

## TO FORMER SHAREHOLDERS OF COUNTRYWIDE ASSURED GROUP PLC

### Return of Capital and Demerger of Chesnara plc from Countrywide Assured Group plc

#### Tax treatment of former holders of Existing Ordinary Shares in CAG

The purpose of this statement is to supplement the description of the tax treatment contained in the Countrywide Assured Group plc (CAG) Circular dated 18 March 2004 entitled 'Recommended proposals for the demerger of the life assurance business and for a return of capital to Shareholders'. Accordingly, this statement should be read in conjunction with that document.

#### *Return of Capital*

The Return of Capital will result in shareholders being treated as making a part disposal of their holdings of Existing Ordinary Shares in CAG. For the purposes of calculating any chargeable gain or allowable loss, the base cost of that part of a holding treated as disposed of will be determined by applying the formula  $A / (A+B)$  to the base cost in the Existing Ordinary Shares of CAG. In the formula, A is the amount of cash received and B is the sum of the market value of the Chesnara Shares and New Ordinary Shares in Countrywide plc (Countrywide), using the value of those shares on the first day of dealing after the implementation of the Proposals.

For each Existing Ordinary Share in CAG, shareholders were entitled to receive 25.13p in cash, 0.5 Countrywide New Ordinary Share and 0.25 Chesnara Share. Fractional payments of shares were not made. The first day of dealing was 25 May 2004. On that date, and for capital gains tax purposes, the market value of each Chesnara Share was 109.875p and the market value of each Countrywide New Ordinary Share was 284.875p. On this basis, and as set out in the table below, 12.885% of the base cost of a holding of Existing Ordinary Shares will be treated as applicable to the Return of Capital.

#### *Base costs of Countrywide New Ordinary Shares and Chesnara Shares*

The starting point in calculating the base costs of Countrywide New Ordinary Shares and Chesnara Shares is the shareholder's original base cost in Existing Ordinary Shares, less the amount of base cost attributed to the Return of Capital (see above). That adjusted base cost is then apportioned between Countrywide New Ordinary Shares and Chesnara Shares by reference to their market values for capital gains tax purposes on 25 May 2004. This results in 83.833% of the adjusted base cost being attributed to the Countrywide New Ordinary Shares and 16.167% to the Chesnara Shares.

**The guidance given in this letter is intended to assist former shareholders of CAG in the preparation of their tax returns. If you have any further questions in relation to this matter you should consult your own tax adviser.**

<b>For each Existing Ordinary Share, shareholders received:</b>	<b>Market value of share on 25 May 2004 (p)</b>	<b>Market value of what was received for each Existing Ordinary Share on 25 May 2004 (p)</b>	<b>Proportion of base cost in Existing Ordinary Shares applicable to Cash</b>	<b>Proportions of adjusted base cost applicable to Countrywide New Ordinary Shares and Chesnara Shares</b>
0.50 Countrywide New Ordinary Share	284.875	142.437		83.833%
0.25 Chesnara Share	109.875	27.469		16.167%
Cash		25.130	12.885%	