

Countrywide plc

Acquisition of Bradford & Bingley Estate Agents and SecureMove Property Services Limited

Introduction

Countrywide plc (“Countrywide”) is pleased to announce the acquisition of the Bradford & Bingley Estate Agents business (“BBEA”) and the entire issued share capital of SecureMove Property Services Limited (“SecureMove”) from Bradford & Bingley Group plc (“Bradford & Bingley”).

The aggregate cash consideration of £44.4 million will be funded from Countrywide’s existing resources.

Information on BBEA

BBEA comprises a chain of 307 estate agency offices geographically spread throughout the United Kingdom and 144 active financial services consultants selling mortgages, personal protection and general insurance products through the estate agency network. The branch network benefits from a portfolio of strong regional brands including; Gascoigne-Pees in the South East, Slater Hogg & Howison in Scotland, Stratton Creber in the South West and Entwistle Green in Lancashire.

BBEA has not been operated as a subsidiary or been accounted for as a separate division of Bradford & Bingley and, accordingly, historical financial information is limited. In the year ended 31 December 2003, BBEA had pro forma revenues of £92.6 million and recorded an estimated pro forma loss (on a stand-alone basis) of £2.3 million. The pro forma revenue may be broken down as follows:

<i>Division</i>	<i>£m</i>
Residential Second Hand Sales	61.5
Lettings & Management	9.0
Land & New Homes	6.8
Financial Services	14.2
Other	1.1
Total	<u>92.6</u>

In the year ended 31 December 2003, BBEA achieved 31,449 housing exchanges, with an average house value of £158,600 at an average commission of 1.30 per cent. In the same period Countrywide achieved 81,637 housing exchanges, with an average house value of £149,755 at an average commission of 1.76 per cent.

Information on SecureMove

SecureMove is a leading provider of residential and commercial survey and valuation services in the United Kingdom. SecureMove operates from 47 offices and at 31 December 2003 employed 212 Full Time Equivalent (“FTE”) residential surveyors and 64 FTE commercial surveyors.

SecureMove was incorporated as a subsidiary of Bradford & Bingley on 1 April 2003 and previously traded as a division. For the nine months ended 31 December 2003, SecureMove’s audited results showed profit before tax of £3.4 million from turnover of £29.7 million. For the twelve months ended 31 December 2003, Countrywide Surveyors showed an operating profit of £31.9m from turnover of £108.0m and at that date employed 618 FTE surveyors.

In the year ended 31 December 2003 SecureMove completed 212,142 valuations and surveys. In the same period Countrywide Surveyors completed 605,857 valuations and surveys.

Benefits of the acquisition

The Directors believe that the acquisitions of BBEA and SecureMove are value-enhancing and advance Countrywide’s strategy:

- the acquisition of BBEA's 307 offices and strong, established local brands represents a rare opportunity to expand substantially Countrywide's estate agency operations;
- the relative profitability of BBEA is lower than that of the existing Countrywide estate agency chain. Countrywide expects to apply its management disciplines, particularly through staff training, to improve the quality of customer service and thereby increase agency commissions; Countrywide also expects to provide an effective offering of financial services products to BBEA’s estate agency customers;
- BBEA has a strong Land and New Homes business which Countrywide will seek to exploit;
- BBEA's 307 offices should provide additional conveyancing volumes for Countrywide’s conveyancing division once capacity in this division increases in 2005, enabling BBEA’s clients to take advantage of its no-sale, no-fee, seven days a week service;
- SecureMove is a respected, profitable surveying business which will sit well alongside Countrywide’s existing surveying operation and enhance Countrywide's surveying capacity ahead of the introduction of Home Information Packs in 2007; and

- the acquisition of SecureMove provides Countrywide with a broader client base for its surveying services and new opportunities to develop lender relationships.

Countrywide intends to integrate the BBEA business within Countrywide's existing estate agency division whilst retaining BBEA's local brands and branches. It is intended that SecureMove will operate as a separate surveying business alongside Countrywide Surveyors. Non-core operations will be reviewed and cost savings and efficiencies will arise from integrating back-office processes. Bradford & Bingley will continue to provide certain support services at market-related prices for a limited period to facilitate a smooth transition to Countrywide's ownership.

Financial effects

The Directors expect that, in aggregate, the BBEA and SecureMove businesses will trade at a loss for the remainder of 2004 before taking into account separation, integration and transaction costs. These costs are expected to total around £8 million and will be largely incurred in 2004. The Directors believe that this expenditure, together with the losses anticipated to be incurred during the remainder of the year by the businesses being acquired, will further reduce the level of profitability of the enlarged group in 2004. However, after careful deliberation, the Directors consider this to be an acceptable investment for future growth and profitability

The Directors believe that both BBEA and SecureMove will thrive as part of an entrepreneurial group dedicated to property services and that, under Countrywide's decentralised management style, margins in both businesses will rise over the short to medium term.

A fair value exercise on the net assets acquired will be carried out by Countrywide at the year-end. The Directors estimate that the current book value of the net assets being acquired is approximately £34 million.

On 27 September 2004 Countrywide sought merger clearance from the Office of Fair Trading. The Directors are confident that this merger will not raise any substantive issues.

Current trading

On 23 September 2004, Countrywide provided an update on current trading. There has been no material change in market conditions since that date.

Christopher Sporborg, Chairman of Countrywide, commented:

“The acquisition of Bradford & Bingley Estate Agents and SecureMove further consolidates Countrywide’s position as the UK’s leading service provider to the residential property market. We have acquired some highly attractive brands and believe we can substantially improve their performance by applying Countrywide’s successful management principles and disciplines.

Current trading conditions remain, regrettably, very subdued, and we do not now see any upturn in activity occurring before the beginning of 2005 - with recovery then probably heavily dependent on any interest rate adjustments that may take place in the meantime. However, we remain totally convinced that the UK housing market will continue to present a well run, geographically diverse and multi disciplined Company, such as our own, with an opportunity to trade very profitably - and this continues to be our goal.”

15 October 2004

Enquiries:

Countrywide plc

Christopher Sporborg, Chairman
Michael Nower, Finance Director

Tel: 07836 204 449

Tel: 01376 533 700/ 07793 369 235

Oriel Securities Limited
David Arch

Tel: 020 7710 7600

Lexicon Partners Limited
Andrew Sibbald

Tel: 020 7653 6000

The Wriglesworth Consultancy
John Wriglesworth
Mark Baker

Tel: 020 7845 7900 / 07980 635 243

A conference call for UK analysts and investors will be held at 10.00 BST on Monday 18 October. Dial-in details are as follows:

Dial in number: 01296 480 100

Passcode: C056405

Call Chairman – Michael Nower

A replay will be available for 7 days on:

Tel: 01296 618 700

Access code: 613041

A conference call for US analysts and investors will be held at 16.00 BST London Time (11am EST; 8am Pacific Time) on Monday 18 October. Dial-in details are as follows:

Dial in number: +44 1296 480 100

Passcode: C 276029

Call Chairman –Michael Nower

Oriel Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Countrywide plc as its financial adviser and no one else in connection with the transaction described in this announcement and will not be responsible to anyone other than Countrywide plc for providing the protections afforded to customers of Oriel Securities Limited or for providing advice in relation to the transaction or any matter referred to herein.

Lexicon Partners Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Countrywide plc as its financial adviser and no one else in connection with the transaction described in this announcement and will not be responsible to anyone other than Countrywide plc for providing the protections afforded to customers of Lexicon Partners Limited or for providing advice in relation to the transaction or any matter referred to herein.