

The Directors, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the 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.

Application has been made to the UK Listing Authority for the Countrywide Shares to be admitted to the Official List and to the London Stock Exchange for such Countrywide Shares to be admitted to trading on the London Stock Exchange, which together, under the Listing Rules of the UK Listing Authority, will constitute admission to official listing on a stock exchange. It is expected that Admission of the Countrywide Shares will become effective, and that dealings for normal settlement will commence, at 8.00 a.m. on 25 May 2004. A copy of this document, which comprises listing particulars relating to Countrywide plc which have been prepared in accordance with the Listing Rules made under section 74 of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in England and Wales for registration as required by section 83 of that Act.

No Countrywide Shares have been marketed to, nor are any available for purchase in whole or in part by, the public in the United Kingdom or elsewhere in connection with the admission to the Official List. This document does not constitute an offer or invitation to any person to subscribe for or purchase any securities in Countrywide plc.

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## **Countrywide plc**

*(Incorporated and registered in England and Wales under the Companies Act, registered number 4947152)*

### **Introduction to the Official List**

**Sponsored by**

## **Hawkpoint Partners Limited**

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

HSBC Bank plc, which is regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Countrywide plc and no one else in connection with the listing of the Countrywide Shares, and will not be responsible to anyone other than Countrywide plc for providing the protections afforded to its customers or for providing advice in connection with the listing of the Countrywide Shares or the contents of this document.

The date of this document is 18 March 2004.

The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Countrywide Shares to be issued in connection with the Scheme have not been, and are not required to be registered with the Securities Exchange Commission under the Securities Act or the securities laws of any state in the US. Neither the Securities Exchange Commission, nor the securities commission of any state in the US, has approved or disapproved of these securities or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

## SHARE CAPITAL UPON ADMISSION

Expected maximum number of  
issued and fully paid or credited  
as fully paid Countrywide Shares

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171,984,262

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The number of Countrywide Shares is based on the number of Countrywide Assured Group Shares in issue as at 17 March 2004 and on the assumptions that (i) the Countrywide Share Consolidation has been effected and (ii) any options under the Countrywide Assured Group Share Plans which are capable of exercise are exercised prior to Admission (based on the most up-to-date option information available as at 17 March 2004, being the latest practicable date prior to publication of this document). Countrywide Shares to be issued in connection with the Scheme will rank in full for all dividends and other distributions declared, made or paid on such Countrywide Shares after the date on which they are admitted to the Official List. Details of the basis of determination of the nominal amount of the Countrywide Shares are set out in Part 4 of this document.

There will also be one redeemable preference share of £50,000 in issue. This has been issued by Countrywide so that it meets minimum share capital requirements of the Companies Act pending the issue of the Countrywide Shares on the Scheme becoming effective. As described in Part 5, Countrywide intends to redeem the redeemable preference share shortly after Admission.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Countrywide Shares will be issued to Countrywide Assured Group Shareholders in connection with the Proposals. Completion of the Proposals is subject to a number of conditions, including approval of the Proposals by Countrywide Assured Group Shareholders at the Court Meeting and the Extraordinary General Meeting which are scheduled to take place on 28 April 2004. The following is the expected timetable of the principal events connected with the Proposals.

	2004
Court Meeting and EGM of Countrywide Assured Group	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	20 May
Last day of dealings in Countrywide Assured Group Shares (i)	21 May
Scheme Record Time (i)	4.30 p.m. on 21 May
Effective Date of the Scheme (i)	21 May
Court hearing of petition to confirm Reduction of Capital (ii)	24 May
Reduction of Capital occurs and Demerger is completed (iii)	25 May
Dealings in Countrywide Shares commence on the London Stock Exchange (iii)	8.00 a.m. on 25 May
Crediting of Countrywide Shares to CREST accounts (iii)	25 May
Despatch of share certificates for Countrywide Shares (iii)	by 1 June
Despatch of cheques and proceeds credited to CREST accounts in respect of the Return of Capital and 2003 Final Dividend (iii)	by 11 June

### Notes

- (i) These times and dates are indicative only and will depend, amongst other things, on the date on which the Court sanctions the Scheme.
- (ii) This date is indicative only and will depend, amongst other things, on the date on which the Scheme becomes effective.
- (iii) These times and 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'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 the Listing Rules, Countrywide 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.

## DIRECTORS, COMPANY SECRETARY AND ADVISERS

DIRECTORS	Christopher Sporborg Harry Hill Michael Nower Michael Gordon Andrew Brown Peter Mason	Non-executive Chairman Group Managing Director Group Finance Director Senior non-executive Director Non-executive Director Non-executive Director
COMPANY SECRETARY	Gareth Williams	
REGISTERED AND HEAD OFFICE	Countrywide House Perry Way Witham Essex CM8 3SX	
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LEGAL ADVISER TO ISSUER	Pinsents 1 Park Row Leeds LS1 5AB	
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AUDITORS AND REPORTING ACCOUNTANTS	KPMG Audit plc 8 Salisbury Square London EC4Y 8BB	
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BROKERS	HSBC Bank plc 8 Canada Square London E14 5HQ	
BANKERS	Lloyds TSB Bank plc Black Horse House Castle Park Cambridge CB3 0AR	
	HSBC Bank plc Parkers House 46 Regent Street Cambridge CB2 1DP	
	The Royal Bank of Scotland plc 280 Bishopsgate London EC2M 4RB	
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## PART 1

### Information on Countrywide plc

#### 1. Introduction

During the past year, Countrywide Assured Group has been considering ways in which to improve the efficiency of the capital structure of its group (and in particular the balance between equity funding and debt funding) and to rationalise its group corporate structure around its core estate agency and professional property services businesses and its Life Business.

On 18 December 2003, Countrywide Assured Group confirmed the proposed Demerger of Chesnara plc, which will (following implementation of the Proposals) be the holding company for the group's Life Business. Countrywide Assured Group has subsequently received approval for the Demerger, subject to listing clearance, from the Financial Services Authority. The proposed Demerger is being effected primarily because:

- the Life Business is substantially closed to new business and its activities are fundamentally different in nature to the rest of the Group;
- there are no operating synergies between the businesses or compelling reasons for the two businesses 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.

In addition, Countrywide Assured Group confirmed that consideration was being given to a number of possibilities in relation to the capital structure of the continuing Countrywide Group including, among other things, a one-off return of capital. The Demerger and the Return of Capital were confirmed in Countrywide Assured Group's preliminary results announcement on 10 March 2004; the Demerger and the Return of Capital will be implemented by way of a Court approved scheme of arrangement under section 425 of the Companies Act.

Under the Proposals, Countrywide Assured Group Shareholders at the Scheme Record Time will receive, in exchange for their Countrywide Assured Group Shares, Countrywide Shares, Chesnara Shares and cash on the following basis:

**For every 4 Countrywide Assured Group Shares**

**2 Countrywide Shares**

**and**

**1 Chesnara Share**

**and**

**approximately 103.2 pence in cash by way of the  
Return of Capital (in addition to the 2003 Final  
Dividend of 19 pence)**

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

Further information relating to the Proposals are set out in paragraph 4 below and Part 4 of this document.

#### 2. History, background and activities

The Group came into existence in 1986 when the first two estate agency groups in the country to be listed on the London Stock Exchange, Bairstow Eves and Mann & Co., were acquired by Hambros plc and merged to form Hambro Countrywide. Other acquisitions and new ventures have followed, including, in 1988, the establishment of Hambro Assured.

The Group's largest acquisition took place in October 1994, when Hambro Countrywide acquired 301 estate agency branches and Nationwide Surveyors from the Nationwide Building Society. The Nationwide Surveyors business was combined with Countrywide Surveyors to create the largest residential surveying and valuation business in the UK. Many of the estate agency branches acquired provided residential letting and

management services. In 1995, the lettings operations acquired were merged with the existing Group's letting and property management business under the banner of Countrywide Residential Lettings.

Early in 1995, a further estate agency business, trading as Spencers, based in and around Leicester, was acquired from the National & Provincial Building Society, increasing the Group's residential estate agency offices to 762.

During 1997 and 1998, the Group acquired three major London businesses: Faron Sutaria (estate agency and lettings), John D Wood & Co. (estate agency and lettings) and PKL (a leading residential lettings business) to complement the extensive network of estate agency and residential lettings offices owned by the Group outside central London. In 1997 the Group set up Hambro Countrywide Conveyancing which was to form the basis of the Group's residential conveyancing business.

In mid 1998, the Group acquired over 100 surveyors from Royal & Sun Alliance Property Services to further consolidate Countrywide Surveyors' leading position in the UK's residential surveying and valuation market. In this same year, the Group was demerged from its controlling shareholder, Hambros plc, and the Group's shares passed into a wide range of institutional investors' hands. Thereafter, the name of the Group was changed to Countrywide Assured Group plc, with the life assurance subsidiary renamed Countrywide Assured plc.

In 2002, the Group entered into a long term distribution agreement with Friends Provident for the distribution of mortgage related insurance protection products, equivalent to those being generated by the Group's Life Business, to be sold by its financial services sales force. This agreement led to the Group's Life Business being substantially closed to new business.

As part of the Scheme, Countrywide will become the holding company of Countrywide Assured Group. The continuing activities of the Countrywide Group will consist of the residential 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 financial services sales force, based in the estate agency offices, arranges mortgages, income protection policies, general insurance policies and mortgage and personal protection policies on behalf of housebuyers and vendors. The Group is one of the largest arrangers of mortgage products and other financial services products associated with housing transactions in the UK. In the year ending 31 December 2003, the Group arranged over £4.6 billion of mortgages on behalf of its panel of leading mortgage providers. The current level of the Group's mortgage activities is equivalent to arranging a mortgage for approximately 60 per cent. of those customers who buy a property through the 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 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. 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 Group aims to maximise the powerful cross-selling opportunities that exist between its businesses. The Group's estate agency branches are the key entry point to the services and products that the Group can provide to customers, as the following example illustrates.

A person wishing to sell his or her property will typically instruct and agree a fee with the estate agency branch. The estate agency branch will then commence the marketing of the property and the seller will be offered the services of the Group's residential conveyancing division to undertake the necessary legal work. A buyer will then normally identify the property as one that he or she wishes to purchase. When the terms of the purchase have been agreed, the estate agent will normally give the purchaser the opportunity of an appointment with the financial services representative, of which there is one in most estate agency branches. In order to fund the purchase, the purchaser will be offered a mortgage provided by the Group's leading panel of mortgage lenders and will also be given the opportunity to purchase life insurance products (e.g.

death benefit and critical illness cover) and general insurance products (e.g. household and contents and redundancy insurance).

Over 60 per cent. of purchasers take a mortgage from the Group's panel of mortgage providers and of those purchasers who take out such a mortgage, a significant majority take out some form of life insurance and take out some form of general insurance.

In addition to the estate agency fee earned by the Group on the sale of the property (and potentially conveyancing fees earned from the seller and the purchaser), securing the mortgage for the purchaser generates a fee from the mortgage panel plus a potential further fee for the surveying division if (as is normally the case) the lender requires confirmation that the property provides adequate security. The sale of life insurance and general insurance products generates a fee directly from the providers of those products.

### **3. Strategy**

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

- develop its nascent re-mortgage 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;
- further develop 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.

### **4. Outline of the Proposals and formation of Countrywide plc**

There are several key elements to the implementation of the Proposals:

- the creation, pursuant to the Scheme, of a new listed company, Countrywide plc, which will become the new holding company of the residential estate agency and professional property services businesses;
- the creation of a new listed company, Chesnara plc, which will become the new holding company of the Life Business;
- a return of capital to Countrywide Shareholders (again 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 Countrywide Assured Group 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 Countrywide Assured Group Share in issue). The Return of Capital will be assisted by a new £100 million revolving bank facility; and
- the separation of the existing Group, pursuant to the Demerger, into two new separately listed companies:
  - (a) Countrywide plc, which will own the residential estate agency and professional property services businesses; and
  - (b) Chesnara plc, which will own the Life Business.

The Proposals are conditional upon, *inter alia*, Court and Shareholder approval and the Return of Capital is conditional upon the bank facilities (further details of which are set out in paragraph 13.3 of Part 5 of this document) becoming unconditionally available to the Company.

## 5. Summary financial information

The table below, the contents of which have been extracted without material adjustment from the Accountants' Report set out in Part 2 of this document, summarises the trading record of the Group, for the three years ended 31 December 2003.

Shareholders should read the whole of this document and not just rely on the summary financial information in this Part 1.

	Year ended 31 December 2001 audited £m	Year ended 31 December 2002 audited £m	Year ended 31 December 2003 audited £m
Turnover	355.4	423.0	455.0
Operating profit	44.8	76.5	81.5
Profit on ordinary activities before taxation	41.7	72.8	76.5
Adjusted earnings per share	7.76p	13.94p	15.67p
Adjusted earnings per share following the Proposals <sup>1</sup>	15.52p	27.88p	31.34p
Net assets	29.5	14.2	49.0

<sup>1</sup> Adjusted to reflect the effect of the cancellation of shares and the Proposals

## 6. Current trading and prospects

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.

## 7. Dividend policy

The Board of Countrywide intends to pursue a progressive dividend policy and, barring 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.

## 8. Capital structure

The Board considers that, following the implementation of the Proposals, the Group will have a more appropriate capital structure, taking into account both the cash generative nature of its business and the markets in which it operates. The new £100 million revolving bank facility represents a multiple of 1.1 times earnings before interest, tax, depreciation and amortisation for the year ended 31 December 2003. The interest charge relating to the new revolving bank facility would have been covered 14.7 times by earnings before interest, tax and amortisation for the year ended 31 December 2003, on the basis that the facility had been fully drawn for a 12 month period.

## 9. The Board and corporate governance

All of the Directors were previously directors of Countrywide Assured Group. Details of the Directors and the Company Secretary of Countrywide are set out in paragraph 5 in Part 5 of this document.

### *Corporate Governance*

The Board of Countrywide is committed to achieving high standards of corporate governance and the composition of the Board has been designed to comply with the recent changes to the Combined Code, and in particular the recommendations of the Higgs Report. The Board of Countrywide intends to ensure that Countrywide complies fully with the revised Combined Code in advance of any requirement to do so.

The Board will be headed by Christopher Sporborg as Non-executive Chairman, with Harry Hill in day-to-day control as Group Managing Director. The Board will meet at least six times each year and will have

access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

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

The Executive Board will be responsible for managing the day-to-day activities of the Countrywide Group and will report to the Board of Countrywide on a regular basis.

The Board has established an audit committee, a remuneration committee and a nominations committee.

The audit committee will be chaired by Andrew Brown and its other members will be Peter Mason and Michael Gordon. This committee will ensure that management has effective processes in place for assessing the effectiveness of risk management and internal controls, including financial, operational and compliance policies and practices. It will also consider the form and content of financial reports and statements, especially as regards accounting standards, accounting policies and the degree of judgement applied. The audit committee will also review general matters which may be brought to the attention of Countrywide by its auditors and will review the scope and results of the external audit and its cost effectiveness, as well as the performance of the auditors and provision of non-audit services to Countrywide. The audit committee will meet at least four times each year.

The remuneration committee will be chaired by Christopher Sporborg and its other members will be Peter Mason, Andrew Brown and Michael Gordon. It will have responsibility for determining Countrywide policy on executive remuneration and the remuneration of the executive directors and will monitor the remuneration of other senior employees in Countrywide. The remuneration committee will meet at least three times each year. The remuneration committee recommends to the Board the reward framework for senior management. It will also review the salaries of the executive directors and other senior management annually after consideration of Countrywide's performance, market conditions, the level of increases awarded to employees throughout the business and the need to reward individual performance.

The nominations committee will be chaired by Christopher Sporborg and its members will be Peter Mason, Andrew Brown, Michael Gordon and Harry Hill. It will have responsibility for the nomination and selection of directors. The committee will meet at least three times a year.

## **10. Employees**

The Countrywide Group operates in a competitive industry and it is an important part of its strategy to attract, motivate and retain high calibre individuals who are able to deliver the Group's business objectives. The level of remuneration and benefits offered is key to supporting this area of the Group's strategy.

The Countrywide Group sets out to provide competitive salaries and benefits for all its employees, consistent with business strategy and performance. Total remuneration comprises fixed pay, bonuses, commissions and benefits.

The Countrywide Group aims to align the interests of all employees as closely as possible with the interests of Shareholders. It therefore regards employee share ownership as an important incentive and a distinguishing factor from its competitors.

The Countrywide Group intends to administer the Countrywide Share Plans with the object of giving employees at all levels the opportunity to acquire and hold shares in Countrywide. Employees of Countrywide Assured Group have maintained their strong commitment to share ownership in recent years.

The average number of employees in the Group in each of the last three financial years was as follows:

	2001	2002	2003
Administration	61	67	66
Operations	7,357	8,409	8,431
TOTAL	<u>7,418</u>	<u>8,476</u>	<u>8,497</u>

Details of the proposed Countrywide Share Plans are set out in paragraph 8 of Part 5 of this document.

## PART 2

### Financial information

#### 1. Accountants' Report on Countrywide plc



#### KPMG Audit Plc

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EC3A 6HA

18 March 2004

Dear Sirs

#### **Countrywide plc**

We report on the financial information set out below. This financial information has been prepared for inclusion in the listing particulars dated 18 March 2004 relating to the admission of Countrywide plc (“**the Company**”) to the Official List.

#### *Basis of preparation*

The Company was incorporated on 29 October 2003 and will prepare its first statutory financial statements for the fourteen month period ending 31 December 2004.

The financial information set out in paragraphs 1 to 2.4 is based on the financial statements of the Company from incorporation to 31 December 2003, prepared on the basis described in note 2.1, to which no adjustments were considered necessary.

#### *Responsibility*

Such financial statements are the responsibility of the Directors of the Company who approved their issue.

The Directors of the Company are responsible for the contents of the listing particulars dated 18 March 2004 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

#### *Basis of opinion*

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board of the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

*Opinion*

In our opinion the financial information gives, for the purposes of the listing particulars, a true and fair view of the state of affairs of Countrywide plc as at the date stated.

## 1. Net assets of Countrywide plc at 31 December 2003

	Note	As at 31 December 2003 £
<b>Current assets</b>		
Debtors — due within one year		2
<b>Net assets</b>		<u>2</u>
<b>Capital and reserves</b>		
Called up share capital		2
<b>Equity shareholders' funds</b>		<u>2</u>

## 2. Notes to the net assets of Countrywide plc

### 2.1 Accounting policies

#### (a) Basis of preparation

The accounts of the Company have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The Company was incorporated on 29 October 2003 as Pinco 2041 plc. On 22 December 2003, it changed its name to Countrywide plc. No audited financial statements have been made up and no dividends have been declared or paid up since incorporation. The Company had not commenced business on 31 December 2003 and accordingly no profit or loss is presented.

### 2.2 Called up share capital

	Number	£
Authorised share capital on incorporation and at 31 December 2003		
Ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Allotted and fully paid ordinary shares of £1 each on incorporation and at 31 December 2003	2	2
	<u>2</u>	<u>2</u>

### 2.3 Subsequent events

On 9 March 2004, the following transactions occurred:

- the existing share capital was sub-divided into 1p shares;
- the authorised share capital was increased to £600,050,000 divided into one £50,000 redeemable preference share and 60 billion 1p ordinary shares; and
- one redeemable preference share of £50,000 was issued, paid up to one quarter.

Yours faithfully

KPMG Audit Plc

## 2. Accountants' Report on Countrywide Group



### KPMG Audit Plc

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The Directors  
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4 Great St Helens  
London  
EC3A 6HA

18 March 2004

Dear Sirs

### **The Countrywide Group**

We report on the financial information set out below. This financial information has been prepared for inclusion in the listing particulars dated 18 March 2004 of Countrywide plc (“**the Company**”).

#### *Basis of preparation*

The financial information set out in paragraphs 1 to 5.33 is based on the audited consolidated financial statements of Countrywide Assured Group plc and of its subsidiary undertakings (collectively referred to as “**the Group**”) for the three years ended 31 December 2001, 2002 and 2003, prepared on the basis described in paragraph 5.0 after making such adjustments as we consider necessary.

#### *Responsibility*

Such financial statements are the responsibility of the directors of the Group who approved their issue.

The Directors of Countrywide plc are responsible for the contents of the listing particulars dated 18 March 2004 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

#### *Basis of opinion*

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board of the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

*Opinion*

In our opinion the financial information gives, for the purposes of the listing particulars, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits and cash flows for the periods then ended.

**1. Combined profit and loss accounts of the Countrywide Group for the three years ended 31 December 2003**

	<i>Note</i>	2001 £m	2002 £m	2003 £m
Turnover	5.1	355.4	423.0	455.0
Staff costs	5.3	(196.8)	(223.9)	(240.3)
Other operating costs	5.5	(120.8)	(132.2)	(142.0)
Other operating income	5.6	7.0	9.6	8.8
Operating profit		<u>44.8</u>	<u>76.5</u>	<u>81.5</u>
Share of operating profit/(loss) in — joint venture	5.11(b)	(1.8)	(0.3)	0.2
— associates	5.11(c)	(1.3)	(4.4)	(2.7)
Amounts written off investment property	5.14	—	—	(2.7)
Net interest receivable and similar charges	5.7	—	1.0	0.2
Profit on ordinary activities before taxation		<u>41.7</u>	<u>72.8</u>	<u>76.5</u>
Taxation	5.8	(13.8)	(23.5)	(25.6)
Profit on ordinary activities after taxation		<u>27.9</u>	<u>49.3</u>	<u>50.9</u>
Dividends	5.9	(18.9)	(20.4)	(22.5)
<b>Retained profit for the period</b>		<u><u>9.0</u></u>	<u><u>28.9</u></u>	<u><u>28.4</u></u>

There is no material difference between the profit for the year and the results on a historical basis.

Earnings and dividends per share based on Countrywide Assured Group plc shares in issue.

Earnings per share	5.10	7.76p	13.72p	14.93p
Adjusted earnings per share	5.10	7.76p	13.94p	15.67p
Diluted earnings per share	5.10	7.71p	13.55p	14.87p
Dividend per share	5.9	5.25p	6.15p	6.90p

Earnings per share based on anticipated Countrywide plc shares in issue following the demerger.

Earnings per share	5.10	15.52p	27.44p	29.86p
Adjusted earnings per share	5.10	15.52p	27.88p	31.34p
Diluted earnings per share	5.10	15.42p	27.10p	29.74p

## 2. Combined net assets of the Countrywide Group at 31 December 2001, 2002 and 2003

	<i>Note</i>	2001 £m	2002 £m	2003 £m
<b>Fixed assets</b>				
Intangible assets: goodwill	5.12	7.1	18.8	16.7
Tangible assets	5.13	17.2	30.4	35.7
Other investments	5.14	18.8	25.2	27.7
Investments in joint ventures				
— share of gross assets	5.11(b)	0.9	1.4	1.4
— share of gross liabilities		(0.1)	(0.4)	(0.2)
		<u>0.8</u>	<u>1.0</u>	<u>1.2</u>
Investments in associates				
— goodwill	5.12	6.9	4.2	1.8
— share of net assets	5.11(c)	2.4	0.7	0.9
		<u>9.3</u>	<u>4.9</u>	<u>2.7</u>
<b>Total fixed assets</b>		<b>53.2</b>	<b>80.3</b>	<b>84.0</b>
<b>Current assets</b>				
Debtors — due within one year	5.15	39.4	49.7	53.2
Cash at bank		24.5	26.3	61.2
		<u>63.9</u>	<u>76.0</u>	<u>114.4</u>
<b>Current liabilities</b>				
Creditors due within one year	5.16	(70.1)	(110.4)	(119.9)
<b>Net current liabilities</b>		<u>(6.2)</u>	<u>(34.4)</u>	<u>(5.5)</u>
<b>Total assets less current liabilities</b>		<b>47.0</b>	<b>45.9</b>	<b>78.5</b>
Creditors due after more than one year	5.17	(12.3)	(25.4)	(20.8)
Provisions for liabilities and charges	5.18	(5.2)	(6.3)	(8.7)
<b>Net assets</b>		<u>29.5</u>	<u>14.2</u>	<u>49.0</u>
<b>Capital and reserves</b>				
Called up share capital	5.19	18.1	18.1	16.5
Share premium and other reserves	5.20	11.4	(3.9)	32.5
<b>Equity shareholders' funds</b>		<u>29.5</u>	<u>14.2</u>	<u>49.0</u>

### 3. Combined cash flows of the Countrywide Group for the three years ended 31 December 2003

		2001	2002	2003
	<i>Note</i>	£m	£m	£m
Net cash flow from operating activities	5.25	52.6	85.0	92.8
Net interest received		—	1.0	0.1
		<u>52.6</u>	<u>86.0</u>	<u>92.9</u>
Taxation paid		(4.1)	(15.4)	(25.0)
Capital expenditure and financial investment				
Purchase of tangible assets		(5.3)	(12.8)	(13.4)
Sale of tangible assets		2.3	1.5	1.3
Purchase of investments		(14.9)	(7.6)	(4.0)
Net cashflow for capital expenditure and financial investment		<u>(17.9)</u>	<u>(18.9)</u>	<u>(16.1)</u>
Acquisitions	5.28	(9.1)	(16.0)	(0.6)
Initial payment from Friends Provident		—	24.3	—
Equity dividends paid		(17.0)	(19.7)	(20.2)
Cash inflow before financing		<u>4.5</u>	<u>40.3</u>	<u>31.0</u>
Financing				
Issue of shares		0.2	1.4	2.0
Purchase of own shares		—	(51.7)	—
Advance of term loans	5.26	8.6	5.9	1.1
Cash transferred into Insurance Cell		—	—	(1.2)
Dividend from Life Business		7.0	6.0	—
Net cash inflow/(outflow) from financing		<u>15.8</u>	<u>(38.4)</u>	<u>1.9</u>
Increase in cash		<u><u>20.3</u></u>	<u><u>1.9</u></u>	<u><u>32.9</u></u>

### 4. Combined statement of total recognised gains and losses

	2001	2002	2003
	£m	£m	£m
<b>Profit for the year</b>	<u>27.9</u>	<u>49.3</u>	<u>50.4</u>
<b>Total recognised gains and losses since last Annual Report</b>	<u><u>27.9</u></u>	<u><u>49.3</u></u>	<u><u>50.4</u></u>

### 5. Notes to the combined financial statements for Countrywide Group

#### 5.0 Accounting policies

##### (a) Basis of preparation and combination

The combined Financial Information for the Countrywide Group is based on the consolidated accounts of Countrywide Assured Group (“the Group”).

The Group’s accounts have been prepared under the historical cost convention, modified by the revaluation of certain freehold properties and in accordance with applicable accounting standards. The accounting Financial Reporting Standards adopted by the Group in the year ended 31 December 2003 have been used for each of the three years ended 31 December 2001, 2002 and 2003. The Group financial statements are prepared in accordance with Schedule 4 to the Companies Act 1985.

The combined Financial Information for the Countrywide Group is a consolidation of the financial statements of the Company and its subsidiary undertakings made up to the accounting reference date except for Countrywide Assured Life Holdings Limited and its subsidiaries which are to be demerged to a new holding company, Chesnara (the “Life Business”) under the proposed transaction. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

The investment held in the Life Business and all Life Business related balances, save those inter-company amounts owed between the Countrywide Group and the Life Business, have not been included in the financial information. As the investment of £40 million in the Life Business has not been included in net assets, a corresponding adjustment has been reflected in other reserves to remove the £40 million from

shareholders' funds brought forward at 1 January 2001. Any management charges or dividends received by Countrywide Group from Chesnara have been taken to the reserves.

An associate is an undertaking in which the Group has a long term interest, usually from 20 per cent. to 50 per cent. of the equity voting rights, and over which it exercises significant influence. The Group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets, other than goodwill, is included in investments in the consolidated balance sheet.

A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account and its interest in their net assets, other than goodwill, is included in investments in the consolidated balance sheet.

The Financial Information includes all of the Group's overhead costs, and no allocation of such overhead costs has been made to the Life Business.

The tax charge attributable to the Countrywide Group reflects the charge applicable to the results of the Countrywide Group, and excludes those relating to the subsidiaries and businesses attributable to the Life Business.

As described in note 5.1(j), the Group received a £25 million payment under the distribution agreement with Friends Provident Life and Pensions Limited ("FPLAP") in the year ended 31 December 2002. Costs incurred by the Group, including the Life Business, were offset in 2002 and 2003 against the £25 million payment prior to the remaining balance being deferred over a 15 year agreement. The Financial Information for the Countrywide Group has excluded those costs incurred by the Life Business, as they do not apply to the Countrywide Group, and as a result the offset of costs against the £25 million payment has been reduced.

#### **(b) Turnover**

Turnover, which arises wholly in the United Kingdom, comprises commission and fees receivable.

Commission earned on sales of residential and commercial property is accounted for on the exchange of contracts for such sales. Survey & Valuation and Conveyancing fees are accounted for on completion of the service being provided. Commission earned on sales of insurance policies and related products is accounted for when the policies go on risk.

#### **(c) Fixed assets**

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

##### *(i) Tangible assets*

Tangible assets are depreciated, on a straight line basis, to their estimated residual value as follows:

Freehold buildings — 50 years;

Leasehold properties and improvements — over the period of the lease;

Office furniture and equipment — three to five years;

Motor vehicles — four to five years.

##### *(ii) Finance leases and hire purchase contracts*

Where assets are financed by leasing or hire purchase arrangements that give rights approximating to ownership ("finance leases") the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as a lease obligation. Such assets are depreciated on the same basis and over the same estimated lives as other comparable assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged against profit as incurred.

##### *(iii) Vacant leasehold properties*

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

#### **(d) Pensions**

The expected cost of pensions in respect of the Group's defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes.

In accordance with Statement of Standard Accounting Practice No. 24 (Accounting for pension costs) variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries. In respect of defined contribution schemes, contributions are charged to the profit and loss account in the year in which they became payable.

**(e) Investments**

Investment properties are valued on an open market basis with changes in market value taken to the revaluation reserve unless a deficit (or its reversal) occurs on an individual property, whereby it is charged (or credited) to the profit and loss account. Valuations are undertaken by professional valuers at intervals of not more than three years. In the intervening years values are reviewed by the Directors and adjustments made to the financial statements as appropriate. This treatment may be a departure from the requirements of the Companies Act 1985 concerning the depreciation of fixed assets. However, the Directors consider this accounting policy is necessary for the financial statements to show a true and fair view. Shares in the Company held by Countrywide Assured Group Employee Benefit Trust are shown at cost. The cost of acquiring the shares is charged to the profit and loss account over the five year period in which the shares are held by the Trust.

**(f) Operating leases**

Leasing payments in respect of operating leases are charged against profit as incurred, other than relating to vacant leasehold properties as described in paragraph (c) (iii) above.

**(g) Goodwill**

Prior to 1 January 1998, when FRS 10: Goodwill and Intangible Assets was adopted, purchased goodwill arising on the consolidation of acquisitions (representing the excess of the fair value of the consideration and associated costs given over the fair value of the separable net assets acquired) was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of no more than 20 years. Any impairment charge is included within operating profits.

Negative goodwill arising in respect of acquisitions since 1 January 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

On the subsequent disposal or termination of business acquired since 1 January 1998, the profit and loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

**(h) Tax**

The charge for tax is based on the profit and loss account for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets and liabilities are recognised in accordance with FRS 19: Deferred Taxation. The Group has chosen not to discount the deferred tax asset or liability, to reflect the time value of money, as permitted by FRS 19. Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except where FRS 19 requires a different treatment. Deferred tax assets arising from unrelieved tax losses are only recognised to the extent that they will be relieved in the foreseeable future.

**(i) Capitalisation of internal software development costs**

Internal costs that are incurred during the development of significant and separately identifiable computer software for use in the business are capitalised where the software is integral to the generation of future economic benefits. Internal costs that are capitalised are limited to incremental costs specific to the project. The software is depreciated once it is ready for use in the business.

**(j) Distribution agreement with Friends Provident Life and Pensions Limited (“FPLAP”)**

During the year to 31 December 2002, the Countrywide Group received an initial payment of £25 million received under the distribution agreement with FPLAP. This has been deferred and will be recognised over the 15 year life of the agreement, except to the extent that costs have been incurred in reaching that agreement, or as a direct result of entering into that agreement. Income has been recognised immediately to offset the impact of such costs.

**5.1 Segmental analysis for the Countrywide Group**

	Turnover			Operating profit		
	2001 £m	2002 £m	2003 £m	2001 £m	2002 £m	2003 £m
<b>Business Segments</b>						
Estate Agency	197.0	242.7	253.6	19.0	40.2	33.6
Financial Services	50.2	59.8	72.9	4.1	11.3	23.1
Surveying & Valuation	93.0	101.8	108.0	24.6	28.7	31.9
Conveyancing	15.2	18.7	20.2	1.3	1.8	(1.5)
Central	—	—	0.3	(4.2)	(5.5)	(5.6)
Total group	<u>355.4</u>	<u>423.0</u>	<u>455.0</u>	<u>44.8</u>	<u>76.5</u>	<u>81.5</u>

**Net assets/(liabilities) (excluding intra-group funding)**

	2001 £m	2002 £m	2003 £m
<b>Business Segments</b>			
Estate Agency	2.3	34.3	33.6
Financial Services	(6.6)	(25.9)	(32.1)
Surveying & Valuation	4.8	4.9	(1.8)
Conveyancing	0.6	3.2	7.9
Central	28.4	(2.3)	41.4
Total group	<u>29.5</u>	<u>14.2</u>	<u>49.0</u>

In April 2003 Countrywide Properties Overseas Spain SL opened an office in Spain (2003 turnover £1.7 million, 2002 and 2001: £nil). All other activities took place within the UK.

**5.2 Staff costs**

	2001 £m	2002 £m	2003 £m
Salaries	174.4	199.6	213.2
Social security	17.6	20.1	22.6
Pension costs	4.8	4.2	4.5
	<u>196.8</u>	<u>223.9</u>	<u>240.3</u>

**5.3 Employees**

The average number of persons employed by the Countrywide Group during the year was:

	2001 Number	2002 Number	2003 Number
Estate Agency	4,640	5,568	5,408
Financial Services	1,128	1,219	1,288
Surveying & Valuation	1,183	1,184	1,233
Conveyancing	406	438	502
Head Office	61	67	66
	<u>7,418</u>	<u>8,476</u>	<u>8,497</u>

## 5.4 Director's remuneration

During the three years to 31 December 2003 the directors' remuneration was as follows:

To 31 December 2003	Salary and fees £000	Related bonuses £000	Incentive payments £000	Benefits £000	2003 Total £000
<b>Executive Directors:</b>					
H D Hill	276	352	—	22	650
M C Nower	154	197	1	23	375
G R Fitzjohn	144	176	3	23	346
T Marris	138	150	2	19	309
A H Ekins	121	155	—	28	304
A B Crew	110	137	2	20	269
C P Shaw	104	112	—	7	223
	<u>1,047</u>	<u>1,279</u>	<u>8</u>	<u>142</u>	<u>2,476</u>
<b>Independent non-executive Directors:</b>					
C H Sporborg	73	—	—	—	73
J M G Andrews	10	—	—	—	10
A J Brown	19	—	—	—	19
P W Mason	23	—	—	—	23
M J Gordon	23	—	—	—	23
	<u>1,195</u>	<u>1,279</u>	<u>8</u>	<u>142</u>	<u>2,624</u>
Pension contributions					174
					<u>2,798</u>
To 31 December 2002	Salary and fees £000	Related bonuses £000	Incentive payments £000	Benefits £000	2002 Total £000
<b>Executive Directors:</b>					
H D Hill	267	267	1	19	554
M C Nower	149	149	2	22	322
G R Fitzjohn	133	133	4	21	291
T Marris	133	133	3	20	289
A H Ekins	117	117	—	26	260
A B Crew	107	107	2	16	232
C P Shaw	100	100	—	6	206
	<u>1,006</u>	<u>1,006</u>	<u>12</u>	<u>130</u>	<u>2,154</u>
<b>Independent non-Executive Directors:</b>					
C H Sporborg	74	—	—	—	74
J M G Andrews	23	—	—	—	23
P J Ford	17	—	—	—	17
P W Mason	23	—	—	—	23
M J Gordon	15	—	—	—	15
	<u>1,158</u>	<u>1,006</u>	<u>12</u>	<u>130</u>	<u>2,306</u>
Pension contributions					170
					<u>2,476</u>

To 31 December 2001	Salary and fees £000	Related bonuses £000	Incentive payments £000	Benefits £000	2001 Total £000
<b>Executive Directors:</b>					
H D Hill	258	214	18	16	506
M C Nower	144	120	1	16	281
G R Fitzjohn	129	107	2	18	256
T Marris	129	107	2	16	254
A H Ekins	113	94	5	22	234
A B Crew	103	86	1	14	204
	<u>876</u>	<u>728</u>	<u>29</u>	<u>102</u>	<u>1,735</u>
<b>Non-executive directors:</b>					
C H Sporborg	74	—	—	—	74
J M G Andrews	23	—	—	—	23
P J Ford	23	—	—	—	23
P W Mason	20	—	—	—	20
	<u>1,016</u>	<u>728</u>	<u>29</u>	<u>102</u>	<u>1,875</u>
Pension contributions					<u>172</u>
					<u><u>2,047</u></u>

Benefits receivable consist of fully expensed car, healthcare insurance and death in service life insurance benefits. M C Nower, G R Fitzjohn, T Marris and A H Ekins also have unapproved death in service life insurance cover benefits.

C P Shaw was appointed as Director on 1 January 2002.

P J Ford resigned as Director on 30 September 2002.

M J Gordon was appointed as Director on 1 May 2002.

A J Brown was appointed as Director on 31 March 2003.

J M G Andrews retired as Director on 31 March 2003.

Details of each Director's pension benefits are as follows:

	Transfer value of accrued pension (note 3)			Increase in accrued pension including inflation			Transfer value of increase (note 2)		
	2003 £000	2002 £000	2001 £000	2003 £000	2002 £000	2001 £000	2003 £000	2002 £000	2001 £000
H D Hill	539	451	378	4	4	4	71	57	25
G R Fitzjohn	266	207	180	4	2	2	48	17	9
M C Nower	—	—	—	—	—	—	—	—	—
T Marris	553	439	369	6	6	—	114	71	—
A H Ekins	377	300	258	4	2	2	65	32	15
A B Crew	449	371	314	4	5	4	60	41	20
C P Shaw	396	304	270	6	3	—	74	13	—

	Total accrued pension at year end (note 1)			Company contribution to money purchase schemes		
	2003 £000	2002 £000	2001 £000	2003 £000	2002 £000	2001 £000
H D Hill	46	43	38	—	—	—
G R Fitzjohn	25	22	20	—	—	—
M C Nower	—	—	—	28	29	29
T Marris (note 5)	53	47	—	5	18	25
A H Ekins	26	23	21	—	—	—
A B Crew	45	41	36	—	—	—
C P Shaw (appointed 1 January 2003)	42	36	0	—	—	—

Notes to pension benefits:

1. The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.
2. The change in the transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Group and Directors, such as stock market movement. It is calculated after deducting the Directors' contributions. In the case of Terry Marris, it is calculated without deducting the Director's contributions.
3. The transfer values have been calculated on the basis of actuarial advice in accordance with version 8.1 of Actuarial Guidance Note GN11.
4. Members of the scheme have the options to pay Additional Voluntary Contributions, neither the contributions nor the resulting benefits are included in the above table.
5. The figures for Terry Marris include the funded element, to which £4,866 (2002: £18,233) was contributed, the value changing from £171,891 at the start of 2003 to £226,545 at the end of 2003 (£209,198 at the start of 2002 to £171,891 at the end of 2002).

Until 31 December 2003, H D Hill, C P Shaw, G R Fitzjohn, A H Ekins and A B Crew were agreed to cease entitlement to membership of the defined benefit section of the Countrywide Assured Group Pension Scheme and instead became entitled to membership of the defined contributions section of the Group pension scheme. M C Nower and T Marris both have personal pension plans to which the Group contributes. Included within the contributions to Mr Nower's pension scheme is the movement in the accrued contributions payable to his scheme on retirement: 2003: £5,392 (2002: £4,000; 2001: £22,000). T Marris' pension scheme is designed to mirror the benefits under the Group defined benefit pension scheme and uses broadly the same assumption as the Group scheme. The latest actuarial valuation at 31 December 2003, indicated a deficit of £204,000. No pension contributions are made by the Group on behalf of the independent Non-Executive Directors.

The beneficial interests of the Directors, their families and connected persons in the ordinary shares of Countrywide Assured Group plc and rights under share incentive schemes were made as follows:

**Interests in ordinary shares of Countrywide Assured Group plc**

	<b>2001</b>	<b>2002</b>	<b>2003</b>
J M G Andrews (retired 31 March 2003)	490,004	490,004	—
G R Fitzjohn	417,086	417,086	417,086
P J Ford (resigned on 30 September 2002)	100,000	—	—
H D Hill	350,720 <sup>(a)</sup>	384,400 <sup>(a)</sup>	400,000 <sup>(b)</sup>
M C Nower	143,615	263,195	263,510
C H Sporborg	267,410	267,410	267,410
T Marris	87,628	87,628	110,150
A H Ekins	27,726	27,726	34,148
P W Mason	10,000	10,000	10,000
A B Crew	20,100	58,300	58,300
C P Shaw	3,983	3,483	6,877
M J Gordon (appointed 1 May 2002)	—	—	—
A J Brown (appointed 31 March 2003)	—	—	20,000

(a) Including non-beneficial holding of 42,500.

(b) Including non-beneficial holding of 142,500.

Details of each Director's entitlement to share options for the year ended 31 December 2001 are as follows:

Director	At 1 January 2001 or at appointment	Granted	Exercised	Waived	At 31 December 2001	Exercise price	Market price at exercise	From	to	Scheme
G R Fitzjohn	5,781		(5,781)		0	74.0	109.0	Dec 2001	June 2002	(4)
	25,000				25,000	56.0		Mar 1999	Mar 2004	(5)
	133,333				133,333	140.0		Apr 2001	Apr 2005	(2)
	275,000				275,000	131.0		Mar 2002	Mar 2006	(2)
	3,250				3,250*	0.0		May 2004	May 2006	(6)
	36,165				36,165	140.0		Apr 2000	Apr 2005	(1)
	26,529				26,529	145.0		Apr 2001	Apr 2006	(1)
	6,985				6,985	74.4		Nov 2004	Apr 2005	(4)
		80,000			80,000	106.5		Apr 2004	Apr 2011	(2)
H D Hill	8,858		(8,858)		0	74.0	109.0	Dec 2001	June 2003	(4)
	133,333				133,333	140.0		Apr 2001	Apr 2005	(2)
	5,046				5,046	75.2		Nov 2003	May 2004	(4)
	750,000				750,000	131.0		Mar 2002	Mar 2006	(2)
	7,500				7,500*	0.0		May 2004	May 2006	(6)
	84,971			(84,971)	0	145.0	114.0	Apr 2001	Apr 2006	(1)
	32,680				32,680	153.5		Mar 2002	Mar 2007	(1)
	3,901				3,901	74.4		Nov 2004	Apr 2005	(4)
T Marris	30,000				30,000	0.0		Mar 2001	Mar 2003	(5)
	5,781		(5,781)		0	74.0	109.0	Dec 2001	June 2002	(4)
	133,333				133,333	140.0		Apr 2001	Apr 2005	(2)
	4,587				4,587	75.2		Nov 2003	May 2004	(4)
	250,000				250,000	131.0		Mar 2002	Mar 2006	(2)
	2,500				2,500*	0.0		May 2004	Mar 2006	(6)
	44,740				44,740	140.0		Apr 2000	Apr 2005	(1)
	35,167			(35,167)	0	145.0	95.5	Apr 2001	Apr 2006	(1)
	5,171				5,171	74.4		Nov 2004	Apr 2005	(4)
		80,000			80,000	106.5		Apr 2004	Apr 2011	(2)
M C Nower	1,305		(1,305)		0	74.0	109.0	Dec 2001	June 2002	(4)
	60,000				60,000	53.5		Apr 1998	Apr 2003	(5)
	30,000				30,000	56.0		Mar 1999	Mar 2004	(5)
	45,000				45,000	26.0		Mar 2000	Mar 2005	(5)
	5,230				5,230	75.2		Nov 2003	May 2004	(4)
	133,333				133,333	140.0		Apr 2001	Apr 2005	(2)
	245,000				245,000	131.0		Mar 2002	Mar 2006	(2)
	5,050				5,050*	0.0		May 2004	May 2006	(6)
	37,867			(37,867)	0	145.0	95.5	Apr 2001	Apr 2006	(1)
	32,680				32,680	153.5		Mar 2002	Mar 2007	(1)
	6,622				6,622	74.4		Nov 2004	Apr 2005	(4)
		80,000			80,000	106.5		Apr 2004	Apr 2011	(2)
A H Ekins	6,422				6,422	75.2		Nov 2003	May 2004	(4)
	133,333				133,333	140.0		Apr 2001	Apr 2005	(2)
	250,000				250,000	131.0		Mar 2002	Mar 2006	(2)
	2,500				2,500*	0.0		May 2004	Mar 2006	(6)
	36,165			(36,165)	0	140.0	114.0	Apr 2000	Apr 2005	(1)
	26,529			(26,529)	0	145.0	114.0	Apr 2001	Apr 2006	(1)
	6,804				6,804	74.4		Nov 2004	Apr 2005	(4)
	0	80,000			80,000	106.5		Apr 2004	Apr 2011	(2)
A B Crew	25,000				25,000	56.0		Mar 1999	Mar 2004	(5)
	25,000				25,000	26.0		Mar 2000	Mar 2005	(5)
	133,333				133,333	140.0		Apr 2001	Apr 2005	(2)
	250,000				250,000	131.0		Mar 2002	Mar 2006	(2)
	2,500				2,500*	0.0		May 2004	May 2006	(6)
	36,165				36,165	140.0		Apr 2000	Apr 2005	(1)
	26,529			(26,529)	0	145.0	95.5	Apr 2001	Apr 2006	(1)
	9,344				9,344	74.4		Nov 2004	Apr 2005	(4)
	<u>3,621,322</u>	<u>320,000</u>	<u>(21,725)</u>	<u>(247,228)</u>	<u>3,672,369</u>					

Schemes:

- (1) Executive Share Bonus
- (2) Executive (1996)
- (3) SAYE
- (4) SAYE (1996)
- (5) Deferred Incentive
- (6) Deferred Incentive (1996)

\* In addition, further rights will be added to each individual's entitlement at such a time as each individual exercises options granted to him on 13 March 1999 under the Countrywide Assured Group plc Executive Share Option Scheme (1996). These additional rights will be calculated by reference to the improvement in the market value of the Company's 5p ordinary shares at the date of exercise.

## Options by exercise price (pence):

	At 1 January 2001	Granted	Exercised	Waived	At 31 December 2001
	53,300	0	0	0	53,300
26.0	70,000	0	0	0	70,000
53.5	60,000	0	0	0	60,000
56.0	80,000	0	0	0	80,000
74.0	21,725	0	(21,725)	0	0
74.4	38,827	0	0	0	38,827
75.2	21,285	0	0	0	21,285
106.5	0	320,000	0	0	320,000
131.0	2,020,000	0	0	0	2,020,000
140.0	953,233	0	0	(36,165)	917,068
145.0	237,592	0	0	(211,063)	26,529
153.5	65,360	0	0	0	65,360
	<u>3,621,322</u>	<u>320,000</u>	<u>(21,725)</u>	<u>(247,228)</u>	<u>3,672,369</u>

Details of each Director's entitlement to share options for the year ended 31 December 2002 are as follows:

Director	At 1 January 2002 or at appointment	Granted	Exercised	At 31 December 2002	Exercise price	Market price at exercise	From	to	Scheme
G R Fitzjohn	25,000			25,000	56.0		Mar 1999	Mar 2004	(5)
	133,333			133,333	140.0		Apr 2001	Apr 2005	(2)
	275,000			275,000	131.0		Mar 2002	Mar 2006	(2)
	3,250			3,250*	0.0		May 2004	May 2006	(6)
	36,165			36,165	140.0		Apr 2000	Apr 2005	(1)
	26,529			26,529	145.0		Apr 2001	Apr 2006	(1)
	6,985			6,985	74.4		Nov 2005	May 2006	(4)
	80,000			80,000	106.5		Apr 2004	Apr 2011	(2)
	0	175,000		175,000	151.0		Apr 2007	Apr 2009	(6)
	0	175,000		175,000	151.0		Apr 2005	Apr 2012	(2)
	0	6,441		6,441	122.4		Nov 2007	May 2008	(4)
H D Hill	133,333			133,333	140.0		Apr 2001	Apr 2005	(2)
	5,046			5,046	75.2		Nov 2003	May 2004	(4)
	750,000			750,000	131.0		Mar 2002	Mar 2006	(2)
	7,500			7,500*	0.0		May 2004	May 2006	(6)
	32,680		(32,680)	0	153.5	151.5	Mar 2002	Mar 2007	(1)
	3,901			3,901	74.4		Nov 2005	May 2006	(4)
	0	175,000		175,000	151.0		Apr 2007	Apr 2009	(6)
	0	175,000		175,000	151.0		Apr 2005	Apr 2012	(2)
T Marris	30,000			30,000	0.0		Mar 2001	Mar 2003	(5)
	133,333			133,333	140.0		Apr 2001	Apr 2005	(2)
	4,587			4,587	75.2		Nov 2003	May 2004	(4)
	250,000			250,000	131.0		Mar 2002	Mar 2006	(2)
	2,500			2,500*	0.0		May 2004	May 2006	(6)
	44,740			44,740	140.0		Apr 2000	Apr 2005	(1)
	5,171			5,171	74.4		Nov 2005	May 2006	(4)
	80,000			80,000	106.5		Apr 2004	Apr 2011	(2)
	0	100,000		100,000	151.0		Apr 2007	Apr 2009	(6)
	0	100,000		100,000	151.0		Apr 2005	Apr 2012	(2)
0	6,172		6,172	122.4		Nov 2007	May 2008	(4)	
M C Nower	60,000		(60,000)	0	53.5	163.0	Apr 1998	Apr 2003	(5)
	30,000		(30,000)	0	56.0	163.0	Mar 1999	Mar 2004	(5)
	45,000		(45,000)	0	26.0	163.0	Mar 2000	Mar 2005	(5)
	5,230			5,230	75.2		Nov 2003	May 2004	(4)
	133,333			133,333	140.0		Apr 2001	Apr 2005	(2)
	245,000			245,000	131.0		Mar 2002	Mar 2006	(2)
	5,050			5,050*	0.0		May 2004	May 2006	(6)
	32,680			32,680	153.5		Mar 2002	Mar 2007	(1)
	6,622			6,622	74.4		Nov 2005	May 2006	(4)
	80,000			80,000	106.5		Apr 2004	Apr 2011	(2)
	0	175,000		175,000	151.0		Apr 2007	Apr 2009	(6)
	0	175,000		175,000	151.0		Apr 2005	Apr 2012	(2)
	0	5,099		5,099	122.4		Nov 2007	May 2008	(4)
	A H Ekins	6,422			6,422	75.2		Nov 2003	May 2004
133,333				133,333	140.0		Apr 2001	Apr 2005	(2)
250,000				250,000	131.0		Mar 2002	Mar 2006	(2)
2,500				2,500*	0.0		May 2004	Mar 2006	(6)
6,804				6,804	74.4		Nov 2005	May 2006	(4)
80,000				80,000	106.5		Apr 2004	Apr 2011	(2)
0		100,000		100,000	151.0		Apr 2007	Apr 2009	(6)
0		100,000		100,000	151.0		Apr 2005	Apr 2012	(2)

Director	At 1 January 2002 or at appointment	Granted	Exercised	At 31 December 2002	Exercise price	Market price at exercise	From	to	Scheme
A B Crew	25,000		(25,000)	0	56.0	144.0	Mar 1999	Mar 2004	(5)
	25,000		(25,000)	0	26.0	144.0	Mar 2000	Mar 2005	(5)
	133,333			133,000	140.0		Apr 2001	Apr 2005	(2)
	250,000			250,000	131.0		Mar 2002	Mar 2006	(2)
	2,500			2,500*	0.0		May 2004	May 2006	(6)
	36,165			36,165	140.0		Apr 2000	Apr 2005	(1)
	9,344			9,344	74.4		Nov 2005	May 2006	(4)
	0	100,000		100,000	151.0		Apr 2007	Apr 2009	(6)
	0	100,000		100,000	151.0		Apr 2005	Apr 2012	(2)
	0	6,172		6,172	122.4		Nov 2007	May 2008	(4)
	C P Shaw	133,333			133,333	140.0		Apr 2001	Apr 2005
3,394				3,394	75.2		Nov 2003	May 2004	(4)
125,000				125,000	152.0		May 2002	May 2006	(2)
0		100,000		100,000	151.0		Apr 2007	Apr 2009	(6)
0		100,000		100,000	151.0		Apr 2005	Apr 2012	(2)
0		8,588		8,588	122.4		Nov 2007	May 2008	(4)
	<u>3,934,096</u>	<u>1,882,472</u>	<u>(217,680)</u>	<u>5,598,888</u>					

Schemes:

- (1) Executive Share Bonus
- (2) Executive (1996)
- (3) SAYE
- (4) SAYE (1996)
- (5) Deferred Incentive
- (6) Deferred Incentive (1996)

\* In addition, further rights will be added to each individual's entitlement at such a time as each individual exercises options granted to him on 13 March 1999 under the Countrywide Assured Group plc Executive Share Option Scheme (1996). These additional rights will be calculated by reference to the improvement in the market value of the Company's 5p ordinary shares at the date of exercise.

Options by exercise price (pence):

	At 1 January 2002	Granted	Exercised	At 31 December 2002
—	53,300	0	0	53,300
26.0	70,000	0	(70,000)	0
53.5	60,000	0	(60,000)	0
56.0	80,000	0	(55,000)	25,000
74.4	38,827	0	0	38,827
75.2	24,679	0	0	24,679
106.5	320,000	0	0	320,000
122.4	0	32,472	0	32,472
131.0	2,020,000	0	0	2,020,000
140.0	1,050,401	0	0	1,050,401
145.0	26,529	0	0	26,529
151.0	0	1,850,000	0	1,850,000
152.0	125,000	0	0	125,000
153.5	65,360	0	(32,680)	32,680
	<u>3,934,096</u>	<u>1,882,472</u>	<u>(217,680)</u>	<u>5,598,888</u>

Details of each Director's entitlement to share options for the year ended 31 December 2003 are as follows:

Director	At 1 January 2003 or at appointment	Granted	Exercised	At 31 December 2003	Exercise price	Market price at exercise	From	to	Scheme
G R Fitzjohn	25,000			25,000	56.0		Mar 1999	Mar 2004	(5)
	133,333			133,333	140.0		Apr 2001	Apr 2005	(2)
	275,000			275,000	131.0		Mar 2002	Mar 2006	(2)
	3,250			3,250*	0.0		May 2004	May 2006	(6)
	36,165			36,165	140.0		Apr 2000	Apr 2005	(1)
	26,529			26,529	145.0		Apr 2001	Apr 2006	(1)
	6,985			6,985	74.4		Nov 2005	May 2006	(4)
	80,000			80,000	106.5		Apr 2004	Apr 2011	(2)
	175,000			175,000	151.0		Apr 2007	Apr 2009	(6)
	175,000			175,000	151.0		Apr 2005	Apr 2012	(2)
	6,441			6,441	122.4		Nov 2007	Nov 2008	(4)
H D Hill	133,333			133,333	140.0		Apr 2001	Apr 2005	(2)
	5,046		(5,046)	—	75.2	135.5	Nov 2003	May 2004	(4)
	750,000			750,000	131.0		Mar 2002	Mar 2006	(2)
	7,500			7,500*	0.0		May 2004	May 2006	(6)
	3,901			3,901	74.4		Nov 2005	May 2006	(4)
	175,000			175,000	151.0		Apr 2007	Apr 2009	(6)
	175,000			175,000	151.0		Apr 2005	Apr 2012	(2)
T Marris	30,000		(30,000)	—	0.0	91.0	Mar 2001	Mar 2003	(6)
	133,333			133,333	140.0		Apr 2001	Apr 2005	(2)
	4,587		(4,587)	—	75.2	135.5	Nov 2003	May 2004	(4)
	250,000			250,000	131.0		Mar 2002	Mar 2006	(2)
	2,500			2,500*	0.0		May 2004	Mar 2006	(6)
	44,740			44,740	140.0		Apr 2000	Apr 2005	(1)
	5,171			5,171	74.4		Nov 2005	May 2006	(4)
	80,000			80,000	106.5		Apr 2004	Apr 2011	(2)
	100,000			100,000	151.0		Apr 2007	Apr 2009	(6)
	100,000			100,000	151.0		Apr 2005	Apr 2012	(2)
	6,172			6,172	122.4		Nov 2007	May 2008	(4)
M C Nower	5,230			5,230	75.2		Nov 2003	May 2004	(4)
	133,333			133,333	140.0		Apr 2001	Apr 2005	(2)
	245,000			245,000	131.0		Mar 2002	Mar 2006	(2)
	5,050			5,050*	0.0		May 2004	May 2006	(6)
	32,680			32,680	153.5		Mar 2002	Mar 2007	(1)
	6,622			6,622	74.4		Nov 2005	May 2006	(4)
	80,000			80,000	106.5		Apr 2004	Apr 2011	(2)
	175,000			175,000	151.0		Apr 2007	Apr 2009	(6)
	175,000			175,000	151.0		Apr 2005	Apr 2012	(2)
	5,099			5,099	122.4		Nov 2007	May 2008	(4)
A H Ekins	6,422		(6,422)	—	75.2	135.5	Nov 2003	May 2004	(4)
	133,333			133,333	140.0		Apr 2001	Apr 2005	(2)
	250,000			250,000	131.0		Mar 2002	Mar 2006	(2)
	2,500			2,500*	0.0		May 2004	Mar 2006	(6)
	6,804			6,804	74.4		Nov 2005	May 2006	(4)
	80,000			80,000	106.5		Apr 2004	Apr 2011	(2)
	100,000			100,000	151.0		Apr 2007	Apr 2009	(6)
	100,000			100,000	151.0		Apr 2005	Apr 2012	(2)
A B Crew	133,333			133,333	140.0		Apr 2001	Apr 2005	(2)
	250,000			250,000	131.0		Mar 2002	Mar 2006	(2)
	2,500			2,500*	0.0		May 2004	May 2006	(6)
	36,165			36,165	140.0		Apr 2000	Apr 2005	(1)
	9,344			9,344	74.4		Nov 2005	May 2006	(4)
	100,000			100,000	151.0		Apr 2007	Apr 2009	(6)
	100,000			100,000	151.0		Apr 2005	Apr 2012	(2)
C P Shaw	6,172			6,172	122.4		Nov 2007	May 2008	(4)
	133,333			133,333	140.0		Apr 2001	Apr 2005	(2)
	3,394		(3,394)	—	75.2	135.5	Nov 2003	May 2004	(4)
	125,000			125,000	152.0		May 2002	May 2006	(2)
	100,000			100,000	151.0		Apr 2007	Apr 2009	(6)
	100,000			100,000	151.0		Apr 2005	Apr 2012	(2)
Total	5,598,888	0	(49,449)	5,549,439					

Scheme:

- (1) Executive Share Bonus
- (2) Executive (1996)
- (3) SAYE
- (4) SAYE (1996)
- (5) Deferred Incentive
- (6) Deferred Incentive (1996)

\* In addition, further rights will be added to each individual's entitlement at such a time as each individual exercises options granted to him on 13 March 1999 under the Countrywide Assured Group plc Executive Share Option Scheme (1996). These additional rights will be calculated by reference to the improvement in the market value of the Company's 5p ordinary shares at the date of exercise.

Options by exercise price (pence):

	At 1 January 2003	Granted	Exercised	At 31 December 2003
0	53,300	0	(30,000)	23,300
56.0	25,000	0	0	25,000
74.4	38,827	0	0	38,827
75.2	24,679	0	(19,449)	5,230
106.5	320,000	0	0	320,000
122.4	32,472	0	0	32,472
131.0	2,020,000	0	0	2,020,000
140.0	1,050,401	0	0	1,050,401
145.0	26,529	0	0	26,529
151.0	1,850,000	0	0	1,850,000
152.0	125,000	0	0	125,000
153.5	32,680	0	0	32,680
	<u>5,598,888</u>	<u>0</u>	<u>(49,449)</u>	<u>5,549,439</u>

The middle market price of the shares of Countrywide Assured Group plc at 31 December 2003 was 141.75p, 31 December 2002 was 113.0p and 31 December 2001 was 111.0p. The range during 2003 was 86.5p to 159.0p. In 2002 the range was 110.5p to 173.5p and in 2001, 87.0p to 125.5p.

The aggregate of gains made on exercise of options in 2003 was £36,981 (2002: £210,296; 2001: £7,604).

On 9 January 2004, Mr G R Fitzjohn exercised 25,000 options at 56.0p per share under the deferred incentive scheme. On the same day, Mr M C Nower exercised 5,230 options at 75.2p per share under the Savings Related Share Option Scheme.

### 5.5 Other operating costs

	2001 £m	2002 £m	2003 £m
Other operating costs include the following:			
Depreciation of tangible assets	4.1	5.5	7.9
Amortisation and impairment of goodwill in subsidiary companies	0.5	0.8	2.1
Auditors' remuneration	0.3	0.3	0.3
Non-audit fees paid to auditor and its associates	—	0.2	—
Operating lease rentals — Land & building	16.1	17.5	19.5
— Other	14.6	14.8	15.0

### 5.6 Other operating income

	2001 £m	2002 £m	2003 £m
Rent receivable	2.4	2.0	2.0
Other income	4.6	7.6	6.8
	<u>7.0</u>	<u>9.6</u>	<u>8.8</u>

### 5.7 Net interest receivable and similar income

	2001 £m	2002 £m	2003 £m
Net interest on bank and other borrowings	—	1.0	0.2
	<u>—</u>	<u>1.0</u>	<u>0.2</u>

## 5.8 Taxation

### (a) Taxation on profit on ordinary activities

	Notes:	2001 £m	2002 £m	2003 £m
Corporation tax at 30% (2002 and 2001: 30%)				
—Current tax for the year	5.8(b)	7.8	22.5	25.1
—Adjustment in respect of prior years		—	0.1	0.1
—Share of prior year associated company consortium relief		(0.1)	(0.4)	—
—Deferred tax	5.8(c)	6.1	1.3	0.4
		<u>13.8</u>	<u>23.5</u>	<u>25.6</u>

### (b) Reconciliation of actual tax charge to UK corporate tax rate

	2001 £m	2002 £m	2003 £m
Tax at UK rate of 30% on profit on ordinary activities	12.5	21.8	22.9
Effects of:			
Tax relief on contributions to QUEST	(0.2)	—	(0.4)
Share of tax losses not surrendered by consortium relief	0.8	0.8	—
Capital allowances in excess of depreciation	(0.7)	(0.7)	(0.2)
Permanent depreciation and amortisation of goodwill	0.1	1.0	0.9
Cash contribution to employee benefit trust	0.1	(0.4)	—
Other permanent differences	0.7	0.3	1.7
Utilisation of trading losses	(5.5)	(0.1)	—
Utilisation of unprovided capital losses	—	(0.2)	(0.6)
Overseas trading losses not relieved	—	—	0.8
Reported current tax charge	<u>7.8</u>	<u>22.5</u>	<u>25.1</u>

### (c) Deferred taxation

The components of the net deferred tax liability are as follows: The balances have not been discounted.

	2001 £m	2002 £m	2003 £m
Liability provided/(Asset recognised)			
Capital allowances	(2.2)	(1.8)	(1.4)
Trading losses	—	—	—
Short term timing differences	—	0.4	0.4
	<u>(2.2)</u>	<u>(1.4)</u>	<u>(1.0)</u>

A potential tax asset of £31.2 million (2002: £38.5 million) relating to realised losses has not yet been recognised (in line with FRS 19's recognition of deferred tax assets only to the extent that they will be relieved in the foreseeable future). These losses relate primarily to capital losses.

### (d) Reconciliation in movements in deferred tax

	2001 £m	2002 £m	2003 £m
Deferred tax (asset) at beginning of year	(8.3)	(2.2)	(1.4)
Arising on acquisition	—	(0.5)	—
Deferred tax charged in profit and loss account for the year	6.1	1.3	0.4
Deferred tax (asset) at end of year	<u>(2.2)</u>	<u>(1.4)</u>	<u>(1.0)</u>

### (e) Factors that may affect future tax charges

The Countrywide Group anticipates that the effective tax rate will not alter materially in future years.

## 5.9 Dividends

	2001	2002	2003
	£m	£m	£m
Interim dividend paid	6.3	7.1	7.0
Final dividend proposed	12.6	13.3	15.5
Total dividend	18.9	20.4	22.5

  

	2001	2002	2003
Pence per share — interim	1.75p	2.05p	2.15p
Pence per share — final	3.50p	4.10p	4.75p
Pence per share — total	5.25p	6.15p	6.90p

## 5.10 Earnings per share

	2001	2002	2003
Profit for the period	£27.9m	£49.3m	£50.9m
Weighted average number of shares (of 5p each)	358,580,050	359,895,298	340,605,028
Adjusted weighted average number of shares	358,580,050	354,088,099	324,544,667
Diluted numbers of shares	360,829,509	364,235,408	342,030,740

The earnings per share is based upon the profit for the period after tax and is calculated using the weighted average number of ordinary shares of 5p each in issue during the year. Shares held by the Employee Benefit Trust are excluded from the calculation.

At the end of 2002 the Company bought back 35,744,096 shares which were not cancelled until 11 June 2003. These shares were not freely available on the market and the entitlement to dividend had been waived. The adjusted earnings per share is calculated excluding these shares, which has reduced the weighted average number of shares in issue by 16,030,361 in 2003 (2002: 5,807,829, 2001: nil). The diluted number of shares represents the weighted average number of shares increased by the equivalent number of shares that would be issued for no consideration if all outstanding dilutive share options were exercised.

The earnings per share based on anticipated Countrywide plc shares in issue following the demerger uses the weighted average, adjusted weighted average and diluted shares for Countrywide Assured Group plc shown above divided by 2, to reflect that following the demerger there will be half the number of Countrywide plc shares in issue compared to the number of Countrywide Assured Group plc shares currently in issue.

## 5.11 Investment in group undertakings

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

### (a) Principal subsidiary undertakings as at 31 December 2003

#### Estate Agency

Countrywide Estate Agents (Incorporated with Unlimited Liability) trading as: Abbots, Austin & Wyatt, Birstow Eves, Beresford Adams, Bridgfords, Carson and Company, Constables, Countrywide North, Daniel Henry, Dixons, Faron Sutaria, Fulfords, Hetheringtons, John D Wood & Co, King & Chasemore, Mann & Co., Miller, Palmer Snell, Chappell and Mathews, PKL, R A Bennett, Spencers, Taylors, Watson Bull & Porter, Countrywide Residential Lettings, Countrywide Residential Management, Countrywide Property Auctions  
Countrywide Assured Franchising Limited  
Countrywide Assured Group Overseas Investments Limited  
Countrywide Properties Overseas Spain SL

#### Financial Services

Countrywide Assured Financial Services Limited  
Countrywide Assured Mortgage Services plc  
Countrywide Assured Insurance Services Limited

Countrywide Lending Solutions Limited  
Countrywide Assured Leasing Limited

### Surveying and Valuation

Countrywide Surveyors Limited  
Countrywide Surveyors (1994) Limited

### Conveyancing

Countrywide Property Lawyers Limited

#### (b) Joint Venture

rightmove.co.uk Limited (29% holding)

The 29 per cent. stake in rightmove.co.uk Limited is being treated as a joint venture because decisions on financial and operating policy essential to the activities and financial position of the venture require each joint venturer's consent.

For the three years to 31 December 2003, the following share of rightmove.co.uk limited results and assets have been incorporated within the Financial Information for the Countrywide Group.

	2001 £m	2002 £m	2003 £m
Turnover	—	0.9	1.4
(Loss)/Profit before tax	(1.8)	(0.3)	0.2
Net assets	0.8	1.0	1.2

#### (c) Associated companies

Netsquared Limited (30% holding)

For the three years to 31 December 2003, the following share of Netsquared Limited's results and assets have been incorporated within the Financial Information for the Countrywide Group.

	2001 £m	2002 £m	2003 £m
Turnover	0.2	0.2	0.2
Goodwill amortisation	(0.1)	(0.1)	—
Loss before tax	—	—	(0.1)
Net assets	0.2	0.2	0.1

TM Property Service Limited (46.77% holding)

For the three years to 31 December 2003, the following share of T M Property Service Limited's results and assets have been incorporated within the financial information for the Countrywide Group.

	2001 £m	2002 £m	2003 £m
Turnover	—	2.1	6.2
Goodwill amortisation and impairment	(0.4)	(2.7)	(2.4)
Loss before tax	(1.3)	(4.4)	(2.6)
Net assets	2.2	0.5	0.8

## 5.12 Goodwill

	Goodwill in Subsidiaries £m	Goodwill in Associates £m	Total Goodwill £m
<b>Cost</b>			
At 1 January 2001	9.1	0.7	9.8
Addition	0.1	6.7	6.8
At 1 January 2002	9.2	7.4	16.6
Additions	12.5	—	12.5
At 1 January 2003	21.7	7.4	29.1
Additions	—	—	—
At 31 December 2003	21.7	7.4	29.1
<b>Provisions for amortisation and impairment</b>			
At 1 January 2001	1.6	—	1.6
Amortisation	0.5	0.5	1.0
Impairment	—	—	—
At 1 January 2002	2.1	0.5	2.6
Amortisation	0.8	0.7	1.5
Impairment	—	2.0	2.0
At 1 January 2003	2.9	3.2	6.1
Amortisation	1.1	0.5	1.6
Impairment	1.0	1.9	2.9
At 31 December 2003	5.0	5.6	10.6
Net book value			
<b>At 31 December 2003</b>	<b>16.7</b>	<b>1.8</b>	<b>18.5</b>
<b>At 31 December 2002</b>	<b>18.8</b>	<b>4.2</b>	<b>23.0</b>
<b>At 31 December 2001</b>	<b>7.1</b>	<b>6.9</b>	<b>14.0</b>

Goodwill arising in respect of acquisitions is being amortised over 10 to 20 years. An impairment review is undertaken in the first full year after acquisition as required by FRS 11, which may result in a subsequent write-off of goodwill and a charge in the period of amortisation in respect of some acquired businesses. Following this review, if circumstances indicate that the carrying value of goodwill may not be recoverable, an impairment review is performed. These reviews may result in further write-offs of goodwill.

The impairment review is conducted by reference to the forecast cash flows of the business for the first five years post-acquisition. Cash flows are generally discounted at 15 per cent, although higher risk investments may be discounted at higher rates. Cumulative goodwill written off to reserves prior to the adoption of FRS 10: Goodwill, since the merger of Bairstow Eves. plc and Mann & Co. plc is £43.3 million (31 December 2002: £43.3 million; 31 December 2001: £43.3 million).

### 5.13 Tangible fixed assets

	Land & Buildings		Motor Vehicles £m	Furniture and Equipment £m	Total £m
	Freehold £m	Short Leasehold £m			
<b>Cost or valuation</b>					
At 1 January 2001	6.4	11.6	1.4	27.9	47.3
Additions	0.5	0.5	—	4.3	5.3
Disposals	(1.2)	(1.2)	(0.3)	(4.3)	(7.0)
At 1 January 2002	5.7	10.9	1.1	27.9	45.6
Acquisition of business	2.6	1.5	4.4	3.5	12.0
Additions	1.1	1.0	0.4	10.3	12.8
Disposals	(0.2)	(0.8)	(0.6)	(2.2)	(3.8)
At 1 January 2003	9.2	12.6	5.3	39.5	66.6
Additions	—	1.0	—	12.4	13.4
Disposals	(0.1)	(0.6)	(1.7)	(3.4)	(5.8)
Transfer of leasing assets from Life company	—	—	—	0.4	0.4
At 31 December 2003	9.1	13.0	3.6	48.9	74.6
<b>Depreciation</b>					
At 1 January 2001	0.6	7.3	1.1	20.5	29.5
Charge for year	0.1	0.8	0.1	3.1	4.1
Disposals	(0.1)	(0.7)	(0.3)	(4.1)	(5.2)
At 1 January 2002	0.6	7.4	0.9	19.5	28.4
Acquisition of business	0.2	0.8	2.2	2.4	5.6
Charge for the year	0.2	0.8	0.5	4.0	5.5
Disposals	(0.1)	(0.7)	(0.5)	(2.0)	(3.3)
At 1 January 2003	0.9	8.3	3.1	23.9	36.2
Charge for the year	0.1	1.1	0.9	5.8	7.9
Disposals	—	(0.5)	(1.5)	(3.2)	(5.2)
At 31 December 2003	1.0	8.9	2.5	26.5	38.9
Net book value					
<b>At 31 December 2003</b>	8.1	4.1	1.1	22.4	35.7
<b>At 31 December 2002</b>	8.3	4.3	2.2	15.6	30.4
<b>At 31 December 2001</b>	5.1	3.5	0.2	8.4	17.2

#### 5.14 Fixed asset investments

	Property & Other Investment £m	Shares in the Company £m	Total £m
At 1 January 2001	1.5	3.0	4.5
Additions	15.7	1.4	17.1
Disposals	(0.6)	(2.2)	(2.8)
At 1 January 2002	16.6	2.2	18.8
Additions	6.8	0.8	7.6
Disposals	(0.8)	(0.4)	(1.2)
At 1 January 2003	22.6	2.6	25.2
Additions	5.2	—	5.2
Amount written off investment property	(2.7)	—	(2.7)
At 31 December 2003	25.1	2.6	27.7

The shares in the Company are held by the Countrywide Assured Group Employee Benefit Trust. At 31 December 2003, the Trust held 2,383,909 ordinary shares of 5p each in the Company (31 December 2002: 2,471,648; 31 December 2001: 2,509,682). The cost of acquiring the shares for the Executive Deferred Incentive Schemes is charged to the profit and loss accounts of the Group companies which employ the participants over the five year period in which the shares are held by the Trust. The market value at 31 December 2003 of the shares held in the Trust was £3,388,771 (31 December 2002: £2,792,962; 2001: £2,785,747).

#### 5.15 Debtors

	2001 £m	2002 £m	2003 £m
Trade debtors	23.9	32.0	35.6
Other debtors	7.9	7.9	6.7
Prepayments	7.6	9.8	10.9
	39.4	49.7	53.2

#### 5.16 Creditors: amounts falling due within one year

	2001 £m	2002 £m	2003 £m
Bank overdrafts (unsecured)	0.8	0.7	2.7
Term loan secured	—	14.5	15.6
Trade creditors	7.3	9.6	10.8
Amounts owed to Life Business	3.1	4.0	7.5
Taxation and social security	14.0	16.3	19.5
Accruals and other creditors	27.6	36.8	32.8
Corporation tax	4.7	13.6	13.9
Dividends payable	12.6	13.3	15.5
Deferred income	—	1.6	1.6
	70.1	110.4	119.9

The term loan represents amounts drawn down against a £15.6 million LIBOR facility which is secured on the investment property and was repayable in December 2004. On 8 March 2004 this facility was extended to run to December 2005.

### 5.17 Creditors: amounts falling due after more than one year

	2001 £m	2002 £m	2003 £m
Term loan secured	8.6	—	—
Amounts owed to Life Business	2.8	2.7	—
Other creditors	0.9	0.6	—
Deferred income	—	22.1	20.8
	<u>12.3</u>	<u>25.4</u>	<u>20.8</u>

### 5.18 Provisions for liabilities and charges

	Deferred tax £m	Property rents £m	Property repairs £m	Clawback £m	Other £m	Total £m
At 1 January 2001	(8.3)	2.7	2.9	2.8	0.5	0.6
Utilised	—	(0.5)	(0.3)	(0.8)	(0.6)	(2.2)
Profit and loss account	6.1	(0.1)	0.2	—	0.4	6.6
Discounting	—	0.2	—	—	—	0.2
At 1 January 2002	(2.2)	2.3	2.8	2.0	0.3	5.2
Acquired on acquisition	(0.5)	0.1	—	0.2	—	(0.2)
Utilised	—	(0.8)	(0.2)	—	(0.2)	(1.2)
Profit and loss account	1.3	0.3	0.3	0.1	0.4	2.4
Discounting	—	0.1	—	—	—	0.1
At 1 January 2003	(1.4)	2.0	2.9	2.3	0.5	6.3
Utilised	0.4	(0.8)	(0.4)	(6.8)	(0.5)	(8.1)
Profit and loss account	—	0.5	0.3	8.8	0.8	10.4
Discounting	—	0.1	—	—	—	0.1
<b>As at 31 December 2003</b>	<u>(1.0)</u>	<u>1.8</u>	<u>2.8</u>	<u>4.3</u>	<u>0.8</u>	<u>8.7</u>

The provision for property rents represents the estimated unavoidable costs of leasehold properties which have become surplus to the Countrywide Group's requirements following the closure or relocation of operations. The provision is based on the present value of rentals and other unavoidable costs payable during the remaining lease period after taking into account rents receivable or expected to be receivable from sub-lessees.

The provision for property repairs represents estimates of the cost to repair to existing dilapidations under leasehold covenants, in accordance with FRS 12: Provisions, contingent liabilities and contingent assets. Provisions are released when properties are assigned or sub-let.

Clawback represents the provision required to meet the estimated cost of repaying commission income on policies that may lapse.

## 5.19 Called up share capital

	Number	£m
Authorised share capital		
Ordinary shares of 5p each as 1 January 2001, 2002 and 2003	430,000,000	21.5
Purchase of own shares	(35,744,096)	(1.7)
As at 31 December 2003	<u>394,255,904</u>	<u>19.8</u>
Allotted and fully paid ordinary shares of 5p each		
At 1 January 2000	360,265,468	18.0
Exercise of share options	3,317,648	0.2
Purchase of own shares	(1,929,787)	(0.1)
1 January 2001	<u>361,653,329</u>	<u>18.1</u>
Exercise of share options	300,881	—
Purchase of own shares	—	—
1 January 2002	<u>361,954,210</u>	<u>18.1</u>
Exercise of share options	1,191,658	0.1
Purchase of own shares	(945,000)	(0.1)
At 1 January 2003	<u>362,200,868</u>	<u>18.1</u>
Exercise of share options	2,638,504	0.1
Cancellation of shares	(35,744,096)	(1.7)
As at 31 December 2003	<u>329,095,276</u>	<u>16.5</u>

## 5.20 Reconciliation of movements in shareholders' funds

	Share Capital £m	Share Premium £m	Capital Redemption Reserve £m	Other Reserves £m	Profit & Loss Account £m	Total £m
At 1 January 2001	18.1	23.1	1.4	(39.4)	10.2	13.4
Profit for the year	—	—	—	—	27.9	27.9
Dividends paid and proposed	—	—	—	—	(18.9)	(18.9)
Exercise of share options	—	0.2	—	—	—	0.2
Contribution to QUEST	—	—	—	—	(0.4)	(0.4)
Management fee received from Life Business	—	—	—	—	0.3	0.3
Dividend from Life Business	—	—	—	—	7.0	7.0
At 1 January 2002	<u>18.1</u>	<u>23.3</u>	<u>1.4</u>	<u>(39.4)</u>	<u>26.1</u>	<u>29.5</u>
Profit for the year	—	—	—	—	49.3	49.3
Dividends paid and proposed	—	—	—	—	(20.4)	(20.4)
Exercise of share options	0.1	1.3	—	—	—	1.4
Contribution to QUEST	—	—	—	—	(0.1)	(0.1)
Purchase of own shares	—	—	—	—	(1.5)	(1.5)
Cancellation of shares	(0.1)	—	0.1	—	(50.3)	(50.3)
Management fee received from Life Business	—	—	—	—	0.3	0.3
Dividend from Life Business	—	—	—	—	6.0	6.0
At 1 January 2003	<u>18.1</u>	<u>24.6</u>	<u>1.5</u>	<u>(39.4)</u>	<u>9.4</u>	<u>14.2</u>
Profit for the period	—	—	—	—	50.9	50.9
Dividends paid and proposed	—	—	—	—	(22.5)	(22.5)
Exercise of share options	0.1	1.9	—	—	—	2.0
Purchase of own shares	(1.7)	—	1.7	—	—	—
Management fee received from Life Business	—	—	—	—	0.2	0.2
Waiver of loan balance due to Life Business	—	—	—	—	4.2	4.2
<b>At 31 December 2003</b>	<u>16.5</u>	<u>26.5</u>	<u>3.2</u>	<u>(39.4)</u>	<u>42.2</u>	<u>49.0</u>

## 5.21 Share option schemes

### (i) Executive Share Option scheme

Options to subscribe for ordinary shares of 5p each outstanding at 31 December 2003 under the Company's Executive Share Option Scheme were:

No. of Shares	Subscription Price	Exercisable up to
42,500	65.5p	April 2004

### (ii) Executive Share Option Scheme (1995)

Options to subscribe for ordinary shares of 5p each outstanding at 31 December 2003 under the Company's Share Option Scheme (1995) were:

No. of Shares	Subscription Price	Exercisable up to
22,500	71.0p	June 2006
476,500	124.5p	April 2007
198,750	112.5p	September 2007
902,500	152.0p	May 2009
10,000	151.0p	May 2012

### (iii) Executive Share Option Scheme (1996)

Options to subscribe for ordinary shares of 5p each outstanding at 31 December 2003 under the Company's Executive Share Option Scheme (1996) were:

No. of Shares	Subscription Price	Exercisable up to
52,000	124.5p	April 2004
1,599,996	140.0p	April 2005
100,000	92.0p	September 2005
2,020,000	131.0p	March 2006
1,238,750	152.0p	May 2009
2,520,000	106.5p	April 2011
2,025,000	151.0p	April 2012

At the Annual General Meeting held on 5 May 1999 the option period of the Executive Share Option Scheme (1996) was extended from seven to ten years.

Options issued under the Executive Share Option Schemes (1995) and (1996) may be exercised between three and ten years after the date of grant only if performance criteria are satisfied. In summary, this requires that the average earnings per share of the Group for the three years prior to the date on which exercise takes place (the "Performance Period") has improved compared to the three year period ending one year earlier than the Performance Period. For these purposes, a three year Performance Period will run to the Group's reporting date of 31 December or 30 June, whichever is closest to the exercise date.

If the Group is loss making at the time of exercise, exercise will still be permitted, but only if the average loss per share in the Performance Period is less than the average loss per share in the previous three year period.

### (iv) SAYE Scheme (1996)

Options to subscribe for ordinary shares of 5p each outstanding at 31 December 2003 under the Company's SAYE Scheme (1996) were:

No. of Shares	Option Price	Exercisable up to
196,586	75.2p	May 2004
2,708,372	74.4p	May 2006
4,802,982	122.4p	May 2008

(v) Executive Deferred Incentive Scheme

Options to purchase ordinary shares of 5p each held by the Trustee of the Employee Benefit Trust outstanding at 31 December 2003 under the Company's Executive Share Option Scheme were:

No. of Shares	Option Price	Exercisable up to
25,000	56.0p	March 2004

(vi) Executive Deferred Incentive Scheme (1996)

Rights to purchase ordinary shares of 5p each held by the Trustee of the Employee Benefit Trust outstanding at 31 December 2003 under the Company's Executive Deferred Incentive Scheme (1996) were:

No. of Shares	Option Price	Exercisable up to
23,300	0p	May 2006
1,275,000	151.0p	April 2009

Further rights will be added to each individual's entitlement as such time as each individual exercises options granted to him on 18 March 1999 under the Company's Executive Share Options Scheme (1996). These additional rights will be calculated by reference to the improvement in the market value of the Company's ordinary shares of 5p each at the date of exercise. These rights are exercisable from 12 May 2004 to 12 May 2010.

(vii) Executive Share Bonus Scheme

Rights to purchase ordinary shares of 5p each held by the Trustee of the Employee Benefit Trust outstanding at 31 December 2003 under the Company's Executive Share Bonus Scheme were:

No. of Shares	Option Price	Exercisable up to
36,728	0p	May 2004
213,806	140.0p	April 2005
67,535	145.0p	April 2006
46,670	153.3p	March 2007

The SAYE schemes have been in place for a number of years and the Company has therefore taken advantage of the exemption offered by UTIF 19 (revised) Employee Share Schemes.

## 5.22 Capital expenditure commitments

	2001	2002	2003
	£m	£m	£m
Capital expenditure commitments not provided for in the accounts			
Authorised and contracted	3.1	6.4	5.1
Authorised but not contracted	19.8	2.8	1.1

## 5.23 Operating lease commitments

The Countrywide Group had the following annual commitments under non-cancellable operating leases:

	2001	2002	2003
	£m	£m	£m
Land and buildings with commitments expiring:			
Within one year	2.0	2.6	2.6
between two and five years inclusive	5.7	6.0	6.0
after five years	8.2	9.8	9.5
Other operating leases with commitments expiring:			
Within one year	3.8	3.3	4.1
between two and five years inclusive	7.5	10.7	10.9
	<u>27.2</u>	<u>32.4</u>	<u>33.1</u>

## 5.24 Client monies

	2001	2002	2003
	£m	£m	£m
Client monies	39.0	32.7	55.4

Client monies held by subsidiaries in approved bank and building society accounts and the matching liability to the clients concerned are not included in the Countrywide Group's balance sheet.

## 5.25 Reconciliation of operating profit to net cash flow from operating activities

	2001	2002	2003
	£m	£m	£m
Operating profit	44.8	76.5	81.5
Depreciation and amortisation	4.7	6.2	10.0
Loss on sale of tangible fixed assets	—	(0.2)	(0.7)
(Increase)/decrease in debtors	(4.6)	(6.0)	0.9
Increase/(decrease) in creditors	9.6	8.4	(0.9)
(Decrease)/increase in provisions	(1.4)	(0.2)	2.0
Other non-cash	(0.5)	0.3	—
Net cash inflow from operating activities	52.6	85.0	92.8

## 5.26 Analysis of net funds

	1 January 2001	Cash flow £m	31 December 2001	Cash flow £m	31 December 2002	Cash flow £m	31 December 2003
Cash at bank	7.0	17.5	24.5	1.8	26.3	34.9	61.2
Overdrafts	(3.6)	2.8	(0.8)	0.1	(0.7)	(2.0)	(2.7)
	3.4	20.3	23.7	1.9	25.6	32.9	58.5
Insurance fund	—	—	—	—	—	1.2	1.2
Term loans	—	(8.6)	(8.6)	(5.9)	(14.5)	(1.1)	(15.6)
Net funds	3.4	11.7	15.1	(4.0)	11.1	33.0	44.1

## 5.27 Reconciliation of net cash flow to movement in net funds

	2001	2002	2003
	£m	£m	£m
Increase in cash for the year	20.3	1.9	32.9
Cash (inflow) from increase in term loans	(8.6)	(5.9)	(1.1)
Cash outflow from increase in insurance fund	—	—	1.2
Change in net debt resulting from cash flows	11.7	(4.0)	33.0
Net funds brought forward	3.4	15.1	11.1
Net funds at carried forward	15.1	11.1	44.1

## 5.28 Acquisition and disposal of subsidiaries, associated undertakings and joint ventures

	2001	2002	2003
	Acquisitions	Acquisitions	Acquisitions
	£m	£m	£m
Fixed assets	—	6.3	—
Interest in — associated undertakings	3.1	—	0.6
Debtors	1.3	4.8	—
Cash at bank and in hand	—	6.0	—
Creditors due within one year	—	(7.6)	—
Net assets	4.4	9.5	—
Goodwill	6.8	12.5	—
Total consideration	11.2	22.0	—
Deferred consideration	(2.1)	—	—
Cash consideration	9.1	22.0	0.6
Effects on cash flow:			
Cash consideration	9.1	22.0	0.6
Cash balances on acquisition	—	(6.0)	—
Net cash outflow	9.1	16.0	0.6

The acquisition in 2003 relates to capital amounts injected into TM Property Services Ltd, the associated company disclosed in 5.11(c).

The acquisition in 2002 made the following contribution to the 2002 profit and loss account.

	Turnover	Operating Profit
	£m	£m
Estate Agency	11.4	1.4
Financial Services	1.1	0.2
	12.5	1.6

The acquisition in 2001 made the following contribution to the 2001 profit and loss account.

	Turnover	Operating Profit
	£m	£m
Joint Venture	—	(1.8)

## 5.29 Acquisitions

On 22 August 2002, the Countrywide Group, acquired the entire issued ordinary share capital of Friends Provident Estate Agencies.

	Book value	Fair value adjustment	Total
	£m	£m	£m
Intangible assets	0.3	(0.3)	—
Tangible fixed assets	6.3	—	6.3
Investments	0.1	(0.1)	—
Current assets	5.0	(0.2)	4.8
Cash at bank and in hand	6.0	—	6.0
Current liabilities	(7.6)	—	(7.6)
	<u>10.1</u>	<u>(0.6)</u>	<u>9.5</u>
Consideration paid			<u>22.0</u>
Goodwill arising			<u>12.5</u>

On 2 March 2001, Countrywide Assured Group plc acquired 46.77 per cent. of the issued ordinary share capital of TM Property Services Ltd (formerly Teramedia Limited), a company providing online access to land registry and local authority services, for £9,802,000. During the year ended 31 December 2001 Countrywide Assured Group plc paid £7,695,000 towards the purchase price, the remainder was drawn down in 2002.

A 9.3 per cent. interest was acquired from K Ventures BV, which held a 32.5 per cent. interest in TM Property Service Limited prior to a capital restructuring which occurred immediately prior to the above sale K Ventures BV currently holds a 9.99 per cent. interest in TM Property Service Limited.

KPMG Audit Plc, the Group's auditor, is wholly owned by KPMG, the partners of which have a significant interest in K Ventures BV.

	£m
<b>Associated company</b>	
Share of tangible fixed assets	0.1
Share of current assets	3.2
Share of current liabilities	(0.2)
	<u>3.1</u>
Consideration — paid	7.7
— deferred	2.1
	<u>6.7</u>
Goodwill arising	<u>6.7</u>

During 2001, three small businesses were acquired and incorporated into the Estate Agency Division. The consideration paid was £1.4 million with goodwill of £0.1 million arising.

### 5.30 Financial instruments

#### (a) Liquidity

The maturity of all financial liabilities is shown in the following tables:

	Debt £m	Other financial liabilities £m	2003 Total £m
Financial liabilities maturing:			
in one year or less on demand	18.3	1.6	19.9
in more than one year but not more than two years	—	1.6	1.6
in more than two years but not more than five years	—	4.8	4.8
after five years	—	14.4	14.4
	<u>18.3</u>	<u>22.4</u>	<u>40.7</u>
	Debt £m	Other financial liabilities £m	2002 Total £m
Financial liabilities maturing:			
in one year or less on demand	15.2	1.6	16.8
in more than one year but not more than two years	—	4.8	4.8
in more than two years but not more than five years	—	4.8	4.8
after five years	—	15.8	15.8
	<u>15.2</u>	<u>27.0</u>	<u>42.2</u>
	Debt £m	Other financial liabilities £m	2001 Total £m
Financial liabilities maturing:			
in one year or less on demand	0.8	—	0.8
in more than one year but not more than two years	8.6	3.3	11.9
in more than two years but not more than five years	—	0.4	0.4
after five years	—	—	—
	<u>9.4</u>	<u>3.7</u>	<u>13.1</u>

#### (b) Undrawn committed borrowing facilities

Undrawn borrowing facilities are available to the Countrywide Group with the maturities as set out in the following table. The conditions precedent to the availability of these facilities are all satisfied at the balance sheet date.

	2001 £m	2002 £m	2003 £m
Expiring in one year or less	25.0	15.5	14.4
Expiring between two and five years	11.4	—	—
	<u>36.4</u>	<u>15.5</u>	<u>14.4</u>

(c) *Interest rate risk profile of financial liabilities*

The following analysis sets out the interest rate risk of the Countrywide Group's financial liabilities. There are no financial liabilities in currencies other than sterling, and no hedges are used.

	2001	2002	2003
	£m	£m	£m
Floating rate	9.4	15.2	18.3
Non interest bearing	3.7	27.0	22.4
	<u>13.1</u>	<u>42.2</u>	<u>40.7</u>

The floating rate financial liabilities comprise bank loans and overdrafts bearing interest at rates based on individual bank rate or LIBOR depending upon which facility is used.

(d) *Interest rate risk profile of financial assets*

The following analysis sets out the interest rate risk of the Countrywide Group's financial assets. No derivative instruments are held as hedges to manage the currency of such financial assets:

	2001	2002	2003
	£m	£m	£m
Floating rate	24.5	26.3	61.2
Non-interest bearing	—	—	1.2

The floating rate financial assets comprise bank deposits earning interest at rates based on individual bank rates or LIBOR depending upon which type of deposit facility is used.

(e) *Currency risk*

The Countrywide Group does not have any significant operations with a functional currency other than sterling.

(f) *Fair values*

The following table sets out the book values and estimated fair values of the Countrywide Group's instruments:

	2001		2002		2003	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m	£m	£m
Primary financial instruments:						
Cash at bank and in hand	24.5	24.5	26.3	26.3	61.2	61.2
Insurance fund	—	—	—	—	1.2	1.2
Term loan secured	(8.6)	(8.6)	(14.5)	(14.5)	(15.6)	(15.6)
Debt	(0.8)	(0.8)	(0.7)	(0.7)	(2.7)	(2.7)
Other creditors due after more than one year	(3.7)	(3.7)	(25.4)	(25.4)	(23.1)	(23.1)

The following criteria have been used to assess the fair values of the Countrywide Group's instruments:

- (i) debtors, creditors, debt and provisions due after more than one year are based upon discounted cash flows at prevailing interest rates;
- (ii) cash at bank and in hand are short-term investments approximate to their book values due to their short maturity period; and
- (iii) long-term investments are stated at market value.

Short-term debtors and creditors as defined in FRS 13, have been omitted from all of the financial instruments disclosures, save from those relating to currency risk.

### 5.31 Pension arrangements

The Countrywide Group offers membership of the Countrywide Assured Group Pension Scheme to eligible employees. The Scheme has two sections of membership, defined contribution and defined benefit, which is closed to new entrants and future accrual.

The pension cost charge for the Countrywide Group's defined contribution pension arrangements represents contributions payable by the Countrywide Group and amounted to £3.4 million for the years to 31 December 2003 (2002: £3.8 million; 2001: £2.8 million). There were no outstanding or prepaid contributions at the year end.

Whilst the Countrywide Group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension Costs', under FRS 17 'Retirement Benefits' the certain additional disclosures are required:

The pension cost of the defined benefit section of the Scheme was £1.2 million for the year ended 31 December 2003 (2002: £1.2 million; 2001: £0.9 million). The pension cost relating to this section is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. A full actuarial assessment of the section was carried out at 5 April 2003 which showed a deficit in the defined benefit scheme of £21.1 million. This has been updated by a qualified, independent actuary, taking into account actual investment returns achieved, contributions and benefits paid over the period to 31 December 2003, and the closure of the schemes to future accrual giving an estimated deficit at 31 December 2003 of £13.7 million. The group plans to develop a funding programme to recover the deficit over the next ten years.

The additional disclosures under FRS 17 are as follows:

Age	31-40	6%
	41-50	40%
	51-60	48%
	61-65	6%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not necessarily be borne out in practice.

	Year to 31 December 2001 £m	Year to 31 December 2002 £m	Year to 31 December 2003 £m
The major assumptions were:			
Rate of increase in salaries	4.4%	4.4%	n/a
Rate of increase in pensions payments:			
On benefits earned prior to 1 December 1999	4.0%	4.0%	4.0%
On benefits earned after 1 December 1999	2.4%	2.4%	2.8%
Discount rate	5.8%	5.5%	5.4%
Inflation assumption	2.4%	2.4%	2.8%

(a) *Scheme assets*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long-term rate of expected return at 31 December 2001 %	Value at 31 December 2001 £m	Long-term rate of expected return at 31 December 2002 %	Value at 31 December 2002 £m	Long-term rate of expected return at 30 December 2003 %	Value at 31 December 2003 £m
Equities	7.8	19.2	7.5	17.3	6.3	19.8
Bonds	5.3	5.8	5.0	5.5	3.8	7.0
Cash	—	—	—	—	2.8	0.2
Property	6.3	—	6.0	—	4.8	—
Total market value of assets		25.0		22.8		27.0
Present value of scheme liabilities		(35.3)		(40.3)		(45.9)
Deficit in the scheme		(10.3)		(17.5)		(18.9)
Related deferred tax asset		3.1		5.3		5.7
Net pension liability		(7.2)		(12.2)		(13.2)

(b) *Analysis of the amount that would be charged to operating profit*

	2002	2003
	£m	£m
Service cost	0.4	0.7
Past service cost	—	—
Total operating charge that would be charged to operating profit	<u>0.4</u>	<u>0.7</u>

(c) *Analysis of net return on pension scheme*

	2002	2003
	£m	£m
Expected return on pension scheme assets	1.8	1.6
Interest on pension liabilities	(2.0)	(2.2)
Net return	<u>(0.2)</u>	<u>(0.6)</u>

(d) *Analysis of the amount that would be recognised in statement of total recognised gains and losses*

	2002	2003
	£m	£m
Actual return less expected return on assets	(4.8)	1.8
Experience gains and losses on liabilities	(0.9)	4.0
Changes in assumptions	(2.1)	(7.0)
Actuarial loss that would be recognised in statement of total recognised gains and losses	<u>(7.8)</u>	<u>(1.2)</u>
Adjustment due to surplus cap	—	—
Net loss that would be recognised in statement of total recognised gains and losses	<u>(7.8)</u>	<u>(1.2)</u>

(e) *Movement in surplus during the year*

	2002	2003
	£m	£m
Deficit in scheme at beginning of year	(10.2)	(17.5)
Movement in year:		
Current service cost	(0.4)	(0.8)
Contributions	1.1	1.2
Past service cost	—	—
Net interest costs	(0.2)	(0.6)
Actuarial loss	(7.8)	(1.2)
Deficit in scheme at end of year	<u>(17.5)</u>	<u>(18.9)</u>

(f) *History of experience gains and losses*

	2002	2003
Difference between expected and actual return on scheme assets:		
Amount (£m)	(4.1)	1.8
Percentage of scheme assets	21%	7%
Experience gains and losses on scheme liabilities:		
Amount (£m)	(0.9)	4.0
Percentage of scheme liabilities	(2%)	9%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£m)	(7.8)	(1.2)
Percentage of scheme liabilities	(19%)	(3%)

### **5.32 Related Party Transactions**

There were no material related transactions during the period.

### **5.33 International Financial Reporting Standards**

For reporting periods beginning on or after 1 January 2005, the consolidated accounts of the group must comply with International Financial Reporting Standards (IFRS).

This Financial Information has been prepared in accordance with UK accounting standards. The consolidated financial performance and financial position as disclosed in this Financial Information may be significantly different if determined in accordance with IFRS. Major differences between UK accounting standards and IFRS identified to date as potentially having a significant effect on the consolidated financial statements may include: fair value accounting for all financial instruments, including derivatives; the requirement to provide for deferred taxation on potential capital gains calculated on the book value of revalued properties, recognition in the financial statements of actuarial gains and losses arising from defined benefit pension schemes; and accounting for the intrinsic fair value of the cost of share options granted to employees in the profit and loss account. The Countrywide Group has not quantified these differences.

This summary should not be taken as an exhaustive list of all the differences between UK accounting standards and IFRS that potentially have a significant impact on the consolidated financial statements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

In addition, the bodies that establish UK accounting standards and IFRS have significant ongoing projects that could affect the potential differences and the impact of these differences on the future consolidated financial statements. The actual impacts on the consolidated financial information of the adoption of IFRS will depend on the standards applicable and the particular circumstances prevailing on adoption of IFRS on 1 January 2005.

The Countrywide Group is developing a framework as part of the IFRS conversion project being undertaken during 2004.

Yours faithfully

*KPMG Audit Plc*

### 3. Pro forma financial information relating to Countrywide Group

Set out below is unaudited pro forma financial information relating to Countrywide. Following the Proposals becoming effective, it is intended that Countrywide plc adopts the accounting policies of Countrywide Assured Group plc. The unaudited pro forma profit and loss account for the year ended 31 December 2003 has been prepared as if the Proposals had occurred on the first day of that period. The unaudited pro forma net assets statement as at 31 December 2003 has been prepared as if the Proposals had occurred on that date.

The unaudited pro forma financial information has been included for illustrative purposes only and, because of its nature, it may not give a true picture of the issuer's financial position or results:

	Countrywide Accountants' Report <sup>1</sup> £m	Unaudited pro forma profit and loss account for the year ended 31 December 2003		Countrywide Group pro forma £m
		Adjustments <sup>2</sup>		
		(i) £m	(ii) £m	
Turnover	455.0	—	—	455.0
Staff costs	(240.3)	—	—	(240.3)
Other operating costs	(142.0)	(8.5)	—	(153.7)
Other operating income	8.8	—	—	8.8
Operating profit	81.5	(8.5)	—	73.0
Share of operating loss in:				
– joint venture	0.2	—	—	0.2
– associates	(2.7)	—	—	(2.7)
Amounts written off investment properties	(2.7)	—	—	(2.7)
Net interest receivable/(payable) and similar charges	0.2	—	(6.0)	(5.8)
Profit on ordinary activities before taxation	76.5	(8.5)	(6.0)	62.0
Taxation	(25.6)	—	1.8	(23.8)
<b>Profit on ordinary activities after taxation</b>	<b>50.9</b>	<b>(8.5)</b>	<b>(4.2)</b>	<b>38.2</b>
Pro forma earnings per share:				
Basic earnings per share				23.2p
Earnings per share before exceptional items (see note 2(i))				28.4p
Number of Countrywide shares in issue (million) <sup>4</sup>				164.6

Notes:

- The financial information on the Countrywide Group has been extracted without adjustment from the Accountants' Report in Part 2 of this document.
- The adjustments in the pro forma profit and loss account reflect events which have taken place since 31 December 2003 as if these events had occurred on the first day of the accounting period then ended:
  - one-off costs of the Proposals amounting to approximately £10 million, of which £1.5 million relating to the facility fee is to be expensed over the life of the facility; and
  - interest costs on the revolving bank facility of £100 million comprising £5.5 million interest and £0.5 million amortisation of debt issue costs; it is assumed that the £100 million facility is fully drawn for the whole period and the applicable interest cost under the loan facility agreement is 5.5 per cent. per annum. The increased interest expense is assumed to give rise to a tax benefit of £1.8 million (calculated at 30 per cent. of the increased interest expense).
- No other adjustments have been made to take account of trading or other changes in the financial position of the Countrywide Group since 31 December 2003.
- The number of Countrywide shares in issue assumed in computing earnings per share is based on the number of Countrywide Assured Group shares in issue at 17 March 2004 (being the latest practicable date prior to the publication of this document) divided by 2.

Unaudited pro forma  
net asset statement  
as at 31 December 2003

	Countrywide Accountants' Report <sup>1</sup> £m	Adjustments <sup>2</sup>				Countrywide Group <sup>3</sup> pro forma £m
		(i) £m	(ii) £m	(iii) £m	(iv) £m	
<b>Fixed assets</b>						
Goodwill	16.7	—	—	—	—	16.7
Tangible fixed assets	35.7	—	—	—	—	35.7
Other investments	27.7	—	—	—	—	27.7
Investments in joint ventures	1.2	—	—	—	—	1.2
Investments in associates	2.7	—	—	—	—	2.7
<b>Total fixed assets</b>	<b>84.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>84.0</b>
Debtors	53.2	—	—	—	—	53.2
Cash at bank	61.2	—	100.0	(10.0)	(85.0)	66.2
Creditors: amounts falling due within one year	(119.9)	(85.0)	—	—	85.0	(119.9)
<b>Net current assets/ (liabilities)</b>	<b>(5.5)</b>	<b>(85.0)</b>	<b>100.0</b>	<b>(10.0)</b>	<b>(0.0)</b>	<b>(0.5)</b>
<b>Total assets less current liabilities</b>	<b>78.5</b>	<b>(85.0)</b>	<b>100.0</b>	<b>(10.0)</b>	<b>(0.0)</b>	<b>83.5</b>
Creditors: amounts falling due after more than one year	(20.8)	—	(100.0)	1.5	—	(119.3)
Provisions for liabilities and charges	(8.7)	—	—	—	—	(8.7)
<b>Net assets</b>	<b>49.0</b>	<b>(85.0)</b>	<b>0.0</b>	<b>(8.5)</b>	<b>(0.0)</b>	<b>(44.5)</b>

Notes:

- The financial information on the Countrywide Group has been extracted from the Accountants' Report set out in Part 2 of this document.
- The adjustments in the pro forma statement of net assets reflect events which have taken place since 31 December 2003:
  - the liability for the Return of Capital to Shareholders of £85 million arising through the Court approved scheme of arrangement;
  - the drawdown on the new bank facility of £100 million;
  - costs of the Proposals amounting to approximately £10 million, of which £1.5 million relating to the facility fee is to be expensed over the life of the facility; and
  - the Return of Capital to Shareholders of £85 million.
- The Combination of the Countrywide Group with Countrywide plc has been accounted for using merger accounting in accordance with the provisions of FRS6 applicable to group reorganisations.
- No other adjustments have been made to take account of trading or other changes in the financial position of the Countrywide Group since 31 December 2003.

**The following is the text of a report from KPMG Audit plc, the Reporting Accountants in respect of the pro forma financial information.**



**KPMG Audit Plc**

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The Directors  
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18 March 2004

Dear Sirs

**The Countrywide Group**

We report on the pro forma financial information set out below, which has been prepared, for illustrative purposes only, to provide information about how the new debt, return on capital and costs of the demerger and refinancing might have affected the financial information presented.

*Responsibilities*

It is the responsibility solely of the Directors of Countrywide plc (the “Company”) to prepare the pro forma financial information in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority.

It is our responsibility to form an opinion, as required by the Listing Rules of the UK Listing Authority, on the pro forma net asset statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

*Basis of opinion*

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board of the United Kingdom. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors of the Company.

*Opinion*

In our opinion:

- the pro forma financial information has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of Countrywide plc; and
- the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 12.29 of the Listing Rules of the UK Listing Authority.

## PART 3

### Taxation

**Countrywide Shareholders should seek their own professional advice in respect of the tax consequences of acquiring, holding or disposing of Countrywide Shares.**

#### 1. UK taxation

The following sections summarise material aspects of the UK tax treatment of holding Countrywide Shares. They are based on current UK law and Inland Revenue practice, both of which are subject to change, possibly with retroactive effect. They 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 Countrywide Shares as an investment and are the absolute beneficial owners of them. They may not apply to certain categories of Shareholders such as dealers, insurance companies and collective investment schemes.

**The statements are intended only as a general guide, and should be treated with appropriate caution. If you are in any doubt as to your taxation position, or if you are resident for tax purposes or otherwise subject to tax in any jurisdiction other than the UK, you should consult an appropriate professional adviser immediately.**

##### 1.1 *Tax on chargeable gains*

A disposal of Countrywide Shares by a Shareholder who is (at any time in the relevant UK tax year) resident or, in the case of an individual, resident or ordinarily resident for tax purposes in the UK, or who is not UK-resident but carries on a trade, profession or vocation in the UK through a branch or agency to which the Countrywide Shares are attributable, may, depending on the Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains. A Shareholder who is an individual and who is temporarily non-UK resident may, in certain circumstances, be subject to tax in respect of gains realised whilst he or she is not resident or ordinarily resident in the UK.

##### 1.2 *Taxation of dividends*

###### 1.2.1 Withholding tax

Countrywide will not be required to withhold tax at source when paying a dividend in respect of the Countrywide Shares (a "Dividend Payment").

###### 1.2.2 UK residents

An individual Shareholder who is UK resident and who is liable to income tax at the basic or starting rate will pay no further tax on a Dividend Payment. An individual Shareholder must, to the extent that their taxable income, including the Dividend Payment and any tax credit associated with it, exceeds the threshold for higher rate income tax, pay additional income tax of 25 per cent. of the Dividend Payment.

UK taxpayers who are not liable to income tax, including pension funds and charities, will not be entitled to claim repayment of tax credits attached to a Dividend Payment.

Corporate Shareholders resident in the UK will generally not be subject to corporation tax on Dividend Payments. Corporate shareholders will not, however, be able to claim repayments of tax credits attaching to the Dividend Payments.

###### 1.2.3 Non-UK residents

In general, the right of non-UK resident shareholders to reclaim tax credits attaching to Dividend Payments will depend upon the existence and the terms of an applicable double tax treaty. In most cases, the amount that can be paid to non-UK resident shareholders will be reduced to nil as a result of the terms of the relevant treaty. Non-UK resident shareholders should consult their own tax advisers in respect of their tax liabilities on Dividend Payments.

##### 1.3 *UK Stamp Duty and Stamp Duty Reserve Tax (SDRT)*

The transfer of Countrywide Shares will generally be liable to stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration given (rounded up to the nearest £5). An unconditional

agreement to transfer Countrywide Shares will generally be subject to SDRT at 0.5 per cent. of the agreed consideration. However, if within the period of six years of the date of such agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will usually be repaid or cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

No stamp duty or SDRT will generally arise on a transfer of Countrywide Shares into CREST, unless such transfer is made for a consideration of money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the value of the consideration.

A transfer of Countrywide Shares effected on a paperless basis within CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the value of the consideration.

Special rules apply to the transfer or issue of Countrywide 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 holding Countrywide Shares.

#### 1.4 *Inheritance and gift taxes*

The Countrywide Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets might (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift.

#### 1.5 *PEPs and ISAs*

Countrywide Shares will qualify for inclusion in PEPs and the stocks and shares component of ISAs.

#### 1.6 *Countrywide Assured Group Share Plans*

The tax treatment for those who hold or acquire their Countrywide Assured Group 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.

## **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 Countrywide Shares 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

### Further information relating to the Proposals

#### 1. Summary of the Proposals

The Proposals will result in two new listed companies, Countrywide and Chesnara. Chesnara will own the Life Business and Countrywide will own the Non-life Business. As a result of the Proposals, each Countrywide Assured Group Shareholder will, in place of every 4 Countrywide Assured Group Shares owned by them, receive 2 Countrywide Shares, 1 Chesnara Share and a cash payment which will, when aggregated with the payment of the 2003 Final Dividend, equal approximately 122.2 pence (being approximately 30.6 pence per existing Countrywide Assured Group Share). The Return of Capital, comprising the proposed payment of approximately 25.8 pence per existing Countrywide Assured Group Share is conditional upon the bank facilities (further details of which are set out in paragraph 13.3 of Part 5 of this document) becoming unconditionally available to the Company.

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

The Proposals will be implemented in the following steps:

- 1.1 a new holding company, Countrywide, will be placed above Countrywide Assured Group. Countrywide Assured Group Shareholders will receive (following the Countrywide Share Consolidation referred to below) 2 Countrywide Shares and (when aggregated with the payment of the 2003 Final Dividend) approximately 122.2 pence in cash in respect of every 4 Countrywide Assured Group Shares held by them at the Scheme Record Time;
- 1.2 this will be followed by a consolidation of Countrywide Shares, i.e. a reduction in the number of Countrywide Shares in issue, on a 1 for 2 basis (the “**Countrywide Share Consolidation**”);
- 1.3 Countrywide Assured Group will then transfer the Life Business to Countrywide (the “**Life Transfer Agreement**”). The result of this is that the Life Business will become owned by Countrywide directly rather than by Countrywide Assured Group. The terms of this transfer are contained in the Life Business Transfer Agreement described in Part 5 of this document;
- 1.4 the Demerger will take place by way of a reduction in the capital of Countrywide (the “**Reduction of Capital**”), which is a Court approved process. The Reduction of Capital will take place as follows:
  - 1.4.1 the share capital of Countrywide will be reduced by reducing the nominal value of each Countrywide 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);
  - 1.4.2 Countrywide will transfer the Life Business to Chesnara (by way of a transfer of the shares of Countrywide Assured Life Holdings Limited) so that Chesnara becomes the holding company of the Life Business; and
  - 1.4.3 Countrywide Shareholders (other than the Countrywide Subscribers to whom special provisions may need to apply) at the Demerger Record Time will be allotted and issued 1 Chesnara Share, credited as fully paid, for every 1 Countrywide Share held (following the Countrywide Share Consolidation); and
- 1.5 finally there will be a consolidation of Chesnara Shares on a 1 for 2 basis (the “**Chesnara Share Consolidation**”).

The end result will be that former Countrywide Assured Group Shareholders will receive 2 Countrywide Shares and 1 Chesnara Share for every 4 Countrywide Assured Group Shares held prior to the implementation of the Proposals and will have received (when added to the 2003 Final Dividend) approximately 30.6 pence in cash for every Countrywide Assured Group Share held. It is only after all the steps have been completed that Countrywide Assured Group Shareholders will receive their new share certificates and cash (or their CREST accounts will be credited if they hold their Countrywide Assured Group Shares through CREST).

The Countrywide Share Consolidation could result in Countrywide Assured Group Shareholders being entitled to fractions of Countrywide Shares. The terms of the Countrywide Share Consolidation will provide that no Countrywide Assured Group Shareholder will be entitled to hold a fraction of a Countrywide Share. Instead, all fractions of such shares will be aggregated and consolidated into whole Countrywide Shares which will be transferred to a nominee. These shares will be sold (together with the Chesnara Shares issued to that nominee in respect of those Countrywide Shares pursuant to the terms of the Demerger) as soon as reasonable practicable following the implementation of the Proposals and the net proceeds of such sale will be retained by Countrywide. 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 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 reasonable 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.

In connection with the Proposals, holders of options to subscribe for Countrywide Assured Group Shares will be offered the opportunity to exercise those options. If all those options were exercised, the number of shares issued would increase the issued share capital by approximately 4.4 per cent.

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

It is expected that Admission will occur on 25 May 2004 and that dealings on the London Stock Exchange will commence in Countrywide Shares at 8.00 a.m. on that date.

It is expected that definitive share certificates for Countrywide Shares will be despatched to Shareholders (other than those who hold their Countrywide Assured Group Shares in uncertificated form through CREST), at the holder's own risk, by 1 June 2004. These share certificates will reflect the shareholdings as at the Demerger Date, i.e. after the Countrywide Share Consolidation, the Chesnara Share Consolidation and the Reduction of Capital. Pending the despatch of certificates, transfers of Countrywide Shares will be certified against the register of Countrywide Shares. No temporary documents of title will be issued. Countrywide Assured Group Shareholders who hold their Countrywide Assured Group Shares in uncertificated form through CREST at the Scheme Record Time are expected to have uncertificated Countrywide Shares credited to the same CREST accounts on 25 May 2004.

The Countrywide Shares are expected to be eligible to be traded through the CREST system with effect from Admission. Existing dividend mandates applicable to Countrywide Assured Group Shares will also apply to the Countrywide Shares, unless and until countermanded or amended by notice to the Registrars.

## **3. Overseas Shareholders**

**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.**

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 Scheme, 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 Countrywide Assured Group 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, in compliance with all applicable laws, 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.

#### *US Shareholders*

Neither the US Securities and Exchange Commission nor any state securities commission has approved or disapproved the Countrywide 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 Countrywide Shares issued to Countrywide Assured Group 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 Countrywide Assured Group Shareholders (other than restricted affiliates described below) without regards to Rules 144 or 145 under the US Securities Act.

Under US Securities laws, a Countrywide Assured Group Shareholder (whether or not a US person) who is deemed to be an affiliate of Countrywide Assured Group prior to, or of Countrywide plc after, 25 May 2004 (restricted affiliates) may not resell Countrywide 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 Rule 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 Corporations Act 2001 (Cth), and accordingly your Countrywide Shares will be issued to you without disclosure for the purposes of the Corporations Act.

You may not offer to sell Countrywide Shares issued to you pursuant to the Scheme 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 advisors 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, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN THIS DOCUMENT IN ANY JURISDICTION IN CONTRAVENTION OF ANY APPLICABLE LAW.**

## PART 5

### Additional information

#### 1. Responsibility

The Directors, whose names are set out on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the 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. Incorporation and activity

The Company was incorporated and registered as Pinco 2041 plc in England and Wales on 29 October 2003 as a public limited company under the Companies Act, with registered number 4947152. The Company changed its name to Countrywide plc on 22 December 2003. The registered office and head office of Countrywide is Countrywide House, Perry Way, Witham, Essex CM8 3SX. Countrywide has undertaken certain activities and entered into certain agreements in connection with the Proposals, but as at 17 March 2004 (being the latest practicable date before the publication of this document) had not traded. Countrywide obtained a trading certificate on 10 March 2004.

#### 3. Share capital

- 3.1 On incorporation, the authorised share capital of Countrywide was £50,000 divided into 50,000 ordinary shares of £1 each of which two were issued fully paid to the subscribers to the Memorandum of Association.
- 3.2 On 1 March 2004, the two issued ordinary shares of £1 each were transferred to the Countrywide Subscribers.
- 3.3 On 9 March 2004, Countrywide adopted a new set of articles of association and its share capital was reorganised as follows:
  - 3.3.1 the 49,998 authorised but unissued ordinary shares of £1 each were sub-divided into 4,999,800 ordinary shares of 1p each;
  - 3.3.2 the authorised share capital was increased by the creation of a further 59,995,000,000 ordinary shares of 1p each and a new redeemable preference share of £50,000 (the “redeemable preference share”); and
  - 3.3.3 each of the two issued ordinary shares of £1 each was sub-divided into 100 ordinary shares of 1p each, with the effect that the Countrywide Subscribers held 200 ordinary shares of 1p each.
- 3.4 On 9 March 2004, in order to satisfy the requirements of section 117 of the Companies Act as to the minimum paid up share capital for a public company, the redeemable preference share was issued to one of the Countrywide Subscribers and was paid up as to at least one quarter of its nominal value. It is intended that the redeemable preference share will be redeemed shortly after Admission and that the ordinary shares then held by the Countrywide Subscribers will be given to Countrywide for no consideration and then cancelled.
- 3.5 Prior to the Scheme Effective Time, it is proposed that resolutions will be passed and the Articles adopted so that:
  - 3.5.1 the nominal value of the Countrywide Shares is altered. The nominal value will be determined by the Directors having taken into account the constraints of English company law, the proposed transfer of the Life Business, the Return of Capital, the Countrywide Share Consolidation and the Reduction of Capital;
  - 3.5.2 the Countrywide Share Consolidation is effected conditional upon the Scheme becoming effective on the date specified in the resolution (which is expected to be 21 May 2004);
  - 3.5.3 the Reduction of Capital (conditional upon the Scheme and the Countrywide Share Consolidation having been effected and final approval by the Directors of Countrywide) is effected by reducing the nominal value of each of the Countrywide Shares. The amount by which the share capital of Countrywide will be reduced will exceed the amount determined by the Directors to be the market value of the Life Business and a further amount which will be credited to reserves;

- 3.5.4 the Directors will be authorised, in accordance with section 80 of the Companies Act, so as (i) to enable them to issue the Countrywide Shares to be issued on the Scheme becoming effective and (ii) to enable them to allot a number of relevant securities (as defined in that section) up to the section 80 amount;
  - 3.5.5 the Directors will be authorised, pursuant to section 95 of the Companies Act, to allot the Countrywide Shares to be issued on the Scheme becoming effective as if section 89(1) of the Companies Act did not apply to the allotment;
  - 3.5.6 the Directors will further be authorised, pursuant to section 95 of the Companies Act, to allot equity securities (as defined in section 94 of the Companies Act) for cash as if section 89(1) of the Companies Act did not apply to the allotment but such power will be limited to (i) the allotment of equity securities pursuant to a rights issue or (ii) the allotment (otherwise than pursuant to (i) above) of a number of equity securities not exceeding 5 per cent. of the number of Countrywide Shares expected to be in issue at Admission;
  - 3.5.7 subject to certain conditions, the Directors will further be authorised, pursuant to section 166 of the Companies Act, to make market purchases (as defined in section 163 of that Act) of Countrywide Shares provided that the maximum number of shares which may be purchased will not exceed 14.99 per cent. of the Countrywide Shares expected to be in issue as at Admission; and
  - 3.5.8 KPMG Audit Plc will be reappointed as the Countrywide Group's auditors.
- 3.6 For technical reasons, in order to ensure that each of the two Countrywide Subscribers holds the desired number of Countrywide Shares following the alteration of the nominal value of the Countrywide Shares as described in section 3.5.1 above, Countrywide may issue further Countrywide Shares to such Countrywide Subscribers prior to the Scheme Effective Time.
  - 3.7 Pursuant to the Scheme, Countrywide will allot and issue Countrywide Shares, credited as fully paid, to Countrywide Assured Group Shareholders on the register of members at the Scheme Record Date.
  - 3.8 As described in Part 4 of this document, the Demerger is to be effected by the Reduction of Capital. The Reduction of Capital will take place as set out in section 1.4 of Part 4 of this document:
  - 3.9 The nominal value of the Countrywide Shares to be issued pursuant to the Scheme will be determined by resolution of the Countrywide Subscribers shortly before the Scheme Effective Time. As the nominal value of the Countrywide Shares will only be known shortly before Admission, an advertisement stating the nominal value of the Countrywide Shares on Admission will be placed in The Times on the day after Admission (26 May 2004 based on the current timetable).
  - 3.10 Upon the Demerger becoming effective, the expected maximum number of issued Countrywide Shares will (on the assumption that any options under the Countrywide Assured Group Share Plans which are capable of exercise are exercised) be 171,984,262.
  - 3.11 The Company does not currently hold any shares as treasury shares.

#### **4. Summary of the Memorandum and Articles of Association**

##### **4.1 *Memorandum of Association***

Countrywide's principal objects are to carry on business as a general commercial company and to carry on any trade or business whatsoever. The objects of the Company are set out in full in clause 4 of its Memorandum of Association, which is available for inspection at the address specified in paragraph 20 of this Part 5.

##### **4.2 *Articles of Association***

The Articles of Countrywide contain (amongst others) provisions to the following effect:

###### **4.2.1 Rights attaching to Countrywide Shares**

Under English law, dividends are payable on Countrywide Shares only out of profits available for distributions, as determined in accordance with accounting principles generally accepted in the United Kingdom and by the Companies Act. Holders of Countrywide Shares are entitled to receive such dividends as may be declared by the Shareholders in general meeting, rateably according to the amounts paid up on such shares, provided that the dividend cannot exceed the amount recommended by the directors.

The Board of Directors may pay Shareholders such fixed dividends on any class of shares carrying a fixed dividend to be payable on fixed dates or interim dividends as appear to them to be justified by the Company's profits. If recommended by the directors and directed by an ordinary resolution of the Shareholders, the Board must also direct payment of a dividend in whole or in part of the distribution of specific assets (and in particular of paid up shares or debentures of any other company).

The redeemable preference share does not carry any right to receive dividends nor to participate in the profits of Countrywide. Upon a return of assets in a winding up the redeemable preference share entitles its holder to repayment in full of the amount paid up on such share prior to the distribution of assets available for distribution among members to any Shareholders.

The holder of the redeemable preference share is not entitled to receive notice or attend and vote at any general meeting of Countrywide unless a resolution is proposed to wind up Countrywide or to vary, modify, alter or abrogate the rights of such share.

#### 4.2.2 Voting rights

Subject to disenfranchisement as provided in 4.2.4 below and subject to any special terms as to voting on which any shares may be issued (no such shares currently being in issue), on a show of hands every member present in person (or, being a corporation, present by a duly authorised representative) shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

#### 4.2.3 Transfer of Countrywide Shares

The Countrywide Shares are in registered form and are capable of being held in uncertificated form.

A member may transfer all or any of his uncertificated shares by means of a relevant system, as defined in the Uncertificated Securities Regulations, which includes CREST. The Directors may refuse to register any transfer of an uncertificated share where permitted by the Uncertificated Securities Regulations. If the Directors refuse to register a transfer of an uncertificated share they shall, within two months of the date on which the transfer instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

All transfers of certificated shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid share held in certificated form and may also refuse to register any transfer of a fully paid certificated share unless the instrument of transfer is:

- (a) duly stamped (if so required), is lodged with the Company's registrars or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) in respect of only one class of shares; and
- (c) in favour of not more than four transferees.

#### 4.2.4 Dividends

The Company in general meeting may declare dividends in accordance with the respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other moneys payable in respect of a share shall bear interest as against the Company.

There are no fixed dates on which entitlement to dividends arises.

All dividends unclaimed for a period of twelve years after becoming due for payment shall be forfeited and shall revert to the Company.

#### 4.2.5 Disclosure of interests in shares

If any member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice requiring such member or other person to supply to the Company in writing all or any such information as is referred to in

section 212 of the Companies Act, the Directors may, for such period as the default shall continue, impose sanctions upon the relevant shares.

The sanctions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and, additionally, in the case of a shareholding representing at least 0.25 per cent. by nominal value of any class of shares of the Company then in issue (excluding any shares of that class held as treasury shares), the withholding of payment of any dividends on, and the restriction of transfers of, the relevant shares.

#### 4.2.6 Distribution of assets on liquidation

On a winding-up any surplus assets will be divided amongst the holders of the Countrywide Shares according to the respective numbers of shares held by them and in accordance with the provisions of the Companies Act, subject to the rights of any shares which may be issued with special rights or privileges (no such shares presently being in issue). The Articles provide that the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Companies Act, divide amongst the members *in specie* the whole or any part of the assets of the Company in such manner as he may determine.

#### 4.2.7 Changes in share capital

- (a) Without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine, or in the absence of such determination as the Directors may determine. Subject to the Companies Act, the Company may issue shares which are, or at the option of the Company or the holder are liable, to be redeemed.
- (b) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, subdivide its shares or any of them into shares of smaller amount or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amounts so cancelled or the amount of the reduction.
- (c) Subject to the Companies Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Companies Act, purchase its own shares.

#### 4.2.8 Variation of rights

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued shares (excluding any shares of that class held as treasury shares) of the class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders.

#### 4.2.9 Directors' interests

- (a) A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare in accordance with the Companies Act the nature of his interest.
- (b) Provided that he has declared his interest in accordance with paragraph (a), a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit which he derives from such office or interest or any such transaction or arrangement.
- (c) Any Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (d) A Director shall not vote at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other

securities of, or otherwise in or through, the Company unless his interest arises only because the case falls within one or more of the following paragraphs:

- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
  - (ii) the giving to a third party of any guarantee, security or indemnity in respect of any obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (iii) the subscription by him for shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participation in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities for subscription, purchase or exchange;
  - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that the shares in which he is interested do not represent one per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
  - (v) any proposal relating to an arrangement in whole or in part for the benefit of the employees of the Group which does not award to him as such any privilege or advantage not awarded to the employees to whom such arrangement relates; and
  - (vi) any proposal concerning the purchase or maintenance of insurance against any liability which would otherwise attach to all or any of the Directors.
- (e) Where proposals are under consideration concerning the appointment of two or more Directors to offices or employments with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.
- (f) The Company may by ordinary resolution suspend or relax these provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of these provisions.

#### 4.2.10 Remuneration of Directors

- (a) The ordinary remuneration of the Directors (other than an executive director) shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate of the ordinary remuneration of such Directors shall not exceed £250,000 per year) to be divided among them in such proportion and manner as the Directors may determine. The Directors shall also be paid by the Company all travelling, hotel and other expenses as they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.
- (b) Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration as the Directors may determine.
- (c) The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants, or apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

#### 4.2.11 Retirement of Directors

- (a) In accordance with the Combined Code, all directors must retire by rotation at least every three years. Furthermore, the Articles provide that at least one third of directors must retire at each annual general meeting.

- (b) A Director shall be capable of being appointed or reappointed a Director despite having attained the age of 70 or any other age and shall not be required to retire by reason of his having attained any particular age and section 293 of the Act (relating to the appointment and retirement as Directors of persons who are aged 70 or over) shall not apply.

#### 4.2.12 Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital.

The Directors shall restrict the borrowings of the Company and by the exercise of the Company's voting and other rights or powers of control over its subsidiary undertakings secure that they restrict their borrowings so that the aggregate amount at any time outstanding in respect of money borrowed by the Group (excluding intra-Group borrowings) shall not without the previous sanction of an ordinary resolution of the Company exceed a sum equal to three times the aggregate of the amount paid up or credited as paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the consolidated capital and revenue reserves of the Company as shown by the latest audited consolidated balance sheet of the Group adjusted as specified in the Articles.

For the purpose of this restriction, any amounts borrowed by the Company pursuant to Facility Agreement shall be disregarded.

### 5. Directors and Company Secretary of Countrywide

#### 5.1 The full names of the Directors and their respective functions are as follows:

Christopher Henry Sporborg	<i>Non-executive Chairman, Chairman of the Remuneration and the Nominations Committee</i>
Harry Douglas Hill	<i>Group Managing Director</i>
Michael Charles Nower	<i>Group Finance Director</i>
Michael John Gordon	<i>Senior Non-executive Director</i>
Andrew Jonathan Brown	<i>Non-executive Director, Chairman of the Audit Committee</i>
Peter William Mason	<i>Non-executive Director</i>

The Company Secretary of the Company is Gareth Rhys Williams.

The business address of each of the Directors is Countrywide House, Perry Way, Witham, Essex CM8 3SX.

#### 5.2 Brief histories of the Directors and Company Secretary are as follows:

Christopher Henry Sporborg (CBE) — *Non-executive Chairman, Age 64*

Mr Sporborg is the Non-executive Chairman of the Company. He is Chairman of the Remuneration Committee and the Nominations Committee. He was formerly Deputy Chairman of Hambros plc, Deputy Chairman of Hambros Bank Limited and Chairman of Hambro Insurance Services Group plc. He is also Chairman of Atlas Copco UK Holdings Limited, and a Director of Getty Images Inc., Lindsey Morden Group Inc., and The Horserace Totalisator Board. He joined the board of Countrywide Assured Group on 13 June 1986. Following the Demerger he will also become Non-executive Chairman of Chesnara.

Harry Douglas Hill — *Group Managing Director, Age 55*

Mr Hill is the Group Managing Director and a Director of Countrywide Property Lawyers Limited. He qualified as a Chartered Surveyor in 1967 and was formerly Managing Director of Abbots (East Anglia) Limited. During 2001, he was appointed a Non-executive Director of Jupiter Financial Income Trust PLC. He joined the board of Countrywide Assured Group on 10 February 1986.

Michael Charles Nower — *Group Finance Director, Age 54*

Mr Nower is the Finance Director and was formerly Company Secretary of Countrywide Assured Group. He qualified as a Certified Accountant in 1975 and was formally Group Finance Director of Lancaster PLC. He joined the board of Countrywide Assured Group on 9 October 1989.

Michael John Gordon — *Senior Non-executive Director, Age 56*

Mr Gordon is the Senior independent Non-executive Director of the Company and serves on the Audit Committee, the Remuneration Committee and the Nominations Committee. He was formerly Group

Sales Director of Skandia Life Assurance Holdings Limited. He is also a Non-executive Director of Skandia Life, Bankhall Investment Management Limited and Bankhall Investment Finance Limited, both Skandia owned subsidiaries. He joined the board of Countrywide Assured Group on 1 May 2002. Following the Demerger he will also become a Non-executive Director of Chesnara.

Andrew Jonathan Brown — *Non-executive Director, Age 59*

Mr Brown is an independent Non-executive Director of the Company. He is Chairman of the Audit Committee and serves on the Remuneration Committee and Nominations Committee. He has wide ranging experience of the financial services sector, including executive positions with Sterling Guarantee Trust and Sedgwick Group. He was Finance Director and subsequently Joint Chief Executive of Gartmore Investment Management plc and was Finance Director of Hawkpoint Partners Limited. He is a Chartered Accountant and is a director of The Children's Trust Limited. He joined the board of Countrywide Assured Group on 31 March 2003.

Peter William Mason — *Non-executive Director, Age 53*

Mr Mason is a Non-executive Director of the Company and serves on the Audit Committee, the Remuneration Committee and the Nominations Committee. He is Investment Director and Actuary of Neville James Group, an investment management company. He was admitted as a Fellow of the Institute of Actuaries in 1979. He joined the Board of Countrywide Assured Group as Non-executive Director on 27 May 1992. Following the Demerger he will also become a Non-executive Director of Chesnara.

Gareth Rhys Williams — *Company Secretary, Age 40*

Mr Williams is Company Secretary. He qualified as a solicitor in 1990 and worked in private practice for Berg & Co (Manchester) and Reynolds Porter Chamberlain (London) before joining Thorn EMI plc in 1996 where he subsequently became Head of Legal and Company Secretary for the demerged Thorn UK Group. He joined Countrywide Assured Group in November 2000 as Head of Group Legal and was appointed Company Secretary on 24 January 2001 and an alternate Director on 31 July 2001.

## 6. Directors' and other interests

### 6.1 *Directors' interests in Countrywide*

As at 17 March 2004 (being the latest practicable date prior to the publication of this document), no Director of the Company has any interest in the share capital of the Company or any of its subsidiaries.

Immediately prior to Admission, by reference to their holdings of Countrywide Assured Group Shares as at 17 March 2004 (being the latest practicable date prior to the publication of this document) and on the basis that they receive one Countrywide Share for every two Countrywide Assured Group Shares held and on the assumption that the Directors do not exercise any options under the Countrywide Assured Group Share Plans in the intervening period, the Directors and their immediate families are expected to have the beneficial interests in Countrywide 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; or (b) which are required pursuant to section 325 of the Companies Act to be entered in the register of Directors' interests maintained under section 325 of the Companies Act; 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>Beneficial interests</b>	<b>Number of Countrywide Shares</b>
Christopher Sporborg	133,705
Harry Hill	200,000
Michael Nower	134,370
Andrew Brown	10,000
Peter Mason	5,000

These holdings are expected to represent in aggregate less than 0.3 per cent. of the maximum issued share capital of Countrywide on Admission.

In addition, each of the Executive Directors will be interested, as a potential beneficiary in any Countrywide Shares held by the Countrywide Assured Group's employee trust. Based on the 2,383,909 Countrywide Assured Group Shares held by the employee trust on 15 March 2004 (for this purpose

being the latest practicable date prior to the posting of this document) and assuming that no options are exercised under the Countrywide Assured Group Share Plans, the employee trust would hold 1,191,955 Countrywide Shares on Admission.

Save as disclosed above, immediately prior to Admission, no Director nor any person connected with a Director (within the meaning of section 346 of the Companies Act) has as at 17 March 2004 (for this purpose being the latest practicable date before the publication of this document), or is expected to have, any interest in the share capital of Countrywide.

6.2 *Directors' interests in Countrywide Shares deriving from rights under the Countrywide Assured Group Share Plans*

The following Directors had rights or options over Countrywide Assured Group Shares as at 17 March 2004 (the latest practicable date prior to the publication of this document) as summarised in the table below.

The Directors may choose to exercise their options or rights under the Countrywide Assured Group Share Plans or release them in consideration of the grant of right of options over shares in Countrywide as summarised in paragraph 6.4 below:

Director	Dates of grant		Number of Countrywide Assured Group Shares	Option price (p)		Exercise dates	
	From	To		From	To	From	To
Harry Hill	22.04.98	15.04.02	1,237,234	74.4	151.0	22.04.05	15.04.12
Michael Nower	22.04.98	15.04.02	852,734	74.4	153.5	22.04.05	15.04.12

*Awards under EDIS 96 with additional rights*

Director	Date of grant	Number of Countrywide Assured Group Shares	Normal expiry date	Maximum number of Countrywide Shares deriving from exercise
Harry Hill	12.05.99	7,500	12.05.06	100,558
Michael Nower	12.05.99	5,050	12.05.06	67,709

In addition, participants in the grant of options on 18 March 1999 under ESOS 1996 who exercise those options will receive additional rights calculated by reference to the increase in the market value of the Countrywide Assured Group Shares since the date of grant. The maximum number of Countrywide Shares which each director is expected to hold upon Admission pursuant to these additional rights if the relevant options are exercised based upon the market value of a Countrywide Assured Group Share (determined with reference to the "Last closing price" published by the London Stock Exchange) on 16 March 2004 (for this purpose the latest practicable date prior to the publication of this document) is included in the table above.

6.3 Save as explained in paragraphs 6.1 to 6.2 above, for this purpose no Director will have any interest in the share capital of the Company or any of its subsidiaries.

6.4 *Treatment of existing share plans*

Participants, including Directors, in the Countrywide Assured Group Share Plans will be offered the following choices:

6.4.1 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 and they are the owners of the Countrywide Assured Group Shares at the Scheme Record Time;

6.4.2 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 number of options 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 rollover. The exercise periods for the new options or awards will be the same as applied to the existing options or awards. In particular, participants who leave the Group will have a specified period in which to exercise following leaving the Group, after which their new options or awards will lapse.

Countrywide Assured Group will be writing to participants to inform them of the detail of the choices available to them.

Any participants who do not choose either to exercise as set out at 6.4.1 above or to roll over as set out at 6.4.2 above 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 Countrywide Assured Group 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.

#### 6.5 *Significant shareholding*

Based on interests in Countrywide Assured Group Shares as disclosed to Countrywide Assured Group pursuant to section 198 of the Companies Act and registered pursuant to section 211 of the Companies Act, as at 17 March 2004 (being the latest practicable date prior to the publication of this document) and on the assumption that any options under the Countrywide Assured Group Share Plans which are capable of exercise are exercised and that no other shares are issued between the date of this document and the Demerger and assuming that (as part of the Proposals) Shareholders receive one Countrywide Share for every two Countrywide Assured Group Shares, either pursuant to the exercise of options under the Countrywide Assured Group Share Plans or otherwise, the following persons (other than directors), would be interested, directly or indirectly, in three per cent. or more of the issued share capital of Countrywide immediately after Admission on the basis that they receive one Countrywide Share for every 2 Countrywide Assured Group Shares held.

<b>Name of Shareholder</b>	<b>Number of Countrywide Shares</b>	<b>Percentage of maximum issued share capital of Countrywide</b>
Fidelity International Limited	16,246,677	9.45%
AXA SA	14,858,578	8.64%
Legal & General Group plc	8,363,101	4.86%
Aviva plc	6,629,503	3.85%
Prudential plc	6,659,449	3.87%

The Directors are not aware of any person who, immediately following Admission, directly or indirectly, jointly or severally, exercises or could exercise control over Countrywide.

#### 6.6 *Loans*

There are no outstanding loans granted by any member of the Group to any of the Directors nor has any guarantee been provided by any member of the Group for their benefit.

#### 6.7 *Unusual transactions*

No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company or 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 any earlier financial year and which remains in any respect outstanding or unperformed.

## 6.8 *Directors' other directorships*

The following table shows in respect of each of the Directors, the names of all companies and partnerships outside the Countrywide Group of which he has, at any time in the five years prior to the date of this document, been a director or partner, as appropriate (excluding subsidiaries of any company of which he is also a director). Each directorship or partnership is currently held unless otherwise stated:

Director	Company/Partnership
Christopher Sporborg	Chesnara plc
	Atlas Copco UK Holdings Limited
	BFSS Investments Limited
	Countryside Alliance Limited
	Milton (Peterborough) Estates Company
	The National Hospital for Neurology and Neurosurgery Development Foundation
	+Racecourse Television Services Limited
	+Super 12 Racing Limited
	The University College London Hospitals Charitable Foundation
	Atlas Copco International Holdings Limited (in liquidation)
	*Old Berkinshol Limited
	*Sporborg Enterprises Limited
	+Network Holdings Limited
	+J Frankau Holdings Limited
	+*Conservation Corporation (UK) Limited
	+Getty Communications Limited
	+Fitzwilliam (Peterborough) Properties
	+Jockey Club Estates Limited
	+Racecourse Holdings Trust Limited
	+Racecourse Investments Limited
	+Hunters & Frankau Group Limited
	Getty Image Inc. (Delaware USA)
	Lindsey Morden Group Inc. (Canada)
	Lindsey Morden Limited
	+The Conservation Corporation South Africa Limited (S. Africa)
+The Conservation Corporation International Limited (Isle of Man)	
Harry Hill	Jupiter Financial Trust plc
	JFIT Securities Limited
	TM Property Services Limited
Andrew Brown	56 Denbigh Street Management Limited
	Misys Eagleye Limited
	The Children's Trust Limited
	+Hawkpoint Partners Limited
	+Hydra Associates Limited
	+Hydra Associates Financial Services Limited
	+Gartmore Investment Management plc
	+Gartmore Investment Limited
	+Gartmore Fund Managers Limited
	+Gartmore Capital Management Limited
	+Gartmore Fund Managers (Far East) Limited
	+Gartmore US Limited
	+Gartmore Money Management Limited
	+Asset Management Holdings plc
	+Axis (Global) Limited
	+Premium Central Limited
	+Capita Insurance Services Limited
	+Eastgate Connections Limited
	+Eastgate Policy Processing Limited
	+Eastgate Insurance Market Solutions Limited
	+Capita Insurance Services Group Limited
+Scottish Amicable Investment Managers Limited	
+Scottish Amicable ISA Managers Limited	
+Scottish Amicable Unit Trust Managers Limited	
+Edinburgh Fund Managers Group plc	

Director	Company/Partnership
Peter Mason	Chesnara plc Neville James Group Limited +*British American Securities Limited +State Assurance Company Limited (The) +Magnet House Properties Limited +Guardian Insurance Limited +Axa Services Limited +Guardian Insurance Services (UK) Limited +Axa General Insurance Limited +Guardian Health Limited +Guardian Eastern Insurance Company Limited +Axa Direct Insurance Limited +Guardian Assurance plc +British Equitable Assurance Company Limited +The Atlas Assurance Company Limited +Orion Personal Insurances Limited +*Caledonian Insurance Company +The Insurance Charities +Challenger Group Services (UK) Limited +Challenger Life (UK) Limited +Fair Forsikring A/S +E-L Financial Services Limited +Empire Life Insurance Company Limited
Michael Gordon	Chesnara plc Skandia Life Bankhall Investment Management Limited Bankhall Investment Finance Limited +Skandia Life Assurance (Holdings) Limited +Professional Life Assurance Company Limited +IFA Promotion Limited

\* relates to directorships of companies that have been dissolved within the last five years

+ Relates to directorships that have been resigned in the last five years.

No Director has been a director of a company which has been placed into receivership.

- 6.9 As at the date of this document, no Director is the subject of (a) any unspent convictions in relation to indictable offences; or (b) any public criticism by any statutory or regulatory authority (including designated professional bodies) and has never been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.10 As at the date of this document, no Director has ever been (a) the subject of any bankruptcy or individual voluntary arrangement; (b) save as disclosed in paragraph 6.8, a director with an executive function of a company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement of such company or any composition or arrangement with its creditors generally or any class of its creditors; (c) a partner in a partnership at the time of or within the 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; (d) a partner in a partnership at the time of or within 12 months preceding any receivership of an asset of such partnership; or (e) an owner of any asset subject to receivership.

## **7. Directors' service agreements and remuneration**

### **7.1 Compensation**

The aggregate remuneration paid and benefits in kind granted to the Directors by any member of the Countrywide Assured Group during the last completed financial year, under any description whatsoever was £2,798,000 including pensions contributions of £174,000. The aggregate amount payable to the Directors by any member of the Countrywide Group under the arrangements in force at the date of this document is estimated to amount to £735,000 (excluding bonuses and incentive payments) for the year ending 31 December 2004 and, assuming that the same level of bonuses and incentive payments are paid as were paid in the year ended 31 December 2003 (being £550,000), would amount to £1,285,000.

## 7.2 *Service agreements and remuneration*

### 7.2.1 Executive Directors

The main terms on which each of the Executive Directors will be employed by Countrywide with effect from Admission are set out below (such terms having been transferred, conditional upon Admission, from Countrywide Assured Group to Countrywide by novation agreements dated 18 March 2004) :

<b>Director</b>	<b>Date of contract</b>	<b>Salary (£ per annum)</b>	<b>Notice period</b>
Harry Hill	31 October 1997	£285,490	6 months
Mike Nower	31 October 1997	£159,374	6 months

The Executive Directors' benefits will 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, both Executive Directors may at the discretion of the Board receive an annual bonus (subject to achievement of certain targets to be notified to the Executive Director at the commencement of each financial year, such amount and the manner of calculation is determined by the Board). Mr Hill will be entitled to membership of the defined contribution section of a Group pension scheme and death in service benefits. Mr Nower will be entitled to certain contributions into a personal pension scheme nominated by him and death in service benefits.

The Executive Directors' service agreements with Countrywide 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 or Countrywide Assured Group, a third party obtains control of Countrywide or 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 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.

The emoluments of the Directors of Countrywide will not be varied as a consequence of the Demerger.

### 7.2.2 Non-executive Directors

With effect from Admission, Christopher Sporborg, Andrew Brown, Peter Mason and Michael Gordon shall serve Countrywide as Non-executive Directors on the terms summarised below (such terms having been transferred, conditional upon Admission, from Countrywide Assured Group to Countrywide by novation agreements dated 18 March 2004 in the cases of Messrs. Brown, Mason and Gordon and a letter of appointment dated 18 March 2004 in the case of Mr. Sporborg):

<b>Non-executive Director</b>	<b>Date of appointment</b>	<b>Annual fee</b>
Christopher Sporborg	1 October 1998	£80,000
Michael Gordon	1 May 2002	£30,000
Peter Mason	1 November 1999	£27,500
Andrew Brown	31 March 2003	£30,000

The above appointments of Messrs. Brown, Mason and Gordon are for a term of three years and, thereafter, for a further period not exceeding three years. Christopher Sporborg's appointment is terminable on 12 months notice.

- 7.3 Save as disclosed in paragraphs 7.2.1 and 7.2.2, there are no existing or proposed service agreements between any Director and any member of the Countrywide Group and the Directors' existing service arrangements with members of the Countrywide Assured Group will be novated to Countrywide with effect from Admission by the agreements described in paragraphs 7.2.1 and 7.2.2.

- 7.4 Copies of the service agreements, novation agreements and letters of appointment referred to in paragraphs 7.2.1 and 7.2.2 will be available for inspection at the address detailed in paragraph 20 of this Part 5.

## **8. Proposed employee share option plans**

Subject to the approval of the Countrywide Assured Group Shareholders, the Board of Countrywide by resolution will establish employee share option plans, the principal terms of which are set out below. Countrywide Shares will also be used in respect of options granted in exchange for options under the Countrywide Assured Group Share Plans. Key decisions regarding the Countrywide Share Plans will be made by the Remuneration Committee. All decisions relating to any participation of executive directors will be made by the Remuneration Committee.

### **8.1 *The Countrywide sharesave plan (“the Sharesave Plan”)***

#### **8.1.1 Outline**

The Sharesave Plan will allow savings related share options to acquire Countrywide Shares to be granted to eligible employees. The Sharesave Plan will be approved by the Inland Revenue. The Sharesave Plan will not be pensionable.

#### **8.1.2 Eligibility**

All executive directors and employees of Countrywide and its participating subsidiaries are eligible to participate in the Sharesave Plan once they have completed a qualifying period of employment. Other employees may be invited to participate on a discretionary basis. When the Sharesave Plan is operated, all eligible employees must be invited to participate.

#### **8.1.3 Invitations for grant of options**

Invitations will generally be made within 42 days of the announcement of Countrywide’s results for any period or may be made within 42 days following Admission.

#### **8.1.4 Option price**

The option price must not be less than 80 per cent. of the market value of a Countrywide Share on the Business Day before the date of invitation.

#### **8.1.5 Savings contract**

Participants are granted options over Countrywide Shares and must enter into a savings contract to save between the statutory minimum and maximum monthly savings contribution (currently £5 and £250), by deduction from salary. The number of Countrywide Shares over which the option is granted is determined by reference to the savings amount.

#### **8.1.6 Plan limit**

The number of Countrywide Shares which may be issued pursuant to rights granted in any ten year period under the Sharesave Plan and any other employee share plans established by Countrywide must not exceed 10 per cent. of the Countrywide Ordinary Share Capital from time to time. Rights to Countrywide Shares which may be issued in respect of options granted in exchange for options under the Countrywide Assured Group Share Plans will count towards this limit.

#### **8.1.7 Exercise of options**

Options can only be exercised using the proceeds of the savings contract.

Options can normally only be exercised during the six months after the maturity of the savings contract, which may run for 3, 5 or 7 years. Options may however, be exercised early if a participant dies, or his employment ends by reason of redundancy, retirement, injury, disability or as a result of the sale of the business or subsidiary in which the participant is employed or in the event of a change of control of Countrywide. If a participant’s employment ends for any other reason within three years of grant, options will normally lapse.

### 8.1.8 Change of Control

An optionholder may exercise an option early in the event of a change of control of Countrywide.

### 8.1.9 Variation of share capital

Options may be adjusted if there is a bonus issue, rights issue, subdivision, consolidation or other variation of Countrywide share capital.

### 8.1.10 Amendments

The rules of the Sharesave Plan may be amended by the Directors. However the basic structure of the Sharesave Plan, including the eligibility provisions, the limit on the number of shares which may be issued under it, the individual limits, the basis for determining optionholder's entitlement to shares and the provisions for adjustment of options in the event of a variation in Countrywide's share capital, cannot be altered to the advantage of participants without prior shareholder approval. Such approval is not required for minor amendments to benefit the administration of the Sharesave Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Sharesave Plan or any member of the Countrywide Group. Certain amendments involving key features of the Sharesave Plan are subject to the prior approval of the Inland Revenue while the Sharesave Plan retains its approved status.

## 8.2 *The Countrywide discretionary share option plans (the "Option Plans")*

### 8.2.1 Outline

The Option Plans will allow options to acquire Countrywide Shares to be granted to eligible employees. It is intended that Countrywide will operate an Inland Revenue approved company share option plan (the "Approved Option Plan") and an unapproved discretionary share option plan (the "Unapproved Option Plan"). Options under the Option Plans will not be pensionable.

### 8.2.2 Eligibility

Options may be granted to any person who is an executive director or employee of a company within the Countrywide Group. Participants may be selected on a discretionary basis.

### 8.2.3 Grant of options

Options may be granted within 42 days of the announcement of Countrywide's results for any period or within 42 days following Admission. Also options may be granted within a period of 28 days from an employee joining the Countrywide Group, or at other times if in the opinion of the Remuneration Committee, the circumstances are exceptional.

### 8.2.4 Option price

The option price must not be less than the market value of a Countrywide Share on the Business Day before the date of grant.

### 8.2.5 Individual limits

The maximum value of the Countrywide Shares over which options may be granted to an employee in any year is equivalent to twice the participant's annual salary, other than in exceptional circumstances.

No eligible employee may hold options under the Approved Option Plan with an aggregate option price in excess of £30,000 (or any other applicable statutory limit) granted under the Approved Option Plan or under any other Inland Revenue approved company share option plans established by Countrywide or any associated company.

### 8.2.6 Plan limits

The number of Countrywide Shares which may be issued pursuant to rights granted in any ten year period under the Option Plans and any other employee share plans established by Countrywide must not exceed 10 per cent. of the Countrywide Ordinary Share Capital from time to time. Rights to Countrywide Shares which may be issued in respect of options granted in

exchange for options under the Countrywide Assured Group Share Plans will count towards this limit.

#### 8.2.7 Exercise of options

Options generally become exercisable on the third anniversary of the date of grant subject to the satisfaction of performance conditions, and may remain exercisable until ten years after the date of the grant.

However, early exercise is permitted if an option holder dies or his employment ends by reason of injury or disability, redundancy, retirement or as a result of the sale of the business or subsidiary by which the optionholder is employed. The number of Countrywide Shares in respect of which an option may be exercised may be adjusted to reflect the proportion of the performance period that has elapsed and the likelihood of the performance target being met, judged by the Remuneration Committee.

#### 8.2.8 Change of control, corporate events

An option holder may exercise an option early in the event of a change of control of Countrywide. Early exercise may be permitted in advance of a demerger or reorganisation if optionholders would otherwise be substantially prejudiced. The number of Countrywide Shares in respect of which an option may be exercised may be adjusted to reflect the proportion of the performance period that has elapsed and the likelihood of the performance target being met, judged by the Remuneration Committee.

#### 8.2.9 Variation of share capital

Options may be adjusted if there is a bonus issue, rights issue, sub-division consolidation or other variation of Countrywide's share capital.

#### 8.2.10 Amendments

The Directors may amend the rules of the Option Plans. However, the basic structure of the Option Plans, including the eligibility provisions, the limits on the number of Countrywide Shares which may be issued under them, the individual limits, the basis for determining optionholders' entitlements to shares and the provisions for adjustment of options in the event of a variation in Countrywide's Ordinary Share Capital, cannot be altered to the advantage of participants without prior shareholder approval. Such approval is not required for minor amendments to benefit to administration of the Option Plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Option Plans or any member of the Countrywide Group.

Certain amendments involving key features of the Approved Option Plan are subject to the prior approval of the Inland Revenue while the Approved Option Plan retains its approved status.

#### 8.2.11 Performance targets

The exercise of options under the Option Plans will be conditional on meeting a performance target set by the Remuneration Committee.

## 9. Subsidiaries and associated undertakings

9.1 Following the Demerger, Countrywide will be the holding company of the Countrywide Group, the principal activities of which relate to residential estate agency and professional property services and related financial services. Except as noted otherwise below Countrywide will have the following operating subsidiary undertakings all of which are private limited companies, incorporated in England and Wales. Except as otherwise noted below all such subsidiaries will be wholly owned by Countrywide immediately following the Demerger and will operate in their country of incorporation:

<i>Name of subsidiary and registered office</i>	<i>Date of incorporation</i>	<i>Principal activity</i>	<i>Issued capital (fully paid)</i>
Countrywide Assured Group <sup>1</sup> Countrywide House Perry Way Witham Essex CM8 3SX	01.08.84	Holding company of estate agency and professional property services	329,442,065 ordinary shares of 5 pence each
Countrywide Estate Agents (unlimited company) Countrywide House Perry Way Witham Essex CM8 3SX	27.01.1964	Residential estate agency	60,000,000 ordinary shares of £1 each
Countrywide Assured Financial Services Limited Sovereign House Hockliffe Street Leighton Buzzard Bedfordshire LU7 1GT	28.11.1972	Selling mortgage related life assurance, brokerage of mortgages and general insurance products	10,000 ordinary shares of £1 each
Countrywide Assured Insurance Services Limited Sovereign House Hockliffe Street Leighton Buzzard Bedfordshire LU7 1GT	17.03.1983	General insurance services	10,000 ordinary shares of £1 each
Countrywide Assured Mortgage Services plc Sovereign House Hockliffe Street Leighton Buzzard Bedfordshire LU7 1GT	02.07.1986	Arrangement of mortgage finance	50,000 ordinary shares of £1 each
Countrywide Surveyors Limited Market House Market Square Stony Stratford Milton Keynes MK11 1BE	04.11.1985	Survey and valuations, planning and development	500,000 ordinary shares of £1 each
Countrywide Surveyors (1994) (unlimited company) Market House Market Square Stony Stratford Milton Keynes MK11 1BE	10.02.1992	Survey and valuations, planning and development	£1,000,007 comprising 1,000,003 ordinary shares of £1 each, 2 ordinary B shares of £1 each and 2 ordinary C shares of £1 each

<i>Name of subsidiary and registered office</i>	<i>Date of incorporation</i>	<i>Principal activity</i>	<i>Issued capital (fully paid)</i>
Countrywide Property Lawyers Limited Fifth Floor Crown House Crown Square Woking Surrey GU21 1XW	23.10.1986	Residential conveyancing services	£5,650,000 comprising 50,000 ordinary shares of £1 each and 5,600,000 preference shares of £1 each
Countrywide Lending Solutions Limited Sovereign House Hockliffe Street Leighton Buzzard Bedfordshire	26.04.2001	Mortgage broking for Buy-to-Let, Self Certification and Adverse (Credit Impaired) clients	2 ordinary shares of £1 each
Countrywide Assured Franchising Limited Century House Rosemount Avenue West Byfleet Surrey KT14 6LB	26.06.1999	Estate agency and related services franchises under the Countrywide and Bairstow Eves brands	2 ordinary shares of £1 each
CAG Overseas Investments Limited <sup>2</sup> Countrywide House Perry Way Witham Essex CM8 3SX	10.09.2002	Holding Company	2 ordinary shares of £1 each and 2,256,750 Preference shares of 1 Euro each
Countrywide Property Overseas Spain SL 10-14 Centro Commercial Atenea. Ctra. de Cádiz Km. 168. 29680 Estepona-Málaga España <sup>2</sup>	22.01.03	Spanish estate agency under the H <sub>2</sub> O Homes Overseas Countrywide brand	€3,006 divided into 3,006 shares of €1 each

<sup>1</sup> To be re-registered as a private company following the Scheme Effective Time.

<sup>2</sup> Operates in Spain

- 9.2 Under the terms of the Separation and Transitional Services Agreement referred to in paragraph 13.4 below, Countrywide Group will cease to use the word “Assured” in the name of any member of the Countrywide Group within 12 months of the Demerger.
- 9.3 No person had options over shares in subsidiaries of the Company, as at 17 March 2004 (being the latest practicable date prior to the publication of this document).

## 10. Significant changes

There has been no significant change in the financial or trading position of the Group since 31 December 2003, the date to which the Group prepared its last audited accounts, as set out in Part 2 of this document.

Since its incorporation on 29 October 2003, Countrywide has not traded, nor has there been any significant change in its financial or trading position.

## 11. Principal establishments

There are no establishments owned or occupied by the Countrywide Group that individually account for more than 10 per cent. of the net turnover or production of the Countrywide Group.

The Company’s properties generally consist of estate agency branches and registered offices throughout the UK, the majority of which are held on short or medium term leases.

## **12. Litigation**

Neither the Company nor any member of the Group is or has been involved in any legal or arbitration proceedings, which may have, or have had within the previous 12 months, a significant effect on the Countrywide Group's financial position nor, so far as any member of the Group are aware, are any such proceedings pending or threatened by or against Countrywide or any member of the Group.

## **13. Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) which are or may be material to the Group have been entered into by members of the Group either (a) within the two years immediately preceding the date of this document or (b) are contracts that contain provisions under which any member of the Group has any entitlement or obligation that is material to the Group, as at the date of this document. To the extent that these agreements include representations, warranties and indemnities, such provisions are considered standard in an agreement of that nature, save to the extent identified below:

### **13.1 Life Business Transfer Agreement**

Under the Life Business Transfer Agreement, which will be entered into between Countrywide Assured Group and Countrywide after the Scheme Effective Date, when Countrywide has become the holding company of Countrywide Assured Group, Countrywide Assured Group will transfer at market value the Life Business to Countrywide. The consideration payable will be left outstanding on inter-company loan account between Countrywide Assured Group and Countrywide.

Under the Life Business Transfer Agreement, Countrywide Assured Group will give no warranties other than as to ownership of the Life Business and the shares in the companies being demerged.

### **13.2 Demerger Agreement**

The Demerger Agreement will be entered into between Chesnara and Countrywide after the Life Business Transfer. Countrywide will, subject to the satisfaction of certain conditions, agree to transfer on the Demerger Date the Life Business to Chesnara in consideration for which Chesnara will allot and issue, credited as fully paid, Chesnara Shares to Countrywide Shareholders. Each Shareholder on the register of members of Countrywide at the Demerger Record Time (other than the Countrywide Subscribers, to whom special provisions may need to apply), will receive 1 Chesnara Share for every 1 Countrywide Share it holds at that time. Shareholders will not be required to make any payment for the Chesnara Shares.

Under the Demerger Agreement, Countrywide will give no warranties other than as to ownership of the Life Business.

### **13.3 Facility agreement/banking documentation**

On 9 March 2004, Countrywide entered into the Facility Agreement. The facility provided under the Facility Agreement has been made available to Countrywide for a period of up to three years for the purpose of the Return of Capital, payment of the 2003 Final Dividend and general corporate purposes. Interest is payable at the applicable London interbank offered rate for sterling for the relevant interest period plus a margin of between 0.75 per cent. and 1.35 per cent. linked to the ratio that consolidated net debt bears to the consolidated earnings before interest, taxation, depreciation and amortisation of the Countrywide Group plus mandatory additional costs.

Under the terms and conditions of the Facility Agreement, subsidiaries of Countrywide which, in aggregate, account from time to time for at least 90 per cent. of each of profits before interest and tax, turnover and gross assets of the Group, are to act as joint and several guarantors of the performance of all of Countrywide's payment obligations under the Facility Agreement. In order to fulfil this condition, Countrywide Assured Group, Countrywide Estate Agents, Countrywide Assured Financial Services Limited, Countrywide Assured Insurance Services Limited, Countrywide Surveyors Limited and Countrywide Property Lawyers Limited will accede as guarantors under the Facility Agreement upon or after the Scheme Effective Time.

The Facility Agreement contains financial covenants, including a ratio of consolidated earnings before interest, taxation and amortisation to consolidated finance costs, a ratio of consolidated net debt to consolidated earnings before interest, taxation, depreciation and amortisation and a ratio of consolidated earnings before interest, taxation and amortisation (before rental and operational lease

charges) to the aggregate of consolidated finance costs and rental and operational lease charges in each case of Countrywide Group, all as more particularly set out in the Facility Agreement.

The Facility Agreement also contains representations and warranties, undertakings given by Countrywide and the acceding guarantors, events of default, mandatory prepayment provisions upon a change of control which are customary for credit arrangements of this type, all as more particularly set out in the Facility Agreement.

The availability of the facility provided under the Facility Agreement is conditional upon the satisfaction of conditions precedent, the principal outstanding conditions being the accession of the guarantors referred to above (following the satisfaction of the requirements of the Companies Act in relation to financial assistance, the delisting of Countrywide Assured Group and the conversion to a private limited company of Countrywide Assured Group, together with adoption of appropriate amendments to its articles of association and those of certain other of the acceding guarantors). Conditions precedent also include provisions which relate to the Demerger becoming effective, satisfaction with the order made following the Court Hearing and no event of default or potential event of default having occurred under the Facility Agreement.

#### **13.4 Separation and transitional services agreement**

Chesnara and Countrywide will enter into a separation and transitional services agreement to take effect from the Demerger Date. This agreement deals with a number of administrative arrangements between the Chesnara Group and the Countrywide Group following the Demerger in relation to property, tax, information technology, intellectual property (including trade names), access to information for audit and other purposes, share schemes, pensions and various other matters.

This agreement contains an indemnity from Chesnara in favour of Countrywide in respect of guarantees entered into by the Countrywide Assured Group relating to Harbour House, Portway, Preston occupied by the Chesnara Group companies and reciprocal tax indemnities in respect of certain past and future tax liabilities of the Countrywide Group and the Chesnara Group which may arise following the Demerger in respect of which the liabilities of each party are unlimited.

As soon as reasonably practicable after Demerger, the Countrywide Group will cease to use the word “Assured” in the name of any Countrywide Group company or any trading name of a Countrywide Group company. In addition, Countrywide will be allowed a period of up to 12 months in which to revise literature and other items which contain the word “Assured”.

This agreement will provide that neither party shall, for a period of three years following the Demerger date, engage in any campaign systematically induce, solicit or entice any customer to surrender, terminate, rescind or suspend payment to any product where it was arranged or introduced by the other party.

The material terms of the agreement have been agreed between the parties. However, non material terms of this agreement will continue to be negotiated between the parties up to the time of the Demerger.

Once finalised, a copy of this agreement will be available for inspection at the address in paragraph 20 of this Part 5 during normal business hours on any weekday, public holidays excepted, prior to the Scheme Effective Time.

#### **13.5 Distribution agreement with Friends Provident**

A distribution agreement was entered into between Countrywide Assured Financial Services Limited (“Countrywide FS”), Friends Provident Life and Pensions Limited (“Friends Provident LP”) and Countrywide Assured Group on 21 August 2002 (the “Distribution Agreement”). Under the terms of the Distribution Agreement, Countrywide FS was appointed by Friends Provident LP (an authorised person permitted to provide contracts of long-term insurance under the Financial Services and Markets Act 2000 and associated subordinated legislation) to distribute certain contracts of long-term insurance which constitute “pure protection contracts” (as defined in the Financial Services Authority’s Handbook of Rules and Guidance) for an initial term of 15 years. Provision was also made in the Distribution Agreement for the addition of further investment and savings products underwritten, issued or managed by a Friends Provident group company to the list of products distributed by Countrywide FS.

The consideration paid by Friends Provident LP to Countrywide FS was £25 million on completion of the Distribution Agreement, together with commission payable on the sale of each Life Product (as defined in the Distribution Agreement) and further commission to be calculated on a performance-related basis.

Countrywide Assured Group guarantees the due and punctual performance of the repayment obligations of Countrywide FS under the commission clawback provisions of the Distribution Agreement.

### **13.7 Acquisition of estate agents from Friends Provident**

An agreement dated 21 August 2002 was entered into between (1) Friends Provident Investments Holdings Limited (“Friends Provident IH”), (2) Countrywide Assured Group, (3) Friends Provident Life and Pensions Limited and (4) Friends Provident plc (the “Friends Provident Sale Agreement”). Friends Provident IH agreed the sale of the entire issued share capital of Friends Provident Estate Agencies Limited (“Friends Provident EA”) to Countrywide Assured Group for the sum of £21,250,000 plus a balancing payment to be ascertained on calculation of the net asset value of Friends Provident EA, to be determined in accordance with completion accounts.

In addition to the usual warranties provided by Friends Provident IH, warranties were also given by Countrywide Assured Group as to its capacity to enter into and perform its obligations under the agreement. Countrywide Assured Group also gave undertakings to Friends Provident IH, in particular to obtain the release of Friends Provident IH from any undertakings and guarantees entered into for the benefit of Friends Provident EA and, until such release is obtained, to indemnify Friends Provident IH against any costs, claims and liabilities arising under any such guarantees or indemnities following completion of the acquisition of Friends Provident EA.

The Friends Provident Sale Agreement contains indemnities in favour of Countrywide Assured Group (subject to usual restrictions) in respect of any losses suffered by Countrywide Assured Group or the companies acquired under the Friends Provident Sale Agreement arising in connection with the sale of insurance and financial products and services or in the conduct of businesses as (i) insurance brokers, agents or mortgage and financial advisers and (ii) as estate agents, surveyors, valuers, auctioneers, letting agents and related services. There are also indemnities in respect of return, repayment or clawback of commission paid or accrued due to Friends Provident EA or Friends Provident Estate Agency Financial Services Limited prior to 21 August 2002 of any insurance or financial products save where expressly provided and in respect of leasehold premises at 22/24 Park Street, Camberley, Surrey. The Friends Provident Sale Agreement also includes an undertaking by Friends Provident EA to pay to Countrywide Assured Group all contribution costs and liabilities, in respect of the Fulfords Staff Pension Scheme which was retained by the Friends Provident Group.

The obligations of Friends Provident IH under the Friends Provident Sale Agreement are guaranteed by Friends Provident Life and Pensions Limited.

### **13.8 Deed relating to the Countrywide Assured Group pension scheme**

A deed relating to the Countrywide Assured Group pension scheme dated 18 March 2004 between Countrywide Assured Group, Countrywide Assured Services Limited, Chesnara and Colin Finch, Michael Charles Nower, Derek George Smith, Stephen Geoffrey Collins and Conrad Foley (the “Trustees”) pursuant to which the parties have agreed that Chesnara and Countrywide Assured Services Limited shall have no liability to the Trustees and the pension scheme under section 75 of the Pensions Act 1995 by virtue of their participation in the Scheme subject, in the case of Countrywide Services Limited, to payment of £398,000 to the Trustees. Countrywide Assured Group and the Trustees also give permission in the deed for Chesnara to participate in the Countrywide Assured Group Pension Scheme for a period of 12 months following Demerger.

13.9 Save as described in paragraphs 13.1 to 13.8 above, no other contract (not being a contract entered into in the ordinary course of business) has been entered into by members of the Countrywide Group within two years immediately preceding the date of this document or contains any provision under which any member of the Countrywide Group has any obligation or entitlement which is material to the Countrywide Group at the date of this document.

#### **14. Principal investments**

There are no principal investments being or anticipated to be made by any member of the Countrywide Group.

#### **15. Pensions**

- 15.1 Countrywide Assured Group operates an exempt approved occupational pension scheme with two sections; one providing benefits on a defined benefit basis; one providing benefits on a defined contribution basis.
- 15.2 The pension cost charge for the Group's defined contribution pension arrangements represents contributions payable by the Group and amounted to £3,398,718 (2002: £3,756,000). There were no outstanding or prepaid contributions at the year end.
- 15.3 The pension cost of the defined benefit section of the Scheme was £1,218,000 (2002: £1,170,000). The pension cost relating to this section is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. A full actuarial assessment of the section was carried out at 5 April 2003 which showed a deficit in the defined benefit section of £21,162,000. This has been updated by a qualified independent actuary, taking into account actual investment returns achieved, contributions and benefits paid over the period, and the closure of the scheme to future accrual, giving an estimated deficit at 31 December 2003 of £13,715,000.
- 15.3 The defined benefit section was closed to new members on 31 December 2003 and ceased to accrue benefits with effect from 31 December 2003.
- 15.4 In addition, Countrywide Assured Group operates a stakeholder scheme for employees who are not members of the occupational scheme. The Company will not contribute to the stakeholder scheme.
- 15.5 Countrywide Assured Group has entered into the deed referred to at paragraph 13.8 above relating to the participation of the Chesnara Group employees in the Countrywide Assured Group pension scheme, conditional on the demerger for a period of 12 months following the Demerger.

#### **16. Information on the CREST settlement system**

- 16.1 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.
- 16.2 The Uncertificated Securities Regulations 2001 (or CREST 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 Limited.
- 16.3 Shareholders will be able 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. Each Shareholder will be able to choose whether or not to convert his eligible shares into uncertificated form and the Registrars will continue to register written instruments of transfer and issue share certificates in respect of Countrywide Shares held in certificated form.
- 16.4 The Countrywide Shares will be eligible to join CREST with effect from Admission.

#### **17. Working capital**

Countrywide 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.

#### **18. Consents**

- 18.1 KPMG Audit Plc has given and not withdrawn its written consent to the inclusion in this document of its reports and its letter and references thereto and to its name in the form and context in which they appear and has authorised the contents of its reports and letter for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.
- 18.2 Hawkpoint has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

18.3 HSBC Bank plc has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

## **19. Miscellaneous**

19.1 The total costs and expenses of, or incidental to, the Proposals are estimated at £10 million (exclusive of recoverable VAT), of which approximately £3.7 million (exclusive of recoverable VAT) are accounted for by financial intermediaries. All the costs relating to the Proposals will be borne by the Countrywide Group.

19.2 The financial information relating to the Countrywide Group set out in this document does not comprise statutory accounts as referred to in section 240 of the Companies Act. Countrywide was incorporated on 29 October 2003 and has not been required to prepare statutory accounts since its incorporation; its first set of statutory accounts will be for the period ending 31 December 2004.

19.3 The auditors of Countrywide plc are KPMG Audit plc, whose address is 8 Salisbury Square, London EC4Y 8BB. KPMG Audit Plc have audited the financial statements of Countrywide Assured Group and its subsidiary undertakings for the three years ending 31 December 2003 and will audit the consolidated financial statements of Countrywide for the year ending 31 December 2004 onwards.

19.4 Statutory accounts for Countrywide Assured Group and its subsidiary undertakings for each of the two years ended 31 December 2001 and 2002 have been delivered to the Registrar of Companies in England and Wales. The auditors of Countrywide Assured Group and its subsidiary undertakings have made reports under section 235 of the Companies Act in respect of these statutory accounts and each such report was an unqualified report and did not contain a statement under section 237(2) of the Companies Act.

## **20. Documents available for inspection**

Copies of the following documents will be available for inspection at the registered office of Countrywide and at the offices of Pinsents, Dashwood House, 69 Old Broad Street, London EC2M 1NR during normal business hours on any weekday, public holidays excepted, for 14 days from the date of this document or until the close of business on the date on which the Scheme is sanctioned by the Court, whichever is the later:

- (a) the Memorandum and Articles of Association of Countrywide;
- (b) the audited consolidated accounts of Countrywide Assured Group for the three financial years ended 31 December 2003;
- (c) the Accountants' Reports, statement of adjustments and the letters from KPMG Audit Plc set out in Part 2;
- (d) the Directors' service contracts, letters of appointment and novation agreements referred to in paragraphs 7.2.1 and 7.2.2 of this Part 5;
- (e) the rules of the Countrywide Share Plans referred to in paragraph 8 of this Part 5;
- (f) the material contracts referred to in paragraph 13 of this Part 5 and the agreed form of Demerger Agreement referred to in paragraph 13.2 of this Part 5;
- (g) the letters of consent referred to in paragraph 18 of this Part 5;
- (h) the Chesnara listing particulars;
- (i) the Circular; and
- (j) this document.

Dated 18 March 2004

## Definitions

The following definitions shall apply to other words and phrases used in this document except where the context requires otherwise.

“Accountants’ Report”	the report prepared by KPMG Audit plc relating to Countrywide Assured Group plc;
“Act” or “Companies Act”	the Companies Act 1985 as amended;
“Admission and Disclosure Standards” “Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards and 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;
“Admission”, “Introduction” or “Listing”	Admission of the Countrywide Shares 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;
“Articles”	the Articles of Association of the Company which are to be adopted prior to the Scheme becoming effective;
“Board” or “Directors”	the directors of Countrywide whose names are set out on page 5 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;
“Chesnara”	Chesnara plc, incorporated and registered in England and Wales under the Companies Act with registered number 4947166, the parent company of the Life Business following the Demerger becoming effective;
“Chesnara Group”	Chesnara and those entities (including the Life Business) which, following completion of the Demerger, become its subsidiaries and subsidiary undertakings;
“Chesnara Management Incentive Plan”	the cash-based performance incentive plan for Chesnara directors and senior management as described in the Chesnara Listing Particulars;
“Chesnara Shareholders”	holders of Chesnara Shares;
“Chesnara Shares”	the ordinary shares in Chesnara having, prior to the Chesnara Share Consolidation, a nominal value of 2.5 pence and, following the Chesnara Share Consolidation, a nominal value of 5 pence each in the share capital of Chesnara;
“Chesnara Share Consolidation”	the proposed consolidation of Chesnara Shares on a 1 for 2 basis, to be approved by 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 Plans”	the Chesnara Sharesave Plan, the Chesnara Discretionary Option Plans and the Chesnara Management Incentive Plan;
“Circular”	the circular sent to Countrywide Assured Group Shareholders dated 18 March 2004 which contains details of the Proposals;
“Combined Code”	the principles of good governance and code of best practice derived by the Committee on Corporate Governance from the Committee’s Final Report and from the Cadbury and Greenbury Reports;

“Companies Act”	the Companies Act 1985, as amended;
“Countrywide” or “the Company”	Countrywide plc a company incorporated and registered in England and Wales under the Companies Act with registered number 4947152 and the parent company of the Countrywide Group following the Scheme becoming effective;
“Countrywide Assured Group”	Countrywide Assured Group plc a company incorporated and registered in England and Wales under the Companies Act with registered number 1837522;
“Countrywide Assured Group Shareholders”	holders of Countrywide Assured Group Shares;
“Countrywide Assured Group Share Plans”	each of the EDIS, the EDIS 1996, the ESBS, the ESOS, the ESOS 1995, the ESOS 1996 and the SAYE Scheme;
“Countrywide Assured Group Shares”	the ordinary shares with a nominal value of 5p each in the capital of Countrywide Assured Group;
“Countrywide Group”	Countrywide and its subsidiary undertakings (following the Scheme becoming effective);
“Countrywide Ordinary Share Capital”	the aggregate of the issued Countrywide Shares;
“Countrywide Share Consolidation”	the proposed consolidation of Countrywide 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 Plans”	the Sharesave Plan and the Option Plans details of which are set out in paragraph 8 of Part 5;
“Countrywide Shares”	the ordinary shares in the capital of Countrywide with, initially, a nominal value of 1 pence each and subsequently, a nominal value which will be determined in accordance with paragraph 3 of Part 5;
“Countrywide Shareholders” or “Shareholders”	holders of Countrywide Shares;
“Countrywide Subscribers”	two partners of Pinsents, Solicitors to Countrywide;
“Court”	the High Court of Justice in England and Wales;
“Court Hearing”	the hearing of the petition to sanction the Scheme;
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo in accordance with the Uncertificated Securities Regulations;
“CRESTCo”	CRESTCo Limited, the operator of CREST;
“CREST Shareholders”	Shareholders holding in uncertificated form in 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 the Company to Chesnara, to be effected by the Reduction of Capital, as described in Part 4 of this document;
“Demerger Agreement”	the demerger agreement between Countrywide and Chesnara in the agreed form proposed to be entered into on the Demerger Date;
“Demerger Date”	the date on which the Demerger becomes effective, expected to be 25 May 2004;

“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. (London time) on the day as which the Reduction of Capital becomes effective, currently expected to be 25 May 2004;
“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”	an extraordinary general meeting of Countrywide Assured Group, notice of which is set out in the Circular and any adjournment of that meeting;
“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 the Board. Upon Admission, the Executive Directors, will be those directors referred to as such in paragraph 5 of Part 5 of this document;
“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;
“Group”	Countrywide Assured Group (or following the Scheme becoming effective, Countrywide) and its subsidiary undertakings and excluding Countrywide Assured Life Holdings Limited and its subsidiary undertakings;
“Hawkpoint”	Hawkpoint Partners Limited;
“Holder”	a registered holder and 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 Group undertaken by Countrywide Assured Life Holdings Limited;
“Life Business Transfer Agreement”	the transfer agreement relating to the transfer of the Life Business to the Company, as described in paragraph 13.1 of Part 5 of this document;
“Listing Rules”	the rules and regulations made by the UK Listing Authority pursuant to section 74 of the Financial Services and Markets Act 2000;
“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;
“Memorandum”	the memorandum of association of Countrywide to be adopted prior to the Scheme becoming effective;
“Non-life Business”	all the activities of the Group excluding the Life Business;

“Official List”	the Official List of the UK Listing Authority;
“Optionholders”	holders of options to acquire ordinary shares under the Countrywide Assured Group Share Plans;
“Overseas Shareholders”	Countrywide Assured Group Shareholders resident in, or citizens of, jurisdictions outside of the UK;
“Proposals”	the Scheme, the Return of Capital, the Share Consolidation, the Demerger, the Chesnara Management Performance Incentive Plan, the Countrywide Share Plans, 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 1985, a summary of which is set out in Part 4 of this document;
“Registrar of Companies”	the registrar of companies in England and Wales;
“Remuneration Committee”	the remuneration committee of the Board;
“Return of Capital”	the proposed return of capital of 25.8 pence per Countrywide Assured Group Share by Countrywide Assured Group to Countrywide Assured Group Shareholders pursuant to the Scheme;
“SAYE Scheme”	the Countrywide Assured Group Savings Related Share Option Scheme (1996);
“Scheme Effective Time”	the time of which the Scheme becomes effective in accordance with its terms, expected to be shortly after 4.30 pm on 21 May 2004;
“Scheme” or “Scheme of Arrangement”	the scheme of arrangement under section 425 of the Companies Act, as set out in the Circular, in its present form or with or subject to any modification, addition or condition approved or imposed by the Court;
“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);
“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 functions 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 “in uncertificated form”	when used in relation to shares, recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST;
“Uncertificated Securities Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended from time to time;
“US”	the United States of America;
“US Securities Act”	the United States Securities Act of 1933, as amended; and
“2003 Final Dividend”	the dividend of 4.75 pence per Countrywide Assured Group Share proposed to be paid by Countrywide Assured Group, in respect of the financial year ended 31 December 2003, to Countrywide Assured Group Shareholders who appear on the register of members of Countrywide Assured Group at 4.30 p.m. on 21 May 2004.

