year and will be subject to continuing employment conditions. Participants in the Chesnara Management Performance Incentive Plan will also be eligible to participate in the Chesnara Share Plans.

Further details of the Chesnara Management Performance Incentive Plan and the Chesnara Share Plans can be found in the Chesnara Listing Particulars.

### **6. Timetable**

The Court hearing to sanction the Scheme is expected to be held on 18 May 2004 and the Court hearing to confirm the reduction of capital of Countrywide Assured Group under the Scheme is expected to be held on 20 May 2004. This split hearing is necessary to enable holders of Inland Revenue approved share options to exercise their options on an approved basis and to participate in the Scheme. Shareholders will have the right to attend these hearings to support or oppose the Scheme and to appear in person or be represented by Counsel. The Scheme will only become effective when an office copy of the Court Order sanctioning it is registered by the Registrar of Companies.

The Court hearing to confirm the Reduction of Capital is expected to be held on 24 May 2004. Countrywide Shareholders will have the right to attend the Court hearing to support or oppose the Reduction of Capital and to appear in person or be represented by Counsel. The Reduction of Capital, which implements the Demerger and is necessary to enable the Return of Capital to proceed, will only become effective when an office copy of the Court Order confirming it is registered by the Registrar of Companies.

The Scheme is expected to become effective on 21 May 2004 and the Demerger on 25 May 2004. If the Scheme has not become effective by 30 September 2004 (or such later date as Countrywide Assured Group and Countrywide may agree and the Court may allow), it will lapse and none of the Proposals will proceed. If the Demerger has not occurred by that date, it will not proceed.

In the event that, after the Scheme becomes effective, the remaining conditions to the Demerger are not satisfied prior to the expected date for Admission or shortly thereafter, the Demerger would not proceed but the Board of Countrywide would nevertheless seek the Admission of the New Ordinary Shares. This would require a new application for Admission and the production of new listing particulars for Countrywide as holding company of the Group (including the Life Business).

**It is expected that Existing Ordinary Shares will cease to be listed on the Official List, and will cease to be traded on the London Stock Exchange, at the close of business on Friday 21 May 2004. It is anticipated that New Ordinary Shares and Chesnara Shares will be admitted to the Official List and commence trading on the London Stock Exchange at 8.00 a.m. on Tuesday 25 May 2004.**

### **7. Modifications to the Scheme**

The Scheme contains a provision for Countrywide Assured Group and Countrywide jointly to consent, on behalf of all concerned, to any modification of, or addition or condition to, the Scheme which the Court may think fit to approve or impose. The Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of Shareholders unless Shareholders were informed of any such modification, addition or condition. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Shareholders should be held. Similarly, if a modification, addition or condition is put forward which, in the opinion of the Directors, is of such a nature or importance to require the consent of Shareholders at a further meeting, the Directors will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

### **8. Taxation**

A general description of the UK tax consequences of the Proposals is contained in Part 3 of this document.

If you are in any doubt as to your tax position in relation to any aspect of the Proposals you should consult an appropriate professional adviser without delay. The absence of any reference to the tax consequences of the Proposals for Shareholders who are subject to tax in any particular jurisdiction should not be taken to imply that the implementation of the Proposals might not have adverse tax consequences for such Shareholders.

## **9. Business, directors and employees**

Upon Admission, the composition of the respective Boards of Countrywide and Chesnara will be as set out in paragraph 7 of Part 1 of this document.

Save as set out or referred to herein, no changes are contemplated in the respective operations of Countrywide or Chesnara in terms of their respective businesses, management or staff as a consequence of the Proposals or any element thereof and the rights of the management and employees of Countrywide Assured Group, including existing conditions of service and pension rights, will be fully safeguarded.

## **10. Directors' interests**

The interests of the Directors in the share capital of Countrywide Assured Group are set out in paragraph 2 of section A of Part 5 of this document. Directors who are participants in the Countrywide Assured Group Share Plans will be treated in the same manner as other participants in those plans.

Following the implementation of the Proposals, the Executive Directors of Countrywide will be eligible to participate in the Countrywide Share Plans and the Executive Directors of Chesnara will be eligible to participate in the Chesnara Share Plans and the Chesnara Management Performance Incentive Plan, as described in paragraph 5 of this Explanatory Statement.

Details of Directors' service agreements and terms of their appointment are set out in paragraph 2 of section A of Part 5 of this document. Certain Directors' service agreements or letters of appointment will be novated to Countrywide upon completion of the Proposals. In addition to their service contracts, the Executive Directors of Chesnara are expected to participate in the Chesnara Management Performance Incentive Plan, which involves an additional cash payment if targets are met.

Save as described above and in section A of Part 5, the effect of the Scheme on the interests of the Directors does not differ from its effect on the like interests of other persons.

## **11. Employee share schemes**

Countrywide Assured Group will write to participants in the Countrywide Assured Group Share Plans separately in due course to give them more information about the effect of the Proposals on their participation.

In brief, participants, including Executive Directors, in the Countrywide Assured Group Share Plans will be offered the following choices:

- to exercise any outstanding options or awards immediately following the Court sanctioning the Scheme. Participants who choose to do this will be entitled to participate as Shareholders in the Scheme provided that their holdings have been registered on the register of members of Countrywide Assured Group by, and they are the owners of the Existing Ordinary Shares at, the Scheme Record Time; or
- to roll over their outstanding options or awards immediately after the Scheme Effective Time. Participants who choose to do this will release their existing options or awards in consideration of the grant of new options or awards over shares in Countrywide. The option exercise price and the number of option shares will be adjusted to take account of the Proposals. Where the performance targets for the existing awards and options have already been met, performance targets will not apply following the roll over. The exercise periods for the new options or awards will be the same as applied to the existing options or awards. In particular, participants (including those to be employed within the Chesnara Group) who leave the Countrywide Group will have a specified period in which to exercise following leaving, after which their new options or awards will lapse.

Any participants who do not choose either to exercise or to roll over will have a short period to exercise their options or awards. It is proposed that the Countrywide Assured Group Articles will be amended so that if on exercising options any participants are issued with Existing Ordinary Shares following the Scheme Effective Time they will then automatically receive shares in Countrywide but will not receive either the Return of Capital or Chesnara Shares.

### *(a) Countrywide Assured Group Share Plans other than the SAYE Scheme*

On the date of the Court hearing of the petition to sanction the Scheme, it is anticipated that options and awards will be exercisable under the Countrywide Assured Group Executive Share Option Scheme 1995 ("ESOS 1995"), the Countrywide Assured Group Executive Share Option Scheme 1996 ("ESOS 1996"), the

Countrywide Assured Group Executive Deferred Incentive Scheme (1996) (“EDIS 1996”) and the Countrywide Assured Group Executive Share Bonus Scheme.

Optionholders in these plans may exercise their options within one month of the Court sanctioning the Scheme. The performance targets (where relevant) will not apply to exercise in these circumstances.

As noted above, Optionholders will also be given the opportunity to exchange their options for new options over New Ordinary Shares. Participants who choose to do this will release their existing options or awards in consideration of the grant of new options or awards over Countrywide Shares.

It is proposed that the Countrywide Assured Group Articles will be amended so that any Existing Ordinary Shares to be issued after the Scheme Effective Time on exercise of options will be automatically exchanged for New Ordinary Shares.

*(b) SAYE Scheme*

Options under the SAYE scheme will become exercisable for a period of 6 months after the date on which the Court sanctions the Scheme, although they will only be exercisable to the extent of savings made under the savings contract up to the date of exercise.

As noted above, Optionholders will also be given the opportunity to exchange their options for new options over New Ordinary Shares. Participants who choose to do this will release their existing options or awards in consideration of the grant of new options or awards over Countrywide Shares.

It is proposed that the Countrywide Assured Group Articles will be amended so that any Existing Ordinary Shares to be issued after the Scheme Effective Time on exercise of options will be automatically exchanged for New Ordinary Shares.

*(c) Employee trust*

The trustees of the Countrywide Assured Group Employee Trust will be entitled to vote on the Scheme. To the extent that the trustees hold Existing Ordinary Shares at the time the Proposals are implemented, they will be entitled to receive New Ordinary Shares, Chesnara Shares and the Return of Capital in the same way as other Shareholders.

*(d) New employee share plans*

As mentioned in paragraph 5 of this Part 2, both Countrywide and Chesnara intend to operate new employee share plans to assist in motivating, recruiting and retaining employees following Admission. The respective Listing Particulars contain further details of these plans.

## **12. Articles of association**

The New Articles are substantially the same as the current Countrywide Assured Group Articles. The rights attaching to the New Ordinary Shares and Chesnara Shares will be set out in those New Articles. The New Articles will include a number of minor changes or additions to the Countrywide Assured Group Articles, in order to reflect current practice. Further details of the New Articles and the principal differences between these and the Countrywide Assured Group Articles are set out in Part 4 of this document.

## **13. Overseas Shareholders**

The implications of the Proposals for Overseas Shareholders may be affected by the laws of relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder to satisfy himself or herself as to the full observance of the laws of any relevant jurisdiction in connection with the Proposals, including the obtaining of any governmental, exchange control or other consents which may be required and/or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

It is proposed that changes are made to the Articles of Association of Countrywide Assured Group and a provision is included in the Scheme so that if, in respect of any Overseas Shareholder, Countrywide Assured Group or Countrywide is advised that the allotment and issue of Countrywide Shares pursuant to the Scheme or the issue of Chesnara Shares pursuant to the Demerger would or might infringe the laws of any jurisdiction outside the United Kingdom, or would or might require Countrywide Assured Group, Countrywide or Chesnara to observe any governmental or other consent or any registration, filing or other formality with which any of them cannot comply or compliance with which any of them consider unduly

onerous, Countrywide Assured Group or Countrywide (as appropriate) shall (unless such shareholder satisfies Countrywide Assured Group or Countrywide (as appropriate) that no such infringement or requirement would apply) be entitled to appoint a person to execute as transferor an instrument of transfer of the Existing Ordinary Shares or Countrywide Shares (as appropriate) held by such holder transferring such shares to a nominee to hold such shares on trust for that holder on terms that the nominee shall sell such shares or the Countrywide Shares and/or Chesnara Shares, if any, it receives pursuant to the Scheme and/or the Demerger (as appropriate) in respect of such shares as soon as reasonably practicable thereafter at the best price which can reasonably be obtained at the time of sale, with the net proceeds of sale being remitted (together, where applicable, with the Return of Capital) to the Overseas Shareholder. In the absence of bad faith or wilful default, none of Countrywide Assured Group, Countrywide, Chesnara or any person appointed to sell such shares shall have any liability for any loss or damage arising as a result of the timing or terms of such sale.

This document has been prepared for the purposes of complying with English law and the rules of the UK Listing Authority and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

#### *US Securities Laws*

New Ordinary Shares or Chesnara Shares issued to Shareholders are expected to be exempt from the registration requirements of the US Securities Act pursuant to an exemption from such requirement provided by section 3(a)(10) thereof and, as a consequence, the New Ordinary Shares and Chesnara Shares to be issued to Shareholders have not been registered under the US Securities Act. For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof, Countrywide Assured Group will advise the Court that its sanctioning of the Scheme will be relied upon by Countrywide and Chesnara as an approval of the Scheme following a Court hearing on its fairness to Shareholders. At the Court hearing, all such holders are entitled to attend in person or through Counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such holders.

Neither the US Securities and Exchange Commission nor any state securities commission has approved or disapproved the New Ordinary Shares or the Chesnara Shares or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Except for the circumstances described below, the New Ordinary Shares and the Chesnara Shares issued to Shareholders pursuant to the Proposals (i) should not be treated as “restricted securities” within the meaning of Rule 144(a)(3) of the US Securities Act and (ii) may be resold by such Shareholders (other than restricted affiliates described below) without regards to Rules 144 or 145 under the US Securities Act.

Under Securities laws, a Shareholder (whether or not a US person) who is deemed to be an affiliate of Countrywide Assured Group prior to, or of Countrywide or Chesnara on or after, 25 May 2004 (“affiliates”) may not resell New Ordinary Shares or Chesnara Shares (as the case may be) received pursuant to the Proposals without registration under the US Securities Act, except pursuant to the applicable resale provisions of Rules 145(d) promulgated under the US Securities Act or another applicable exemption from the registration requirements of that Act, or in a transaction not subject to such requirements (including a transaction that satisfies the applicable requirements of Regulation S under the US Securities Act relating to offers and sales outside the United States). “Affiliates” of a company are generally defined as persons who directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, that company. Whether a person is an affiliate of a company for such purposes depends upon the circumstances, but affiliates of a company can include certain officers, directors and significant shareholders.

#### *Australian Shareholders*

This document is not a disclosure document for the purposes of the Australian Corporations Act 2001 (Cth), and accordingly New Ordinary Shares and Chesnara Shares will be issued without disclosure for the purposes of the Corporations Act.

New Ordinary Shares and Chesnara Shares issued pursuant to the Scheme and the Demerger may not be offered for sale within Australia within 12 months after the issue of those shares, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required.

Disclosure to investors would not generally be required under Chapter 6D where:

- the shares are offered for sale on the Official List;
- the shares are offered for sale to categories of “professional investors” described in section 708(11) of the Corporations Act; or
- the shares are offered for sale to persons who are “sophisticated investors” and meet the criteria set out in section 708(8) or 708(10) of the Corporations Act.

However, Chapter 6D is complex and you should consult your professional advisers if in any doubt regarding your position.

**THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY. NONE OF THE SECURITIES REFERRED TO IN THIS DOCUMENT SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF ANY APPLICABLE LAW.**

**Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Proposals in their particular circumstances.**

#### **14. Listing, settlement and dealings**

Application has been made to the UK Listing Authority for the New Ordinary Shares and the Chesnara Shares to be admitted to the Official List and application has been made to the London Stock Exchange for such shares to be admitted to trading on the London Stock Exchange. The last day of dealings in Existing Ordinary Shares is expected to be 21 May 2004. The last time for registration of transfers of Existing Ordinary Shares is expected to be at 4.30 p.m. on 21 May 2004. It is expected that dealings in New Ordinary Shares and Chesnara Shares will commence at 8.00 a.m. on 25 May 2004, the business day following the hearing of the Petition for the Reduction of Capital. If the Scheme is implemented, it is intended that the listing of the Existing Ordinary Shares on the London Stock Exchange will be cancelled on 21 May 2004.

No application is currently intended to be made for the New Ordinary Shares or Chesnara Shares to be admitted to listing or dealing on any other exchange.

##### *New Ordinary Shares and Chesnara Shares in certificated form*

Shareholders who hold their Existing Ordinary Shares in certificated form at the Scheme Record Time will receive the New Ordinary Shares and Chesnara Shares in certificated form.

Certificates for such New Ordinary Shares and Chesnara Shares will be despatched by 1 June 2004 (or within 14 days of any alternative Scheme Effective Time) to holders of Existing Ordinary Shares who are on the register of Countrywide Assured Group at the Scheme Record Time. In the case of joint holders, certificates will be despatched to the person whose name appears first in the register. Pending receipt of certificates, transfers will be certified against the register.

As from the Scheme Effective Time, existing certificates representing holdings of Existing Ordinary Shares will cease to be valid for any purpose and should be destroyed.

##### *New Ordinary Shares and Chesnara Shares in uncertificated form*

Shareholders who hold their Existing Ordinary Shares in uncertificated form at the Scheme Record Time will receive New Ordinary Shares and Chesnara Shares in uncertificated form. It is expected that New Ordinary Shares and Chesnara Shares will be credited to the CREST account of each Shareholder concerned on 25 May 2004.

Each of Countrywide and Chesnara reserve the right to issue New Ordinary Shares and Chesnara Shares to all Shareholders in certificated form if, for any reason, either of them wishes to do so.

Existing Ordinary Shares held in uncertificated form will be disabled in CREST after the Scheme Record Time.

##### *General*

Cash due to Shareholders under the Proposals will be paid by cheque which will be sent by no later than 11 June 2004 to their respective addresses as appearing on the Countrywide Assured Group register of members. The cheques will be made payable to the person whose name appears first on the register. Where Shareholders hold their shares through CREST, such payment will be credited to the relevant CREST account not later than 11 June 2004.

All certificates and cheques will be sent by pre-paid first class post at the risk of the person entitled thereto.

All mandates relating to payment of dividends on Existing Ordinary Shares and all instructions given to Countrywide Assured Group in relation to notices and other communications in force immediately prior to the Scheme Effective Time will be, unless and until revoked or varied, deemed as from the Scheme Effective Time, or the Demerger Effective Time, as the case may be, to be valid and effective mandates or instructions to Countrywide or Chesnara in relation to the corresponding holdings of New Ordinary Shares or Chesnara Shares.

## **15. Shareholder meetings**

The Proposals require the approval of Shareholders at the Court Meeting and at the EGM. The Proposals also require the sanction of the Court.

Notices of both the Court Meeting and the EGM are set out in Parts 7 and 8 respectively of this document.

### *Court Meeting*

The Court Meeting, which is held at the direction of the Court, has been convened for 10.20 a.m. on 28 April 2004 (or as soon thereafter as the Annual General Meeting has concluded or been adjourned) to enable Shareholders to consider the Scheme.

At the Court Meeting, voting will be by a poll and each Shareholder entitled to attend and who is present in person or by proxy will be entitled to one vote for each Existing Ordinary Share held. The Scheme must be approved at the Court Meeting by a majority in number representing 75 per cent. in nominal value of the Existing Ordinary Shares held by those present and voting, in person or by proxy.

**In order that the Court can be satisfied that the votes cast consist of a fair representation of the views of Shareholders, it is important that as many votes as possible are cast at the Court Meeting.**

### *EGM*

The EGM is being convened for 10.30 a.m. on 28 April 2004 (or as soon thereafter as the Court Meeting concludes or is adjourned) to ask Shareholders to consider and, if thought fit, pass the resolutions set out in the notice convening the meeting.

When voting on the resolutions to be proposed at this meeting, each Shareholder who is present in person will have, on a show of hands, one vote and, on a poll, each Shareholder who is present in person or by proxy will have one vote for each Existing Ordinary Share held.

The purpose of the resolutions can be summarised as follows:

- Resolution 1: to approve the insertion of Countrywide as the new holding company of Countrywide Assured Group and to assist this by making certain changes to the share capital of Countrywide Assured Group and authorising the allotment of shares pursuant to the Scheme, making amendments to the Countrywide Assured Group articles of association to ensure that shares allotted after the passing of this resolution and prior to 6.00 p.m. on the day prior to the date on which the Court confirms the reduction of capital in connection with the Scheme are caught by the Scheme; to ensure that, subject to the Scheme becoming effective, any shares issued by Countrywide Assured Group after that time can be compulsorily acquired by Countrywide; and to authorise Countrywide Assured Group to procure the transfer of Existing Ordinary Shares held by Overseas Shareholders to a nominee in certain circumstances and authorising the issue of the deferred share referred to in paragraph 3 of this explanatory statement;
- Resolution 2: to approve the Countrywide Share Consolidation and the Chesnara Share Consolidation and to enable the Demerger to proceed by approving the Reduction of Capital;
- Resolution 3: to approve the Countrywide Share Plans as described at paragraphs 5 and 11(d) of this Part 2 and in more detail in the Countrywide Listing Particulars;
- Resolution 4: to approve the Chesnara Share Plans as described at paragraphs 5 and 11(d) of this Part 2 and in more detail in the Chesnara Listing Particulars; and
- Resolution 5: to approve the Chesnara Management Performance Incentive Plan as described at paragraph 5 of this Part 2 and in more detail in the Chesnara Listing Particulars.

The resolutions referred to at numbers 1 and 2 above will be proposed as special resolutions. The remaining resolutions are ordinary resolutions. The majority required for the passing of the special resolutions is not less than three-fourths in value of the votes cast. A simple majority is required for the passing of the ordinary resolutions.

If the special resolution approving the amendments to the Countrywide Assured Group Articles is passed, any Existing Ordinary Shares issued to any person other than Countrywide after the Scheme Effective Time will be automatically exchanged for New Ordinary Shares in Countrywide on the basis described in that resolution. This will avoid any person other than Countrywide being left with Existing Ordinary Shares after dealings in such shares have ceased on the London Stock Exchange (which will occur at the close of business on the Scheme Effective Date).

#### **16. Action to be taken**

The Proposals are subject to the approval of Shareholders and it is important that you use your votes at each of the Court Meeting and the EGM.

Apart from completing and returning the Forms of Proxy, Shareholders need take no further action in relation to the Proposals.

Returning the Forms of Proxy will not prevent you from attending either the Court Meeting or the EGM and voting in person should you decide to do so.

#### **17. Further information**

Your attention is drawn to the recommendation of the Directors set out in Part 1 of this document.

The Scheme is set out in full in Part 6 of this document and additional information is set out in Part 5. Countrywide and Chesnara have prepared Listing Particulars in relation to the New Ordinary Shares and Chesnara Shares respectively. A copy of each of the Listing Particulars has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 83 of the Financial Services and Markets Act 2000. The Listing Particulars accompany this document and are available, free of charge, from the registered office of Countrywide Assured Group at Countrywide House, Perry Way, Witham, Essex CM8 3SX and from the offices of Pinsents at Dashwood House, 69 Old Broad Street, London EC2M 1NR and will be available for inspection during normal business hours only at the Document Viewing Facility at the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Yours faithfully

for and on behalf of Hawkpoint

**David Renton**  
*Managing Director*

**Hugh Elwes**  
*Director*

## **PART 3**

### **Taxation**

#### **1. UK taxation**

A general summary of the UK tax consequences of the Proposals is set out below.

All Shareholders are advised to consult their own professional adviser about the tax consequences for them of the Proposals.

The comments below are based on existing UK law and what is understood to be current Inland Revenue practice, both of which are subject to change at any time, possibly with retroactive effect. They are intended only as a general guide and apply only to Shareholders who are resident or ordinarily resident for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Existing Ordinary Shares as an investment and who are the absolute beneficial owners of such shares. The taxation position of certain shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes, is not considered.

Persons who are in any doubt about their tax position, or who are resident for tax purposes or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers.

#### **1.1. Capital gains tax**

##### *The Scheme*

For the purposes of UK taxation of chargeable gains (“CGT”) the Scheme should constitute a scheme of reconstruction. Clearance has been obtained from the Inland Revenue in respect of the Scheme under section 138 of the Taxation of Chargeable Gains Act 1992 (“TCGA”).

##### *Return of Capital*

Subject to the following paragraph, the Return of Capital will result in Shareholders being treated as making a part disposal of their holding of Existing Ordinary Shares. The base cost of that part of their holding treated as disposed of will be determined for the purposes of calculating any chargeable gain or allowable loss on the part disposal by applying the formula  $A/(A+B)$  to the base cost in their Existing Ordinary Shares where A is the amount of the cash received by the Shareholder and B is the sum of the market value of the New Ordinary Shares and Chesnara Shares received by the Shareholders, using the values of those shares on the first day of dealing after the implementation of the Proposals. This could result in a chargeable gain or allowable loss arising.

##### *Receipt of New Ordinary Shares*

Shareholders should not, other than in respect of the Return of Capital as discussed above, be treated as making a disposal for CGT purposes of their Existing Ordinary Shares as a result of receiving New Ordinary Shares under the Scheme, and so no chargeable gain or allowable loss should arise on the cancellation of the Existing Ordinary Shares and the issue of New Ordinary Shares to them. Such New Ordinary Shares should be treated as the same asset as the Existing Ordinary Shares, acquired on the same date and for the same consideration as such Existing Ordinary Shares, less the amount of such acquisition cost applied to the Return of Capital in the manner described above.

##### *Countrywide Share Consolidation*

For CGT purposes, the Countrywide Share Consolidation should constitute a reorganisation of the Countrywide share capital. Accordingly, holders of New Ordinary Shares should not be treated as making a disposal of their New Ordinary Shares as a result of the Countrywide Share Consolidation.

After the Countrywide Share Consolidation, the New Ordinary Shares held should be treated as the same asset as the New Ordinary Shares held prior to the Countrywide Share Consolidation, and as acquired on the same date as, and for consideration equal to that at which, the New Ordinary Shares were deemed to be acquired under the Scheme.

##### *The Demerger*

For CGT purposes, the Demerger should constitute a scheme of reconstruction.

Clearance has been obtained from the Inland Revenue under sections 138 and 139 TCGA in respect of the Demerger. Accordingly, holders of New Ordinary Shares should not be treated as making a disposal for CGT purposes when they receive Chesnara Shares pursuant to the Demerger. Instead, the New Ordinary Shares and the Chesnara Shares shall be treated as the same asset acquired at the same time and for the same consideration as the Existing Ordinary Shares. The effect of this is discussed further below under the heading “Combined effect of the Proposals”.

#### *Chesnara Share Consolidation*

For CGT purposes, the Chesnara Share Consolidation should constitute a reorganisation of the Chesnara share capital. Accordingly, holders of Chesnara Shares should not be treated as making a disposal of their Chesnara Shares as a result of the Chesnara Share Consolidation.

After the Chesnara Share Consolidation, the Chesnara Shares held should be treated as the same asset as the Chesnara Shares held prior to the Chesnara Share Consolidation, and as acquired on the same date as, and for consideration equal to that on which, the Chesnara Shares were deemed to be acquired under the Demerger.

#### *Transactions in securities*

In certain circumstances, section 703 of the Income and Corporation Taxes Act 1988 (“ICTA”) may apply where a person obtains a tax advantage in consequence of a “transaction in securities”. If section 703 ICTA were to apply to the Return of Capital, the receipt of the New Ordinary Shares or the Demerger, the general effect would be to tax such proceeds as an income distribution. However, in the opinion of Countrywide Assured Group and its tax advisers, section 703 ICTA should not apply to Shareholders in respect of the Return of Capital, the receipt of the New Ordinary Shares or the Demerger. The Inland Revenue has confirmed that no action under section 703 ICTA will be taken in respect of the receipt of the New Ordinary Shares or the Demerger.

#### *Combined effect of the Proposals*

In summary, the New Ordinary Shares and Chesnara Shares that will be held by a Shareholder following the Demerger should be treated as the same asset as the Shareholder’s Existing Ordinary Shares and as being acquired on the same date as those Existing Ordinary Shares. The New Ordinary Shares and Chesnara Shares, taken together, should be treated as having been acquired for the same consideration as such Existing Ordinary Shares, less the amount of such acquisition cost attributable to the Return of Capital.

Accordingly, following the Scheme and the Demerger, a Shareholder’s original base cost in their Existing Ordinary Shares, less the amount of such base costs attributed to the Return of Capital, should be apportioned between their New Ordinary Shares and their Chesnara Shares by reference to the market quotations of the New Ordinary Shares and the Chesnara Shares on the first day of dealings in such shares as derived from the Official List.

#### *Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)*

No stamp duty or SDRT should be payable by Shareholders as a result of the cancellation of the Existing Ordinary Shares and the issue of the New Ordinary Shares under the Scheme or as a result of the issue of Chesnara Shares under the Demerger or the Countrywide Share Consolidation or the Chesnara Share Consolidation.

Special rules apply to the transfer or issue of shares to, or to a nominee or, in some cases, agent of, a person whose business is or includes issuing depository receipts or the provision of clearance services. Any such Shareholders are advised to consult their own advisers about the stamp duty and SDRT implications of the proposals.

## **1.2. Countrywide Assured Group Share Plans**

The tax treatment for those who hold or acquire their Existing Ordinary Shares through one of the Countrywide Assured Group Share Plans may be different from that which applies to other Shareholders. Countrywide Assured Group will write to these individuals in due course to explain the effect of the Proposals on their participation in the Countrywide Assured Group Share Plans and to summarise the likely tax treatment.

### **1.3. Position of trustees**

In relation to Shareholders who are trustees of trusts governed by English law, although regard must be had to the terms of each particular trust, the New Ordinary Shares and Return of Capital received under the Scheme and the Chesnara Shares received pursuant to the Demerger should, under current law and Inland Revenue practice, each generally be regarded as a capital receipt. In such a case, the general tax position of such trustees should be the same as that of Shareholders who are individuals (subject to specific rules applicable to trustees). If for any reason the cash or New Ordinary Shares received under the Scheme and/or the Chesnara Shares received pursuant to the Demerger are regarded in relation to any particular trust as an income receipt, the trust and tax implications (both for the trustees and the beneficiaries) may be different, and independent professional advice should be taken.

## **2. US taxation**

Countrywide Assured Group Shareholders who are resident in the US or who may otherwise be subject to US tax in respect of their New Ordinary Shares or Chesnara Shares or in respect of the Return of Capital should consult their own tax advisers regarding the application of US federal income tax law to their particular circumstances, as well as any state, local, foreign and other consequences relevant to such US shareholder's particular circumstances.

## PART 4

### **Summary of the material differences between the articles of association of Countrywide Assured Group plc and the articles of association of each of Countrywide plc and Chesnara plc**

The material differences between the existing Countrywide Assured Group Articles and the New Articles are explained below. A copy of the New Articles and the Countrywide Assured Group Articles will be available for inspection as set out in section B of Part 5 of this document. In addition, detailed summaries of the New Articles are contained in the Listing Particulars.

The current Countrywide Assured Group Articles were last amended in 1998.

The material differences are:

- the New Articles reflect the authorised share capitals of Countrywide and Chesnara;
- the New Articles include provisions relating to the holding and transfer of uncertificated securities which are consistent with the Regulations;
- the New Articles make provision for electronic communications and in particular allow for electronic proxy appointments in accordance with current applicable best practice;
- when no response is received to a disclosure notice under section 212 of the Companies Act, the New Articles provide that Countrywide or Chesnara can issue a restriction notice within 14 days rather than 28 days as permitted by the Countrywide Assured Group Articles;
- the definition of ordinary business in the New Articles has been extended to cover resolutions authorising the disapplication of pre-emption rights, the purchase of own shares, and the making of scrip dividend offers, thereby bringing the definition into line with that contained in the Listing Rules;
- the New Articles make provision for the directors to make security arrangements at general meetings and for general meetings to be held at more than one location;
- the New Articles specify situations in which amendments to resolutions are and are not allowed;
- the New Articles provide that a demand for a poll must be made by three members, rather than by two members as is provided in the Countrywide Assured Group Articles;
- the New Articles require Countrywide or Chesnara to have between 2 and 20 directors, all of whom must retire by rotation at least every three years;
- the New Articles provide that there is no requirement for a director to retire at the age of 70 or any other age and section 293 of the Companies Act is disapplied;
- the aggregate ordinary remuneration of directors of Countrywide and Chesnara (excluding the salaries of executive directors, or special remuneration for the discharge of extra duties) is subject to a maximum of £250,000 unless otherwise established by ordinary resolution;
- the New Articles allow a director to be removed from office by the unanimous vote of all the other directors, whereas the Countrywide Assured Group Articles require 75 per cent. of the other directors to vote in favour of such removal;
- the New Articles provide that the Countrywide Group or the Chesnara Group, as the case may be, may not borrow more than three times the aggregate of share capital and consolidated reserves without prior shareholder approval. This is broadly similar to the limit imposed by the Countrywide Assured Group Articles although the method of expressing the limit is different. The New Articles for Countrywide also provide that the amounts borrowed by the Countrywide Group under the Facility Agreement shall be ignored for the purposes of the borrowing limit imposed by those New Articles; and
- the New Articles provide that the directors of Countrywide or Chesnara may vote upon resolutions relating to the purchase or maintenance of directors' liability insurance policies, even though they may be interested in such insurance. Furthermore, the entitlement of every director, the company secretary and other officers to be indemnified against losses incurred in the exercise of their duties does not extend to auditors.

## PART 5

### Additional information

#### Section A: Additional information relating to Countrywide Assured Group plc

##### 1. Responsibility

The Directors of Countrywide Assured Group, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of those Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

##### 2. Directors' and other interests

- (a) As at 17 March 2004 (being the latest practicable date prior to the publication of this document), the Directors and their immediate families had the beneficial interests in Existing Ordinary Shares shown in the table below, such interests being those: (a) which are required to be notified by each Director to the Company pursuant to section 324 or 328 of the Companies Act; (b) which are required pursuant to section 325 of the Companies Act to be entered in the register referred to therein; or (c) which are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed under (a) or (b) above, and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director:

<b>Director</b>	<b>Number of Existing Ordinary Shares</b>
Gerald Fitzjohn	442,086
Harry Hill	400,000
Michael Nower	268,740
Christopher Sporborg	267,410
Terry Marris	110,150
Anthony Crew	58,300
Anthony Ekins	34,148
Andrew Brown	20,000
Peter Mason	10,000
Christopher Shaw	6,877
Michael Gordon	—

In each case, this represents less than 0.15 per cent. of the issued share capital of Countrywide Assured Group.

In addition, each of the Executive Directors was interested as a potential beneficiary in the 2,383,909 Existing Ordinary Shares held by the Company's employee trust on 16 March 2004 (for this purpose being the latest practicable date prior to the publication of this document).

- (b) As at 17 March 2004 (being the latest practicable date prior to the publication of this document) the following Directors had rights or options over Existing Ordinary Shares as summarised in the table below:

##### Share Options

<b>Director</b>	<b>Date of grant</b>		<b>Number of Existing Ordinary Shares</b>	<b>Option price (p)</b>		<b>Exercise dates</b>	
	<b>From</b>	<b>To</b>		<b>From</b>	<b>To</b>	<b>From</b>	<b>To</b>
Harry Hill	22.04.98	15.04.02	1,244,734	74.4	151.0	22.04.05	15.04.12
Gerald Fitzjohn	14.04.98	15.04.02	917,703	56.0	151.0	22.04.04	15.04.12
Michael Nower	22.04.98	15.04.02	857,784	74.4	153.5	22.04.05	15.04.12
Terry Marris	14.04.98	15.04.02	721,916	74.4	151.0	22.04.04	15.04.12
Anthony Ekins	22.04.98	15.04.02	672,637	74.4	151.0	22.04.04	15.04.12
Anthony Crew	14.04.98	15.04.02	637,514	74.4	151.0	22.04.04	15.04.12
Christopher Shaw	22.04.98	11.10.02	466,921	75.2	152.0	22.04.05	15.04.12

<b>Awards under EDIS 96</b>	<b>Date of grant</b>	<b>Number of Existing Ordinary Shares</b>	<b>Normal exercise date</b>
<b>Director</b>			
Harry Hill	12.05.99	201,117	12.05.06
Michael Nower	12.05.99	135,419	12.05.06
Gerald Fitzjohn	12.05.99	87,150	12.05.06
Terry Marris	12.05.99	67,039	12.03.06
Anthony Ekins	12.05.99	67,039	12.03.06
Anthony Crew	12.05.99	67,039	12.05.06

In addition, participants in the grant of options on 18 March 1999 under the Countrywide Executive Share Option Scheme 1996 who exercise those options will receive additional rights under EDIS 96, calculated by reference to the increase in the market value of the Existing Ordinary Shares since the date of grant. The number of Existing Ordinary Shares which each Executive Director would hold pursuant to these additional rights if the relevant options are exercised before the Scheme Effective Date based upon the market value of an Existing Ordinary Share on 16 March 2004 (for this purpose being the latest practicable date prior to the publication of this document) is included in the table above.

- (c) No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- (d) The main terms on which each of the Executive Directors are employed by Countrywide Assured Group are set out below:

<b>Director</b>	<b>Date of contract</b>	<b>Salary</b>	<b>Notice period</b>
Harry Hill	31 October 1997	£285,490	6 months
Michael Nower	31 October 1997	£159,374	6 months
Gerald Fitzjohn	31 October 1997	£149,615	6 months
Terry Marris	31 October 1997	£142,758	6 months
Christopher Shaw	28 March 2002	£130,000	6 months
Anthony Ekins	31 October 1997	£125,616	6 months
Anthony Crew	31 October 1997	£114,964	6 months

All but two of the Executive Directors are employed by Countrywide Assured Group. The two exceptions are Mr Marris and Mr Shaw. Mr Marris is presently employed by Countrywide Assured Life Holdings Limited and Mr Shaw is presently employed by Countrywide Surveyors Limited. Both have agreed to transfer on their existing terms to become employed by Countrywide Assured Group with effect from Admission.

Upon Admission, the employment of Mr Hill and Mr Nower will transfer to Countrywide on their existing terms.

Mr Fitzjohn, Mr Ekins and Mr Crew will remain as employees of Countrywide Assured Group.

Mr Marris will also become a Non-executive Director of Chesnara upon Admission on the terms described in the Chesnara Listing Particulars.

The Executive Directors' benefits include use of a fully expensed motor car for business and private purposes; medical insurance cover for themselves and their spouses and dependent children under the age of 21; membership of a permanent health insurance scheme; and cover under a directors and officers' liability insurance policy.

In addition, the Executive Directors may at the discretion of the Board receive an annual bonus subject to achievement of certain targets.

Mr Hill, Mr Fitzjohn, Mr Shaw and Mr Crew recently agreed to cease entitlement to membership of the defined benefit section of a Group pension scheme and instead became entitled to membership of the defined contribution section of a Group pension scheme, and associated life insurance cover, death in service benefit and a widow's pension in the event of their death in service or retirement.

Mr Ekins recently agreed to cease entitlement to membership of the defined benefit section of a Group pension scheme and instead the Company has agreed to make contributions to a SIPP (self invested personal pension) and associated life assurance cover, death in service benefit and a widow's pension in the event of Mr Ekins' death in service or retirement.

Mr Marris is entitled to a defined benefit pension, life assurance cover, death in service benefit and a widow's pension in the event of Mr Marris' death in service or in retirement.

Mr Nower is entitled to certain contributions into a personal pension scheme nominated by him and associated life assurance cover, death in service benefit and a widow's pension in the event of Mr Nower's death in service.

The Executive Directors are also eligible to participate in the Countrywide Assured Group Share Plans.

Further details of the remuneration of Mr Hill and Mr Nower are set out in paragraph 7 of Part 5 of the Countrywide Listing Particulars.

The Executive Directors' service agreements with Countrywide Assured Group provide for their notice periods to be modified and for the restrictive covenants contained in their service agreements not to apply in certain circumstances. The service agreements state that if, as a result of a general offer made to members of Countrywide Assured Group or otherwise, a third party obtains control of Countrywide Assured Group then (a) the Executive Directors are entitled to terminate their employment on three months' notice, provided that such notice is served within one month of the third party obtaining control, and the restrictive covenants contained in the service agreements will not apply following any such termination and (b) the period of notice required to be given by Countrywide Assured Group to the Executive Director to terminate their employment will, for a period of 12 months from the date of the third party obtaining control, be extended to 12 months and the restrictive covenants contained in the service agreements will not apply following any such termination.

- (e) Christopher Sporborg, Andrew Brown, Peter Mason and Michael Gordon serve Countrywide Assured Group as Non-executive Directors on the terms summarised below:

<b>Non-executive Director</b>	<b>Date of appointment</b>	<b>Annual fee</b>
Christopher Sporborg	1 October 1998	£74,000
Andrew Brown	31 March 2003	£30,000
Peter Mason	1 November 1999	£23,000
Michael Gordon	1 May 2002	£23,000

Each of the above appointments is for a term of three years and, thereafter, for a further period not exceeding three years.

Upon Admission, the letters of appointment of Michael Gordon, Andrew Brown and Peter Mason will be novated to Countrywide and their annual fees will be increased as set out in the Countrywide Listing Particulars.

Also upon Admission, Christopher Sporborg will enter into new letters of appointment as Non-executive Chairman of both Countrywide and Chesnara, on the terms described in the Countrywide Listing Particulars and the Chesnara Listing Particulars.

Mr Mason and Mr Gordon will also become Non-executive Directors of Chesnara upon Admission on the terms described in the Chesnara Listing Particulars.

Save as disclosed in paragraphs (d) and (e) above, there are no existing or proposed service agreements between any Director and any member of the Group.

- (f) Save as disclosed below, as at 17 March 2004 (being the latest practicable date prior to the publication of this document), Countrywide Assured Group was not aware of any person who, directly or indirectly, is interested in 3 per cent. or more of the issued share capital of Countrywide Assured Group:

<b>Holder of interest</b>	<b>Number of Existing Ordinary Shares</b>	<b>Percentage of issued share capital of Countrywide Assured Group</b>
Fidelity International Limited	32,493,353	9.86%
AXA SA	29,717,155	9.02%
Legal & General Group plc	16,726,202	5.08%
Prudential plc	13,318,898	4.04%
Aviva plc	13,259,005	4.02%

### **3. Effect of the Proposals on Countrywide Assured Group Share Plans**

The effect of the Proposals on Countrywide Assured Group Share Plans is summarised in paragraph 11 of part 2 of this document.

### **4. Material contracts**

#### *4.1 Countrywide Group*

Summaries of the principal contents of contracts that have been entered into by members of the Countrywide Group otherwise than in the ordinary course of business (i) in the two years immediately prior to the date of this document and which are or may be material or (ii) otherwise than in the two years immediately prior to the date of this document which contain any provision under which any member of the Countrywide Group has any obligation or entitlement which is material to the Countrywide Group as at the date of this document are contained or referred to in paragraph 13 of Part 5 of the accompanying Listing Particulars for Countrywide.

#### *4.2 Chesnara Group*

Summaries of the principal contents of contracts that have been entered into by members of the Chesnara Group otherwise than in the ordinary course of business (i) in the two years immediately prior to the date of this document and which are or may be material or (ii) otherwise than in the two years immediately prior to the date of this document which contain any provision under which any member of the Chesnara Group has any obligation or entitlement which is material to the Chesnara Group as at the date of this document are contained or referred to in paragraph 14 of Part 7 of the accompanying Listing Particulars for Chesnara.

### **5. Litigation**

#### *5.1 Countrywide Group*

Paragraph 12 of Part 5 of the Countrywide Listing Particulars sets out details of any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the financial position of the Countrywide Group and sets out details of any such proceedings pending or threatened by or against the Countrywide Group.

#### *5.2 Chesnara Group*

Paragraph 13 of Part 7 of the Chesnara Listing Particulars sets out details of any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the financial position of the Chesnara Group and sets out details of any such proceedings pending or threatened by or against the Chesnara Group.

### **6. Significant change**

#### *6.1 Countrywide Group*

There has been no significant change in the financial or trading position of the Countrywide Group since 31 December 2003, the date to which Countrywide Assured Group prepared its last audited accounts.

#### *6.2 Chesnara Group*

There has been no significant change in the financial or trading position of the Chesnara Group since 31 December 2003, the date to which Countrywide Assured Group prepared its last audited accounts.

### **7. Working capital**

Countrywide Assured Group is of the opinion that, assuming the Proposals become effective, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

## **Section B: Further additional information**

### **1. Information on the CREST Settlement System**

CREST, the computerised paperless system for settlement of securities transactions in the London and Irish Securities Markets, commenced operations in July 1996 and almost all listed companies have now joined CREST.

The Regulations provide for the transfer of shares in the UK without stock transfer forms, and the evidencing of title to shares without share certificates, through a computer based system and procedures, defined in the CREST Regulations as a “relevant system”. CREST is the first “relevant system” and is operated by CRESTCo.

The New Articles contain specific provisions to enable shares to be dematerialised into a relevant system, including CREST. Copies of the New Articles are available for inspection at the address and times described in paragraph 4 of section B of this Part 5 below.

The boards of Countrywide and Chesnara have resolved to enable any or all of the New Ordinary Shares and any or all of the Chesnara Shares to join CREST and, accordingly, Countrywide Shareholders and Chesnara Shareholders will be able either to hold eligible shares in uncertificated form in an account on the CREST system or to continue to hold them in the physical form of certificates. Shareholders will be able to choose whether or not to convert eligible shares into uncertificated form and the Registrars will continue to register written instructions of transfer and issue share certificates in respect of New Ordinary Shares or Chesnara Shares, as the case may be, held in certificated form.

It is anticipated that the New Ordinary Shares and the Chesnara Shares will be eligible to join CREST with effect from Admission.

### **2. Consents**

Hawkpoint has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they are included.

### **3. Costs of Proposals**

The total costs and expenses of, or incidental to, the Proposals are estimated to be approximately £10 million (exclusive of recoverable VAT).

### **4. Documents available for inspection**

Copies of the following documents are available for inspection during usual business hours on any weekday (public holidays excepted) at Countrywide Assured Group’s registered office at Countrywide House, Perry Way, Witham, Essex CM8 3SX and at the offices of Pinsents, Dashwood House, 69 Old Broad Street, London EC2M 1NR, until the Scheme is completed or lapses, and will also be available for inspection during, and for at least 15 minutes prior to, the Court Meeting and the EGM:

- (a) the Memorandum and Articles of Association of Countrywide Assured Group (as currently in force, and as they will be following the proposed amendments to be approved at the EGM);
- (b) the Memorandum of Association and New Articles of Countrywide and Chesnara respectively;
- (c) the audited consolidated accounts of Countrywide Assured Group for the financial periods ended 31 December 2001, 31 December 2002 and 31 December 2003;
- (d) the Countrywide Listing Particulars and the Chesnara Listing Particulars;
- (e) the rules of the Countrywide Assured Group Share Plans, the Countrywide Share Plans, the Chesnara Share Plans and the Chesnara Management Performance Incentive Plan;
- (f) the written consent of Hawkpoint referred to in paragraph 2 of section B of this Part 5;
- (g) the Directors’ service contracts and letters of appointment referred to in paragraph 2(d) and 2(e) of section A of this Part 5;
- (h) the material contracts referred to in paragraph 4 of section A of this Part 5;
- (i) the Scheme; and
- (j) this document.

Dated 18 March 2004

## PART 6

### Scheme of Arrangement

No 1550 of 2004

IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT

IN THE MATTER OF COUNTRYWIDE ASSURED GROUP PLC  
AND IN THE MATTER OF THE COMPANIES ACT 1985

#### SCHEME OF ARRANGEMENT

(under section 425 of the Companies Act 1985)

BETWEEN:

COUNTRYWIDE ASSURED GROUP PLC

and

THE HOLDERS OF ITS SCHEME SHARES

(as hereinafter defined)

#### PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall mean:

<b>“Articles of Association”</b>	the articles of association of the Company as proposed to be amended by the Special Resolution
<b>“business day”</b>	a day (excluding Saturday or Sunday) on which banks generally are open in the City of London for the transaction of normal banking business
<b>“certificated form”</b>	recorded on the relevant register as being held in certificated form and title to which may be transferred by means of a stock transfer form
<b>“Chesnara”</b>	Chesnara plc, a public company incorporated in England and Wales with registered number 4947166
<b>“Chesnara Shares”</b>	ordinary shares of 2.5 pence each in the capital of Chesnara
<b>“Countrywide”</b>	Countrywide plc, a public company incorporated in England and Wales with registered number 4947152
<b>“Countrywide Assured Group Shareholder”</b>	a holder of Countrywide Assured Group Shares
<b>“Countrywide Assured Group Shares”</b>	ordinary shares of 5 pence each in the capital of the Company
<b>“Countrywide Assured Group Share Plans”</b>	the Countrywide Assured Group Executive Deferred Incentive Scheme, the Countrywide Assured Group Executive Deferred Incentive Scheme (1996), the Countrywide Assured Group Executive Share Bonus Scheme, the Countrywide Assured Group Executive Share Option Scheme, the Countrywide Assured Group Executive Share Option Scheme (1995) and the Countrywide Assured Group Savings Related Share Option Scheme (1996)
<b>“Countrywide Assured Group” or “Company”</b>	Countrywide Assured Group plc, a public company incorporated in England and Wales with registered number 1837522
<b>“Countrywide Assured Life Holdings”</b>	Countrywide Assured Life Holdings Limited, a private limited company which is incorporated in England and Wales with registered number 2662097 and which is the holding company within the Group for the Life Business
<b>“Countrywide Reduction of Capital”</b>	the proposed reduction of the capital of Countrywide under section 135 of the Companies Act 1985, as described in the Explanatory Statement

<b>“Countrywide Share Consolidation”</b>	the proposed consolidation of New Ordinary Shares on a 1 for 2 basis, to be effected by an extraordinary general meeting of Countrywide to be held prior to the Scheme Effective Time and to be given effect following the Scheme Effective Time and prior to the Demerger Record Time, as described in the Explanatory Statement
<b>“Countrywide Shareholder”</b>	a holder of New Ordinary Shares
<b>“Court”</b>	the High Court of Justice in England and Wales
<b>“Court Meeting”</b>	the meeting of the holders of Countrywide Assured Group Shares convened by Order of the Court pursuant to section 425 of the Companies Act 1985 to consider and, if thought fit, approve this Scheme, including any adjournment thereof
<b>“CREST”</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001 No 3755)
<b>“Deferred Share”</b>	the deferred share of 5 pence in the capital of the Company described in Preliminary (B) below
<b>“Demerger Effective Time”</b>	the time at which the Demerger becomes effective
<b>“Demerger Record Time”</b>	6.00 a.m. (London time) on the day on which the Countrywide Reduction of Capital becomes effective
<b>“Demerger”</b>	means the proposed transfer of the Life Business from Countrywide to Chesnara to be effected by the Countrywide Reduction of Capital as described in the Explanatory Statement
<b>“Explanatory Statement”</b>	the explanatory statement sent to shareholders of the Company with this Scheme pursuant to section 426 of the Companies Act 1985
<b>“Facility Agreement”</b>	a facility agreement for a revolving credit facility in an amount up to £100,000,000 with HSBC Bank plc, Lloyds TSB Bank plc (acting through its division, Lloyds TSB Capital Markets) and The Royal Bank of Scotland plc as mandated joint lead arrangers, Lloyds TSB Bank plc (acting through its division, Lloyds TSB Capital Markets) as agent and HSBC Bank plc, Lloyds TSB Bank plc and The Royal Bank of Scotland plc as lenders
<b>“Group”</b>	the Company and its subsidiaries
<b>“holder”</b>	includes any person(s) entitled by transmission
<b>“Intra Group Loan Agreement”</b>	the intra group loan agreement, proposed to be entered into on or about 24 May 2004 between Countrywide and certain of its subsidiaries, pursuant to which it is intended that the Company will from time to time lend monies to Countrywide for working capital purposes and/or to satisfy obligations under the Facility Agreement and/or to facilitate the Return of Capital
<b>“Life Business”</b>	the life assurance business of the Group
<b>“Life Business Transfer”</b>	the proposed transfer by the Company of Countrywide Assured Life Holdings to Countrywide following the Scheme Effective Time and prior to the Demerger Record Time, as described in the Explanatory Statement
<b>“New Ordinary Shares”</b>	ordinary shares in the capital of Countrywide, the nominal value of which is to be adjusted at an extraordinary general meeting of Countrywide to be held prior to the Scheme Effective Time
<b>“Non-Life Business”</b>	the activities of Countrywide Assured Group which do not relate to the Life Business

- “Return of Capital Amount”** the sum of £85 million divided by the total number of Scheme Shares
- “Scheme”** this scheme of arrangement in its present form or with or subject to any modification, addition or condition approved or imposed by the Court
- “Scheme Effective Date”** the date on which this Scheme becomes effective in accordance with its terms, expected to be 21 May 2004
- “Scheme Effective Time”** the time at which this Scheme becomes effective in accordance with Clause 6 of this Scheme, expected to be shortly after 4.30 p.m. on 21 May 2004
- “Scheme Record Time”** 4.30 p.m. on the day on which this Scheme becomes effective (expected to be 21 May 2004)
- “Scheme Shares”**
- (i) the Countrywide Assured Group Shares in issue at the date of this Scheme;
  - (ii) any Countrywide Assured Group Shares issued after the date of this Scheme and prior to 6.00 p.m. (London time) on the day two days before the day of the Court Meeting or any adjournment thereof; and
  - (iii) any Countrywide Assured Group Shares issued at or after the passing of the Special Resolution and prior to 6.00 p.m. (London time) on the day prior to the confirmation by the Court of the reduction of capital pursuant to Clause 1 of this Scheme in respect of which the original or any subsequent holders thereof shall be bound or shall have agreed in writing by such time to be bound by this Scheme
- “Special Resolution”** the first resolution set out in the notice convening the Extraordinary General Meeting of the Company set out in Part 8 of the document dated 18 March 2004 addressed to Countrywide Assured Group Shareholders
- “uncertificated” or “in uncertificated form”** recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
- (B) The authorised share capital of the Company is £19,712,795.20 divided into 394,255,904 Ordinary Shares of 5 pence each, of which 329,442,065 Ordinary Shares have been issued, and are credited as fully paid, as at 17 March 2004 and the remainder are unissued. Prior to the Scheme Effective Time, it is proposed that one of the Ordinary Shares in the Company be reclassified as a Deferred Share and allotted and issued to Countrywide and credited as fully paid.
- (C) Countrywide was incorporated as a public limited company on 29 October 2003. The authorised share capital of Countrywide at the date of this Scheme is £600,050,000 divided into 60,000,000,000 New Ordinary Shares of 1 penny each, two hundred of which have been allotted and issued and one redeemable preference share of £50,000, which has been allotted and issued. Countrywide obtained a trading certificate under section 117 of the Companies Act 1985 on 10 March 2004.
- (D) It is proposed that prior to the Scheme Effective Time, the issued and unissued New Ordinary Shares will be consolidated into shares of a nominal value per share to be determined just prior to such consolidation. Further New Ordinary Shares of 1 penny each may be allotted and issued prior to such consolidation in order to ensure that the New Ordinary Shares in issue can be consolidated into whole New Ordinary Shares and so as to ensure that each Countrywide Shareholder will hold one New Ordinary Share at the Scheme Record Time as a result of such consolidation.
- (E) The Directors of Countrywide Assured Group propose that, subject to the passing of the Special Resolution and prior to the sanctioning of this Scheme by the Court, Countrywide Assured Group will issue to Countrywide one deferred share of 5 pence.
- (F) The purpose of this Scheme is to provide for the cancellation of the Scheme Shares and the issue to Countrywide of Countrywide Assured Group Shares in consideration of such cancellation and the allotment by Countrywide of New Ordinary Shares to the holders of the Scheme Shares and, subject to

the Facility Agreement becoming unconditional in all respects, the payment by Countrywide of approximately 25.8 pence per Countrywide Assured Group Share to such holders of the Scheme Shares.

(G) Subject to the passing of the Special Resolution, if, in respect of any holder of the Scheme Shares with a registered address outside the United Kingdom or who the Company reasonably believes is a citizen, resident or national of a jurisdiction outside the United Kingdom, the Company is advised that the allotment and issue of the New Ordinary Shares pursuant to Clause 2 of this Scheme would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require the Company or Countrywide to observe any governmental or other consent or any registration, filing or other formality with which the Company or Countrywide cannot comply or compliance with which the Company or Countrywide considers unduly onerous, the Company will (unless such shareholder satisfies the Company that no such infringement or requirement would apply) be authorised by the Articles of Association to appoint any person to execute as transferor an instrument of transfer transferring, prior to the Scheme Record Time, the Scheme Shares held by such holder to a nominee to hold such Scheme Shares on trust for that holder, on terms that the nominee shall:

- (i) sell the Scheme Shares prior to the Scheme Effective Time; or
- (ii) if it does not sell the Scheme Shares prior to the Scheme Effective Time, and subject to delay until after the admission of the New Ordinary Shares and the Chesnara Shares to the Official List of the Financial Services Authority acting in its capacity as United Kingdom Listing Authority and to trading on the London Stock Exchange plc's market for listed securities, sell:
  - (a) the New Ordinary Shares, if any, that it receives pursuant to the Scheme in respect of such Scheme Shares as soon as practicable following the Scheme Effective Time; and
  - (b) the Chesnara Shares, if any, that it receives pursuant to the Demerger in respect of the New Ordinary Shares referred to in (a) as soon as practicable following the Demerger Effective Time,

in each case at the best price which can reasonably be obtained at the time of sale and that (subject to instructions from Countrywide in relation to Countrywide's obligations pursuant to Clause 3.1 of this Scheme) the proceeds of such sale (net of the expenses of sale including commissions and value added tax), together, in the case of any sale pursuant to paragraph (ii) above, with the amount of any payments made by the Company or Countrywide to the nominee in respect of the Scheme Shares in question (provided such payment is made by reference to a record date falling on or before the Scheme Effective Date), shall be paid to such shareholder by delivering a cheque to, or crediting the CREST account of, such shareholder in accordance with the provisions of Clauses 3.1 and 3.2 of this Scheme.

(H) Subject to certain conditions being fulfilled, including this Scheme becoming effective (with or without any modification, alteration or condition which the Court may approve or impose), it is proposed that, following the transfer of Countrywide Assured Life Holdings to Countrywide, the Life Business be demerged from the Non-Life Business by transferring the shares of Countrywide Assured Life Holdings to Chesnara pursuant to a reduction of capital of Countrywide under which Countrywide will reduce the nominal value of each New Ordinary Share (pursuant to a special resolution of Countrywide Shareholders passed prior to the Scheme Effective Date) by an amount which, in aggregate, will exceed the market value of the Life Business (the amount of any such excess being taken to the reserves of Countrywide).

(I) Countrywide has agreed to appear by Counsel on the hearing of the petition to sanction this Scheme and to consent thereto and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

## The Scheme

### 1. Cancellation of Scheme Shares

- 1.1 The capital of the Company shall be reduced by cancelling the Scheme Shares.
- 1.2 Subject to and immediately upon the said reduction of capital taking effect:
  - 1.2.1 the authorised share capital of the Company shall be increased to its former amount by the creation of such number of Countrywide Assured Group Shares as is equal to the number of Scheme Shares; and
  - 1.2.2 the reserve arising in the books of account of the Company as a result of the said reduction of capital shall be capitalised and applied in paying up in full at par the Countrywide Assured Group Shares created pursuant to Clause 1.2.1 of this Scheme, which shall be allotted and issued credited as fully paid to Countrywide as holder of the Deferred Share or its nominee.

### 2. Consideration for the cancellation of the Scheme Shares

- 2.1 In consideration of the cancellation of the Scheme Shares and the allotment and issue of Countrywide Assured Group Shares as provided in Clause 1.2 of this Scheme, Countrywide shall (subject to the remaining provisions of this Clause):
  - 2.1.1 allot and issue to the holders of the Scheme Shares (as appearing in the register of members of the Company at the Scheme Record Time) New Ordinary Shares, credited as fully paid, on the following basis:

For every Scheme Share then held            1 New Ordinary Share

and
  - 2.1.2 provided that the Facility Agreement becomes unconditional in all respects, pay the Return of Capital Amount per Scheme Share to such holders in accordance with the provisions of Clauses 3.1 and 3.2 of this Scheme (and so that the aggregate entitlement of each such holder shall be rounded down to the nearest penny).
- 2.2 The New Ordinary Shares to be issued pursuant to this Clause 2 shall rank *pari passu* in all respects with all other fully paid New Ordinary Shares in issue at the Scheme Effective Time.
- 2.3 The provisions of this Clause 2 shall be subject to any prohibition or condition imposed by law.

### 3. Allotments and payment

- 3.1 Not later than 10 days after the Scheme Effective Time, Countrywide shall:
  - 3.1.1 allot and issue all New Ordinary Shares which it is required to allot and issue to give effect to this Scheme and:
    - (a) in the case of any such shares issued in respect of Scheme Shares which were in certificated form at the Scheme Record Time, issue such New Ordinary Shares in certificated form and, after (a) the Countrywide Share Consolidation and (b) the Countrywide Reduction of Capital (provided that the Countrywide Reduction of Capital is effective within 7 days of the Scheme Effective Time), despatch or procure the despatch of certificates to reflect the holdings of New Ordinary Shares after the Countrywide Share Consolidation and if applicable, the Countrywide Reduction of Capital to the persons entitled thereto, or as they may direct, in accordance with the provisions of Clause 3.2 of this Scheme; and
    - (b) in the case of any such shares issued in respect of the Scheme Shares which were in uncertificated form at the Scheme Record Time, issue such New Ordinary Shares in uncertificated form and, after (a) the Countrywide Share Consolidation and (b) the Countrywide Reduction of Capital (provided that the Countrywide Reduction of Capital is effective within 7 days of the Scheme Effective Time), procure that CRESTCo Limited is instructed to credit the appropriate stock account in CREST of the holder concerned to reflect the holdings of New Ordinary Shares after the Countrywide Share Consolidation and, if applicable, the Countrywide Reduction of Capital; provided that Countrywide may settle all or part of the share consideration to which all or any holders of Scheme Shares are entitled in the manner referred to in Clause 3.1.1(a) of this Scheme if, for any reason, it considers it appropriate to do so;

- 3.1.2 subject to the Facility Agreement becoming unconditional in all respects as referred to in Clause 2.1.2, in the case of Scheme Shares which at the Scheme Record Time are in certificated form, despatch or procure the despatch of to the persons entitled thereto, or as they may direct, in accordance with the provisions of Clause 3.2 of this Scheme, cheques for the sums payable to them respectively in accordance with Clause 2.1 of this Scheme and, subject to the passing of the Special Resolution, Article 135 of the Articles of Association or, in the case of Scheme Shares which at the Scheme Record Time are in uncertificated form, ensure that an assured payment obligation in respect of the sums payable to the persons entitled thereto is created in accordance with the CREST assured payment arrangements, provided that Countrywide reserves the right to make payment of the said sums by cheque as aforesaid if, for any reason, it wishes to do so.
- 3.2 All despatches of certificates or cheques required to be made pursuant to this Scheme shall be effected by sending the same through the post in pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses as appearing in the register of members of the Company at the Scheme Record Time (or, in the case of joint holders, at the registered address as appearing in the said register at such time of one of the joint holders whose name then stands first in the said register in respect of such joint holding) or in accordance with any special instructions regarding communications, and neither the Company, Countrywide nor, subject to the passing of the Special Resolution, any nominee appointed by the Company pursuant to Article 135 (H) of the Articles of Association shall be responsible for any loss or delay in the transmission of any certificates or cheques sent in accordance with this sub-clause, which shall be sent at the risk of the persons entitled thereto.
- 3.3 All cheques shall be made payable to the holder or, in the case of joint holders, to the first named holder of the Scheme Shares concerned and the encashment of any such cheque shall be a complete discharge to the Company, Countrywide and, subject to the passing of the Special Resolution, any nominee appointed by the Company pursuant to Article 135 (H) of the Articles of Association for the monies represented thereby.
- 3.4 The provisions of this Clause shall take effect subject to any condition or prohibition imposed by law.

#### **4. Certificates for Scheme Shares**

With effect from the Scheme Effective Time:

- 4.1 all certificates representing holdings of Scheme Shares shall cease to have effect for any purpose and every holder thereof shall be bound at the request of the Company to deliver up such certificate(s) to the Company or as it may direct; and
- 4.2 CRESTCo Limited shall be instructed to cancel the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form.

#### **5. Dividend mandates**

- 5.1 All mandates and other instructions to the Company relating to Scheme Shares in force at the Scheme Record Time shall, unless and until revoked or amended, be deemed as from the Scheme Effective Time to be valid and effective mandates and instructions to Countrywide in relation to the corresponding New Ordinary Shares allotted and issued pursuant to this Scheme.
- 5.2 All mandates and other instructions to Countrywide applicable to New Ordinary Shares due to the operation of Clause 5.1 of this Scheme above shall, unless and until revoked or amended, be deemed, as from the Demerger Effective Time, also to be valid and effective mandates and instructions to Chesnara in relation to the corresponding Chesnara Shares allotted and issued pursuant to the Demerger.

#### **6. The Scheme Effective Time**

- 6.1 This Scheme shall become effective as soon as an office copy of the Order of the Court sanctioning this Scheme under section 425 of the Companies Act 1985 and confirming under section 137 of the said Act the reduction of capital provided for by this Scheme shall have been delivered to the Registrar of Companies for registration and, in the case of the confirmation of the reduction of capital, registered by him.
- 6.2 Unless this Scheme shall have become effective on or before 30 September 2004, or such later date, if any, as the Company and Countrywide may agree and the Court may allow, the same shall never become effective.

## **7. Modification**

The Company and Countrywide may jointly consent on behalf of all concerned to any modification of or addition to this Scheme or any condition which the Court may approve or impose.

## **8. Financial assistance**

The Company shall be authorised and permitted following this Scheme becoming effective to:

- 8.1 dispose of the whole of the issued share capital of Countrywide Assured Life Holdings to Countrywide at or about market value on terms that the price payable by Countrywide is left outstanding and otherwise on such terms as the Directors of Countrywide Assured Group and Countrywide may agree;
- 8.2 enter into such guarantees, indemnities, set-off rights and other obligations as are required to be entered into by it in accordance with the terms of the Facility Agreement;
- 8.3 enter into the Intra Group Loan Agreement; and
- 8.4 pay certain fees, costs and expenses in connection with the Facility Agreement not exceeding £1.75 million (exclusive of recoverable VAT) in aggregate.

## **9. Demerger**

The resolution of Countrywide to approve the Countrywide Reduction of Capital required to implement the Demerger (the "Resolution") may provide that if, in respect of any former holder of Scheme Shares who has a registered address in a jurisdiction outside the United Kingdom, or whom Countrywide reasonably believes to be a citizen, resident or national of a jurisdiction outside the United Kingdom, Countrywide is advised that the allotment and issue of Chesnara Shares pursuant to the Demerger would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require Countrywide or Chesnara to observe any governmental or other consent or any registration, filing or other formality with which Countrywide or Chesnara cannot comply or compliance with which Countrywide or Chesnara considers unduly onerous, Countrywide shall (unless such shareholder satisfies Countrywide that no such infringement or requirement would apply) be entitled to appoint any person to execute as transferor an instrument of transfer of the relevant New Ordinary Shares, transferring such New Ordinary Shares to a nominee appointed by Countrywide as trustee for such holder, prior to the Demerger Record Time on terms that the nominee shall, as soon as practicable following the Demerger Effective Time, sell the New Ordinary Shares and the Chesnara Shares, if any, that it receives in respect of such New Ordinary Shares under the Demerger at the best price which can reasonably be obtained at the time of sale and that the proceeds of such sale (net of the expenses of sale including commissions and value added tax) shall be paid to such shareholder by delivering a cheque to, or crediting the CREST account of, such shareholder in accordance with the Resolution. The instrument of transfer executed by such appointee of Countrywide shall be as effective as if it had been executed by the registered holder of or a person entitled by transmission to such New Ordinary Shares and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings relating thereto. The Resolution may provide that, in the absence of bad faith or wilful default, none of Countrywide or Chesnara or any nominee so appointed shall be responsible for any loss or damage to any person arising from any transaction pursuant to the Resolution or any alleged insufficiencies of the terms or the timing of such sale and that any sale pursuant to the Resolution will be delayed until after the admission of the Chesnara Shares to the Official List of the Financial Services Authority acting in its capacity as United Kingdom Listing Authority and to trading on the London Stock Exchange plc's market for listed securities. In the case of New Ordinary Shares held in uncertificated form through CREST, the aforementioned provisions of the Resolution shall be subject to any restrictions applicable under the Uncertificated Securities Regulations 2001.

Dated 18 March 2004

## PART 7

### Notice of Court Meeting of holders of Existing Ordinary Shares

#### NOTICE OF COURT MEETING

No. 1550 of 2004

IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT

Mr Registrar Simmonds

IN THE MATTER OF COUNTRYWIDE ASSURED GROUP PLC

and

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an Order dated 12 March 2004 made in the above matters the Court has directed a meeting to be convened of the holders of the Ordinary Shares of 5 pence each in the capital of Countrywide Assured Group plc (the "Company") for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the holders of the Scheme Shares (as defined in the said Scheme of Arrangement) and that such meeting will be held at the offices of Pinsents at 1 Gresham Street, London EC2V 7BU on 28 April 2004 at 10.20 a.m. (or so soon thereafter as the annual general meeting of the Company convened for that date is concluded or adjourned) at which place and time all holders of the said shares are requested to attend.

A copy of the said Scheme of Arrangement and a copy of the statement required to be furnished pursuant to section 426 of the Companies Act 1985 are incorporated in the document of which this notice forms part.

Shareholders may vote in person at the said meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A BLUE form of proxy for use at the said meeting is enclosed with this notice.

It is requested that forms of proxy be lodged with the Registrars of the Company, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 10.20 a.m. on 26 April 2004 but, if forms are not so lodged, they may be handed to the chairman at the meeting.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

Entitlement to vote at the meeting and the number of votes which may be cast thereat, will be determined by reference to the register of members of the Company at 6.00 p.m. on the day two days before the day of such meeting. If the meeting is adjourned, entitlement to attend and vote will be determined by reference to the register of members of the Company at 6.00 p.m. on the day two days before the day of such adjourned meeting.

By the said order, the Court has appointed Christopher Henry Sporborg or, failing him, Harry Douglas Hill or failing him, Michael Charles Nower, to act as chairman of the said meeting and has directed the chairman to report the result thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 18 March 2004

Pinsents  
1 Park Row  
Leeds LS1 5AB  
Solicitors for the Company

## PART 8

### Notice of Extraordinary General Meeting

#### COUNTRYWIDE ASSURED GROUP PLC

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of Pinsents at 1 Gresham Street, London EC2V 7BU on 28 April 2004 at 10.30 a.m. (or as soon thereafter as the meeting of the holders of the Ordinary Shares of the Company convened for 10.20 a.m. on the same day and at the same place by an order of the High Court of Justice shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 and 2 will be proposed as special resolutions and Resolutions 3 to 5 will be proposed as ordinary resolutions:

#### SPECIAL RESOLUTIONS

##### 1. New holding company

THAT, subject to the passing of the resolution numbered 2 set out in the notice convening this meeting, the introduction of Countrywide plc as the ultimate holding company of the Company and its subsidiaries as described in the Circular to shareholders in the Company dated 18 March 2004 be and is hereby approved and, in connection therewith:

1.1 for the purpose of giving effect to the Scheme of Arrangement dated 18 March 2004 between the Company and the holders of its Scheme Shares (as defined in the said Scheme), a print of which has been produced to this meeting and for the purpose of identification signed by the chairman thereof, in its original form or with any modification, addition or condition approved or imposed by the Court (the “**Scheme**”):

1.1.1 the capital of the Company be reduced by cancelling the said Scheme Shares; and

1.1.2 subject to and forthwith upon the said reduction of capital taking effect:

- (a) the authorised capital of the Company be increased to its former amount by the creation of such number of Ordinary Shares of 5 pence each as is equal to the number of the said Scheme Shares;
- (b) the reserve arising in the books of account of the Company as a result of the said reduction of capital be capitalised and applied in paying up in full at par the Ordinary Shares referred to in paragraph (a) above, such Ordinary Shares to be allotted and issued credited as fully paid to Countrywide plc or its nominee; and
- (c) the directors of the Company be generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the “**Act**”) to allot the Ordinary Shares referred to in paragraph (b) above, provided that (1) the maximum nominal amount of shares which may be allotted hereunder is £50 million, (2) this authority shall expire on 31 December 2008 and (3) this authority shall be in addition and without prejudice to any other authority under the said section 80 previously granted and in force on the date on which this resolution is passed;

1.2 with effect from the passing of this Resolution, the Articles of Association of the Company be altered by the inclusion of the following new article 135:

- (A) “In this Article, the “**Scheme**” means the Scheme of Arrangement dated 18 March 2004 between the Company and the holder of its Scheme Shares (as defined in the said Scheme), a print of which was signed for the purpose of identification by the chairman of the Extraordinary General Meeting of the Company convened for 28 April 2004, in its original form or with any modification, addition or condition approved or imposed by the Court. Expressions defined in the Scheme shall, save as herein otherwise provided, have the same meaning in this Article. For the purposes of this Article, “**Circular**” means the circular of the Company dated 18 March 2004 and sent to shareholders of the Company in connection with the Scheme, “**Countrywide**” means Countrywide plc and “**Chesnara**” means Chesnara plc.

- (B) Notwithstanding any other provision of these Articles, if the Company issues any Ordinary Shares of 5 pence each (other than to Countrywide or its nominees) on or after the adoption of this Article and prior to 6.00 p.m. (London time) on the day before the date on which the Court confirms the reduction of capital of the Company pursuant to Clause 1.1 of the Scheme, such shares shall be allotted and issued subject to the terms of the Scheme and the holders of such shares shall be bound by the Scheme accordingly.
- (C) Subject to the Scheme becoming effective, if any shares in the Company are allotted or issued to any person (other than to Countrywide or any subsidiary undertaking of Countrywide or anyone acting on behalf of Countrywide or any subsidiary undertaking of Countrywide) (the “**Vendor**”) on or after 6.00 p.m. (London time) on the day before the date on which the Court confirms the reduction of capital of the Company pursuant to Clause 1.1 of the Scheme, such shares (the “**Disposal Shares**”) shall be immediately transferred to Countrywide in consideration for the allotment and issue to the Vendor of an equal number of shares in Countrywide (the “**Countrywide Shares**”).
- (D) Countrywide Shares issued to the Vendor pursuant to paragraph (C) of this Article shall be credited as fully paid and rank *pari passu* in all respects with all other Countrywide Shares in issue at the time (other than as regards any dividend or other distribution payable by reference to a record time preceding the date of the acquisition by the Vendor of the Disposal Shares, or the Scheme Effective Time, whichever is later) and be subject to the Memorandum and Articles of Association of Countrywide.
- (E) If any reorganisation of or material alteration to the share capital of the Company or of Countrywide occurs after the Scheme Effective Time (other than a reduction in the capital of Countrywide in connection with the separation of the Life Business from Countrywide following the transfer of the companies carrying on the Life Business to Countrywide, but including the consolidation of Countrywide Shares, each as described in the Circular), the number of Countrywide Shares to be issued to any Vendor under paragraph (C) of this Article after the time of such reorganisation or alteration shall be the number required by these provisions multiplied by such factor as the Countrywide Directors determine to be appropriate to reflect the terms of the reorganisation or alteration.
- (F) No fraction of a Countrywide Share shall be allotted to a Vendor pursuant to this Article, but the entitlement of each Vendor who would otherwise have been entitled to a fraction of a Countrywide Share shall be rounded down to the nearest whole number.
- (G) To give effect to any transfer of the Disposal Shares, the Company may appoint any person to execute and deliver as transferor a form or instruction of transfer on behalf of the Vendor in favour of Countrywide. Pending the registration of Countrywide as the holder of any Disposal Shares, Countrywide shall be empowered to appoint a person to act as attorney on behalf of the Vendor in accordance with such directions as Countrywide may give in relation to any dealings with or disposal of such shares (or any interest therein), exercising any rights attached thereto or receiving any distribution or other benefit accruing or payable in respect thereof and, if a person is so appointed to act as attorney, the Vendor shall not be entitled to exercise any rights attaching thereto except:
- (a) to the extent that the person appointed to act as attorney fails to act in accordance with the directions of Countrywide; and
  - (b) in accordance with the directions of Countrywide.
- (H) In connection with the Scheme, if, in respect of any holder of Scheme Shares with a registered address outside the United Kingdom or who the Company reasonably believes is a citizen, resident or national of a jurisdiction outside the United Kingdom, the Company is advised that the allotment and issue of the Countrywide Shares pursuant to Clause 2 of the Scheme would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require the Company or Countrywide to observe any governmental or other consent or any registration, filing or other formality with which the Company or Countrywide cannot comply or compliance with which the Company or Countrywide considers unduly onerous, the Company shall (unless such shareholder satisfies the Company that no such infringement or requirement would apply) be entitled to appoint any person to execute as transferor an instrument of transfer transferring, prior to the Scheme Record Time, the Scheme Shares held by such holder to a nominee to hold such Scheme Shares on trust for that holder, on terms that the nominee shall:

- (a) sell the Scheme Shares prior to the Scheme Effective Time; or
- (b) if it does not sell the Scheme Shares, and subject to delay until the admission of the Countrywide Shares and the Chesnara Shares to the Official List of the Financial Services Authority acting in its capacity as United Kingdom Listing Authority and to trading on the London Stock Exchange plc's market for listed securities, sell:
  - (i) the Countrywide Shares, if any, that it receives pursuant to the Scheme in respect of such shares as soon as practicable following the Scheme Effective Time; and
  - (ii) the Chesnara Shares, if any, that it receives in respect of the Countrywide Shares referred to in (i) as soon as practicable following the Demerger Effective Time;

in each case at the best price which can reasonably be obtained at the time of sale and that (subject to instructions from Countrywide in relation to Countrywide's obligations pursuant to Clause 3.1 of the Scheme) the proceeds of such sale (net of the expenses of sale including commissions and value added tax), together, in the case of any sale pursuant to paragraph (b) above, with the amount of any payments made by the Company or Countrywide to the nominee in respect of the Scheme Shares in question (provided such payment is made by reference to a record date falling on or before the Scheme Effective Date), shall be paid to such shareholder by delivering a cheque to, or crediting the CREST account of, such shareholder in accordance with the provisions of Clauses 3.1 and 3.2 of the Scheme.

- (I) The instrument of transfer executed by an appointee of the Company pursuant to Article 135(H) above shall be as effective as if it had been executed by the registered holder of or person entitled by transmission to the Scheme Shares to which such instrument relates and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings relating thereto.
- (J) In the absence of bad faith or wilful default, neither the Company, Countrywide, Chesnara nor any nominee appointed by the Company pursuant to Article 135(H) above shall be responsible for any loss or damage to any person arising from any transaction pursuant to this Article 135 or for any alleged insufficiencies of the terms or the timing of such sale.
- (K) In the case of Scheme Shares held in uncertificated form through CREST, the provisions of Article 135(H) above are subject to any restrictions applicable under the Uncertificated Securities Regulations 2001";

1.3 with effect from the passing of this Resolution:

1.3.1 one authorised but unissued ordinary share of the Company be reclassified as a Deferred Share of 5 pence, such Deferred Share to have all the rights of an Ordinary Share as set out in the Articles of Association of the Company, save that:

- (a) the holder of the Deferred Share shall not be entitled, otherwise than pursuant to the Scheme, to receive a dividend nor to have any other right of participation in the profits of the Company;
- (b) the holder of the Deferred Share shall have no right to attend or vote at any general meeting of the Company;
- (c) on a return of capital on the winding-up of the Company or otherwise, the holder of the Deferred Share shall be entitled, subject to the payment to the holders of all other classes of shares of the amount paid up on such shares, to a repayment of the capital paid up on the Deferred Share, but shall have no further rights of participation in the assets of the Company;

1.3.2 the Directors be generally and unconditionally authorised for the purposes of section 80 of the Act to allot the said Deferred Share provided that (1) this authority shall expire on 31 December 2008 and (2) this authority shall be in addition and without prejudice to any authority under the said section 80 previously granted and in force on the date on which this resolution is passed;

1.3.3 pursuant to and during the period of the said authority the Directors be empowered to allot the said Deferred Share wholly for cash as if section 89(1) of the Act did not apply to any such allotment;

1.3.4 words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution.

## **2. Demerger of the Life Business, Countrywide Share Consolidation and Chesnara Share Consolidation**

THAT, subject to the passing of the resolution numbered 1 set out in the notice convening this meeting:

- 2.1 the transfer of the shares of Countrywide Assured Life Holdings Limited to Countrywide plc and the subsequent demerger of the Life Business from Countrywide plc, each as described in the Circular to shareholders in the Company dated 18 March 2004 (the “**Circular**”) be approved, together with the proposed reduction in the capital of Countrywide plc described in the Countrywide plc Listing Particulars dated 18 March 2004;
- 2.2 the proposed consolidation of Ordinary Shares in the capital of Countrywide plc (as described in the Circular, a print of which has been produced to this meeting and for the purpose of identification signed by the chairman thereof) be and is hereby approved; and
- 2.3 the proposed consolidation of Ordinary Shares in the capital of Chesnara plc (as described in the Circular, a print of which has been produced to this meeting and for the purpose of identification signed by the chairman thereof) be and is hereby approved.

## **ORDINARY RESOLUTIONS**

### **3. Countrywide Share Plans**

THAT, subject to the passing of the resolution numbered 1 set out in the notice convening the meeting, the Countrywide Share Plans (as defined in the Circular to shareholders in the Company dated 18 March 2004) be approved and the directors of Countrywide plc be authorised to do all acts and things necessary to adopt and operate the Countrywide Share Plans including making such modifications as those directors may consider appropriate with a view to obtaining the approval of the Inland Revenue (where required), to meet the requirements of the UK Listing Authority and to comply with best corporate governance practice and to establish further share plans as and when required but with modifications to take account of local tax, exchange control or securities law in territories outside the UK.

### **4. Chesnara Share Plans**

THAT, subject to the passing of the resolution numbered 1 set out in the notice convening the meeting, the Chesnara Share Plans (as defined in the Circular to shareholders in the Company dated 18 March 2004) be approved and the directors of Chesnara plc be authorised to do all acts and things necessary to adopt and operate the Chesnara Share Plans including making such modifications as those directors may consider appropriate with a view to obtaining the approval of the Inland Revenue (where required), to meet the requirements of the UK Listing Authority and to comply with best corporate governance practice.

### **5. Chesnara Management Performance Incentive Plan**

THAT, subject to the passing of the resolution numbered 1 set out in the notice convening the meeting, the Chesnara Management Performance Incentive Plan (as defined in the Circular to shareholders in the Company dated 18 March 2004) be approved and the directors of Chesnara plc be authorised to do all acts and things necessary to adopt and operate the Chesnara Management Performance Incentive Plan including making such modifications as those directors may consider appropriate to meet the requirements of the UK Listing Authority or to comply with best corporate governance practice.

Registered office:  
Countrywide House  
Perry Way  
Witham  
Essex CM8 3SX

By order of the Board  
G R Williams  
Company Secretary

18 March 2004

Notes:

1. Members of the Company entitled to attend and vote at the meeting are entitled to appoint a proxy or proxies to attend and on a poll to vote in their place. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a duly certified copy thereof, must be lodged with the Company's registrars, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time set for the meeting or adjourned meeting (as the case may be).
3. Entitlement to vote at the meeting or any adjournment thereof and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at 6.00 p.m. on the day two days before the day of the meeting or adjourned meeting (as the case may be).
4. For the purposes of section 95(5) of the Companies Act 1985, the Board recommends resolution 1.3.3 in order to facilitate the issue of ordinary shares in the capital of Countrywide Assured Group plc to Countrywide plc, pursuant to the Scheme. The amount to be paid to Countrywide Assured Group plc in respect of the allotment of the Deferred Share will be its nominal value, which the Board believes is the appropriate amount to be paid in respect of such allotment, given the nature and extent of the rights attaching to the Deferred Share.

## Definitions

The following definitions shall apply to words and phrases used in this document except where the context requires otherwise, and except in Parts 6, 7 and 8 of this document which contain separate definitions.

“Admission”, “Introduction” or “Listing”	admission of the New Ordinary Shares or the Chesnara Shares, as the case may be, to (i) the Official List and (ii) trading on the London Stock Exchange’s markets for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards;
“Admission and Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards” dated April 2002 containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s market for listed securities;
“Annual General Meeting”	the annual general meeting of Countrywide Assured Group plc convened for 28 April 2004 and any adjournment thereof;
“Board” or “Directors”	the directors of Countrywide Assured Group whose names are set out on page 4 of this document or, following the Scheme becoming effective, of Countrywide or Chesnara as the context may require, whose names are set out on page 9 of this document;
“Business Day”	a day (excluding Saturday or Sunday or public holidays in England and Wales) on which banks generally are open for business in the City of London for the transaction of normal banking business;
“certificated form”	recorded on the relevant register as being held in certificated form and title to which may be transferred by means of a stock transfer form;
“Chesnara”	Chesnara plc, incorporated and registered in England and Wales under the Companies Act, with registered number 4947166, which will, following the Demerger Effective Time, be the ultimate holding company for the Life Business;
“Chesnara Group”	Chesnara and those entities (including Countrywide Assured Life Holdings Limited) which, upon the completion of the Demerger, will have become its subsidiaries and subsidiary undertakings;
“Chesnara Listing Particulars”	the listing particulars dated 18 March 2004 relating to Chesnara, which accompany this document;
“Chesnara Management Performance Incentive Plan”	the cash-based performance incentive plan for Chesnara directors and senior management, as described in paragraph 5 of Part 2 of this document and in the Chesnara Listing Particulars;
“Chesnara Share Plans”	the Chesnara Sharesave Plan, the Chesnara Approved Share Option Plan and the Chesnara Unapproved Share Option Plan as described in the Chesnara Listing Particulars;
“Chesnara Share Consolidation”	the proposed consolidation of Chesnara Shares on a 1 for 2 basis, to be approved at an extraordinary general meeting of Chesnara to be held prior to the Demerger Effective Time and to be effected after the Demerger Effective Time but prior to the Admission of the Chesnara Shares;
“Chesnara Share Consolidation Record Time”	8.00 a.m. on the day of the implementation of the Chesnara Share Consolidation (or, if later, immediately after the registration by the Registrar of Companies of the court order and minute (in the form approved by the court) in respect of the Reduction of Capital and the issue of the Chesnara Shares pursuant to the Demerger);
“Chesnara Shares”	the ordinary shares in the capital of Chesnara to be issued pursuant to the Demerger;

“Chesnara Subscribers”	two partners of Pinsents, solicitors for Countrywide Assured Group;
“Companies Act”	the Companies Act 1985, as amended;
“Countrywide”	Countrywide plc, incorporated and registered in England and Wales under the Companies Act with registered number 4947152 and the parent company of the Group following the Scheme becoming effective;
“Countrywide Assured Group Articles”	the current articles of association of the Company;
“Countrywide Assured Group” or the “Company”	Countrywide Assured Group plc, incorporated and registered in England and Wales under the Companies Act with registered number 1837522;
“Countrywide Assured Group Share Plans”	the EDIS, the EDIS 1996, the ESBS, the ESOS, the ESOS 1995, the ESOS 1996 and the SAYE Scheme;
“Countrywide Assured Life Holdings Limited”	Countrywide Assured Life Holdings Limited, a private limited company which is incorporated in England and Wales with registered number 2662097 and which is the holding company within the Group for the Life Business;
“Countrywide Group” or “Group”	Countrywide Assured Group plc (or following the Scheme becoming effective, Countrywide) and its subsidiary undertakings;
“Countrywide Listing Particulars”	the listing particulars dated 18 March 2004 relating to Countrywide, which accompany this document;
“Countrywide Shareholders”	holders of New Ordinary Shares;
“Countrywide Share Consolidation”	the proposed consolidation of New Ordinary Shares on a 1 for 2 basis, to be approved by an extraordinary general meeting of Countrywide to be held prior to the Scheme Effective Time and to be effected after the Scheme Effective Time but prior to the hearing by the Court of the Reduction of Capital petition;
“Countrywide Share Consolidation Record Time”	12.01 a.m. on the day of the implementation of the Countrywide Share Consolidation;
“Countrywide Share Plans”	the Countrywide Sharesave Plan, the Countrywide Approved Share Option Plan and the Countrywide Unapproved Share Option Plan as described in the Countrywide Listing Particulars;
“Countrywide Subscribers”	two partners of Pinsents, solicitors for Countrywide Assured Group;
“Court”	the High Court of Justice in England and Wales;
“Court Meeting”	the meeting of Countrywide Assured Group Shareholders convened by order of the Court for 28 April 2004, notice of which is set out in Part 7 of this document and any adjournment thereof;
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo in accordance with the Regulations;
“CREST Shareholders”	Shareholders holding in uncertificated form in CREST;
“CRESTCo”	CRESTCo Limited, the operator of CREST;
“Daily Official List”	the Stock Exchange Daily Official List published by the London Stock Exchange;
“Demerger”	the proposed transfer of the Life Business from Countrywide to Chesnara, to be effected by the Reduction of Capital, as described in this document;
“Demerger Effective Time”	the time at which the Demerger becomes effective, expected to be immediately before 8.00 a.m. on 25 May 2004;

“Demerger Record Time”	6.00 a.m. on the day on which the Reduction of Capital becomes effective;
“EDIS”	the Countrywide Assured Group Executive Deferred Incentive Scheme;
“EDIS 1996”	the Countrywide Assured Group Executive Deferred Incentive Scheme (1996);
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company, notice of which is set out in Part 8 of this document and any adjournment thereof;
“ESBS”	the Countrywide Assured Group Executive Share Bonus Scheme;
“ESOS”	the Countrywide Assured Group Executive Share Option Scheme;
“ESOS 1995”	the Countrywide Assured Group Executive Share Option Scheme (1995);
“ESOS 1996”	the Countrywide Assured Group Executive Share Option Scheme (1996);
“Executive Directors”	the executive directors of Countrywide Assured Group, Countrywide or Chesnara, as the context may require;
“Existing Ordinary Shares” or “Countrywide Assured Group Shares”	ordinary shares with a nominal value of 5 pence each in the capital of Countrywide Assured Group;
“Explanatory Statement”	the statement contained in Part 2 of this document in compliance with section 426 of the Companies Act;
“Facility Agreement”	a facility agreement for a revolving credit facility in an amount up to £100,000,000 with HSBC Bank plc, Lloyds TSB Bank plc (acting through its division, Lloyds TSB Capital Markets) and The Royal Bank of Scotland plc as mandated joint lead arrangers, Lloyds TSB Bank plc (acting through its division, Lloyds TSB Capital Markets) as agent and HSBC Bank plc, Lloyds TSB Bank plc and The Royal Bank of Scotland plc as lenders;
“Form of Proxy”	the BLUE form of proxy for use at the Court Meeting or the GREEN form of proxy for use at the EGM as the context may require, and the notes thereon, and “Forms of Proxy” shall mean both of them;
“Guaranteed Growth Bonds”	corporate bonds where the capital invested is protected but the income received depends on the performance of a particular index;
“Guaranteed Income Bonds”	corporate bonds paying a fixed rate of income during their lifetime where the value of capital depends on a particular index or a collection of stocks;
“Hawkpoint”	Hawkpoint Partners Limited;
“holder”	includes any person(s) entitled by transmission;
“Home Information Packs”	property vendor information packs originally proposed by The Homes Bill 2000 and expected to be introduced into the UK by 2007;
“Life Business”	the life assurance activities of the Countrywide Group;
“Listing Particulars”	the Countrywide Listing Particulars and the Chesnara Listing Particulars;
“Listing Rules”	the rules and regulations made by the UK Listing Authority pursuant to section 74 of the Financial Services and Markets Act 2000 as amended from time to time;
“London Stock Exchange”	the London Stock Exchange plc or any registered investment exchange for the purposes of the Financial Services and Markets Act 2000 which may take over the function of the London Stock Exchange plc;

“New Articles”	the new Articles of Association proposed to be adopted by Countrywide and/or the new Articles of Association proposed to be adopted by Chesnara, as the context may require;
“New Ordinary Shares”	the ordinary shares in the capital of Countrywide to be issued pursuant to the Scheme;
“Non-life Business”	the activities of the Countrywide Group which do not relate to the Life Business;
“Numis”	Numis Securities Limited;
“Official List”	the Official List of the UK Listing Authority;
“Optionholders”	holders of options to acquire Countrywide Assured Group Shares under the Countrywide Assured Group Share Plans;
“Overseas Shareholders”	shareholders resident in, or citizens of, jurisdictions outside of the UK;
“Petition”	the petition to the Court to sanction the Scheme or the petition to the Court to sanction the Reduction of Capital, as the context may require;
“Proposals”	the Scheme, the Return of Capital, the Countrywide Share Consolidation, the Chesnara Share Consolidation, the Demerger, the adoption of the Chesnara Management Performance Incentive Plan, the Countrywide Share Plans and the Chesnara Share Plans and, where the context so requires, the 2003 Final Dividend;
“Reduction of Capital”	the proposed reduction of capital of Countrywide under section 135 of the Companies Act, described in this document;
“Registrar of Companies”	the registrar of companies in England and Wales;
“Regulations”	the Uncertificated Securities Regulations 2001;
“Return of Capital”	the proposed payment of £85 million in aggregate to Shareholders pursuant to the Scheme;
“SAYE Scheme”	the Countrywide Assured Group Savings Related Share Option Scheme (1996);
“Scheme” or “Scheme of Arrangement”	the scheme of arrangement under section 425 of the Companies Act set out in Part 6 of this document, in its present form or with or subject to any modification, addition or condition approved or imposed by the Court;
“Scheme Effective Date”	the date on which the Scheme becomes effective in accordance with its terms, expected to be 21 May 2004;
“Scheme Effective Time”	the time at which the Scheme becomes effective in accordance with its terms, expected to be shortly after 4.30 p.m. on 21 May 2004;
“Scheme Record Time”	4.30 p.m. on the day on which the Scheme is expected to become effective (expected to be 21 May 2004);
“Scheme Shares”	<ul style="list-style-type: none"> <li>(i) the Countrywide Assured Group Shares in issue at the date of the Scheme;</li> <li>(ii) any Countrywide Assured Group Shares issued after the date of the Scheme and prior to 6.00 p.m. (London time) on the day two days before the day of the Court Meeting or any adjournment thereof; and</li> <li>(iii) any Countrywide Assured Group Shares issued at or after the passing of the Special Resolution and prior to 6.00 p.m. (London time) on the day prior to the confirmation by the Court of the reduction of capital pursuant to Clause 1 of the Scheme in respect of which the original or any subsequent holders thereof shall be</li> </ul>

	bound or shall have agreed in writing by such time to be bound by the Scheme;
“SEC”	the United States Securities and Exchange Commission;
“Shareholders” or “Countrywide Assured Group Shareholders”	holders of Existing Ordinary Shares;
“Special Resolution”	the first resolution set out in the notice convening the Extraordinary General Meeting;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 and in the exercise of its functioning in respect of the admission to the Official List otherwise than in accordance with Part VI of the Financial Services and Markets Act 2000;
“uncertificated” or “uncertificated form”	recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST;
“US” or “United States”	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia;
“US Securities Act”	the United States Securities Act of 1933, as amended;
“US Shareholder”	Countrywide Assured Group Shareholders with US registered addresses; and
“2003 Final Dividend”	the dividend of 4.75 pence per Existing Ordinary Share proposed to be paid by the Company, in respect of the financial year ended 31 December 2003, to Shareholders who appear on the register of members of the Company at 4.30 p.m. on 21 May 2004.

