STRICTLY NOT TO BE FORWARDED TO ANY OTHER PERSON

IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached document and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Prospectus relating to Phoenix Group Holdings (the "Company") dated 30 January 2013 accessed from this page or electronic communication or otherwise received as a result of such access or electronic communication and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached document. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached document to any other person.

SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES UNLESS THEY ARE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ARE EXEMPT FROM SUCH REGISTRATION. THE NEW ORDINARY SHARES DESCRIBED IN THE ATTACHED DOCUMENT (THE "NEW ORDINARY SHARES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR UNDER ANY SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE NEW ORDINARY SHARES MAY NOT BE OFFERED, SOLD, TAKEN UP, EXERCISED, RESOLD, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT WHO ARE ALSO QUALIFIED PURCHASERS AS DEFINED UNDER SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED ("QPs").

SUBJECT TO CERTAIN EXCEPTIONS, THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT DO NOT CONSTITUTE, NOR WILL CONSTITUTE, NOR FORM PART OF ANY OFFER OR INVITATION TO SELL OR ISSUE, OR ANY SOLICITATION OF ANY OFFER TO PURCHASE OR ACQUIRE, THE NEW ORDINARY SHARES, TO ANY SHAREHOLDER WITH A REGISTERED ADDRESS IN, OR WHO IS RESIDENT OR LOCATED IN (AS APPLICABLE), THE UNITED STATES. THE NEW ORDINARY SHARES OFFERED OUTSIDE THE UNITED STATES ARE BEING OFFERED IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT. SUBJECT TO CERTAIN EXCEPTIONS, ANY PERSON IN THE UNITED STATED WHO OBTAINS A COPY OF THE ATTACHED DOCUMENT AND WHO IS NOT A QIB WHO IS ALSO A QP IS REQUIRED TO DISREGARD IT.

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") (each, a "relevant member state") (except for the United Kingdom and the Netherlands) no New Ordinary Shares have been offered or will be offered pursuant to the offering described in the attached document to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that offers of New Ordinary Shares may be made to the public in that relevant member state at any time under the following exemptions under the Prospectus Directive, to the extent that they are implemented in that relevant member state: (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive; (b) to fewer than 100, or, if the relevant member state has implemented the relevant provisions of Directive 2010/73/EU, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or (c) in any other circumstances falling within Article (2) of the Prospectus Directive, provided that no such offer of New Ordinary Shares shall result in a requirement for the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive or in each case any measure implementing the Prospectus Directive in a relevant member state. For the purpose of the expression an "offer of any New Ordinary Shares to the public" in relation to any New Ordinary Shares in any relevant member state means the communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the New Ordinary Shares to be offered, so as to enable an investor to decide to subscribe or purchase any New Ordinary Shares as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

Confirmation of Your Representation: This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to the Company, Deutsche Bank AG, London Branch ("Deutsche Bank") and J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove) ("J.P. Morgan Cazenove", and together with Deutsche Bank, the "Joint Sponsors", the "Joint Global Coordinators", the "Joint Bookrunners" and the "Joint Underwriters") that (i) you are (a) a QIB acquiring such securities for its own account or for the account of another QIB or (b) acquiring such securities in "offshore transactions", as defined in, and in reliance on, Regulation S under the Securities Act; (ii) if you are in any member state of the European Economic Area other than the United Kingdom or the Netherlands) you are a "qualified investor"; and (iv) you are an institutional investor that is eligible to receive this document and you consent to delivery by electronic transmission.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Underwriters nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing the linked document, you consent to receiving it in electronic form. None of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Underwriters nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the New Ordinary Shares. The Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Underwriters and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Underwriters or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in this document.

The Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters are acting exclusively for the Company and no one else in connection with the offering described in the attached document. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the offering described in the attached document and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the offering described in the attached document or any transaction or arrangement referred to herein.

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser, who is authorised under the UK Financial Services and Markets Act 2000 ("FSMA") if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares (other than ex-entitlement) held in certificated form before 8:00 a.m. (London time) on 30 January 2013 (the "ex-entitlement date"), you should send this Prospectus (as defined below) and any accompanying Application Form which, subject to certain exceptions, you may receive as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee, except that such documents may not be sent to any jurisdiction where to do so might constitute a violation of local securities or regulations, including but not limited to the United States or any of the Excluded Territories. Please refer to paragraph 6 ("Overseas Shareholders") of Part III: "Terms and Conditions of the Open Offer" of this Prospectus if you propose to send this Prospectus and/or the Application Form and/or the Excess Application Facility Application Form outside the United Kingdom. If you sell or have sold or otherwise transferred all or some of your Existing Ordinary Shares (other than ex-entitlement) held in uncertificated form before the ex-entitlement date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee through CREST. If you sell or have sold or otherwise transferred all or some of your holding of Existing Ordinary Shares (other than ex-entitlement) held in certificated form before the ex-entitlement date, you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer is or was effected and contact the Shareholder Helpline, details of which are included in this Prospectus.

The distribution of this Prospectus and/or the Application Form and/or the Excess Application Facility Application Form and/or the transfer of the New Ordinary Shares through CREST or otherwise into jurisdictions other than the United Kingdom may be restricted by law. Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession these documents come 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 such jurisdictions. In particular, subject to certain exceptions, neither this Prospectus, the Application Form, nor the Excess Application Facility Application Form should be distributed, forwarded or transmitted to, or into, the United States or any Excluded Territory, or into any other jurisdiction where the extension or availability of the Capital Raising would breach any applicable law.

This document constitutes a prospectus (the "Prospectus") in relation to the New Ordinary Shares for the purposes of Article 3 of European Union ("EU") Directive 2003/71/EC as amended, including pursuant to Directive 2010/73/EU (the "2010 PD Amending Directive") (the "Prospectus Directive") relating to Phoenix Group Holdings (the "Company") and its subsidiaries (together with the Company, the "Group") and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder. The Prospectus will be made available to the public in accordance with the Prospectus Rules and the relevant rules under the DFSA. This Prospectus has been approved by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the "AFM"). The Company has requested that the AFM provide the competent authority in the United Kingdom, the UK Listing Authority (as defined below), with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive. The Company has not authorised, and does not authorise, the making of any offer of New Ordinary Shares through any financial intermediary. Any Additional Relationship Agreement Shares which may be issued by the Company from time to time do not form part of the Capital Raising and the offer and issue of such Additional Relationship Agreement Shares would not be pursuant to this Prospectus. Any Additional Relationship Agreement Shares which may be issued by the Company from time to time would be issued by the Company pursuant to the existing disapplication of pre-emption rights in the Existing Shareholder Authority and not pursuant to the Special Resolution to be considered by Shareholders at the EGM. The Company would conduct any offering, issuance and listing of Additional Relationship Agreement Shares in reliance on an exemption from the requirement to produce a prospectus pursuant to the Prospectus Directive.

The Existing Ordinary Shares are listed on the premium listing segment of the Official List of the Financial Services Authority (the "FSA") (the "Official List") and admitted to trading on the London Stock Exchange plc's (the "London Stock Exchange") main market for listed securities. Application will be made to the FSA in its capacity as the competent authority in the UK under the FSMA (the "UK Listing Authority") for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to London Stock Exchange for the New Ordinary Shares to be admitted to trading on the main market of the London Stock Exchange ("Admission"). Subject to certain conditions being satisfied, including the passing of the Ordinary Resolution at the EGM (as defined below) and (in relation to the issuance of the Second Placed Shares and the Open Offer Shares only) the Special Resolution at the EGM, it is expected that the First Placed Shares and, if applicable, the Second Placed Shares and the Open Offer Shares will be issued on 21 February 2013 and that Admission of the First Placed Shares and, if applicable, the Second Placed Shares and the Open Offer Shares will become effective, and that unconditional dealings in the New Ordinary Shares will commence, on 21 February 2013. No application is currently intended to be made for the New Ordinary Shares to be admitted to listing or dealt with on any other exchange.

PHOENIX GROUP

Phoenix Group Holdings

(a company incorporated as an exempted company with limited liability under the laws of the Cayman Islands with registered number 202172)

First Placing of 7,800,000 New Ordinary Shares, Second Placing of 8,200,000 New Ordinary Shares and Open Offer of 34,000,000 New Ordinary Shares, each at 500 pence per New Ordinary Share

Deutsche Bank **J.P. Morgan Cazenove**

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Underwriters

The whole of this Prospectus and any documents incorporated herein by reference should be read by Shareholders and any other persons considering whether or not to make an application pursuant to the Open Offer or in connection with an investment in the New Ordinary Shares, including the risk factors set out on pages 24 to 50 of this Prospectus for a discussion of certain factors that should be considered when deciding on what action to take in relation to the Open Offer and in deciding whether or not to make an application pursuant to the Open Offer or an investment in the New Ordinary Shares. Your attention is also drawn to certain information regarding the Capital Raising set out in Part I: "Background and Information on the Capital Raising" of this Prospectus.

Deutsche Bank AG, London Branch ("Deutsche Bank") and J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove) ("J.P. Morgan Cazenove") (together the "Joint Sponsors", the "Joint Global Coordinators", the "Joint Bookrunners" and the "Joint Underwriters"), each of which are authorised and regulated by the FSA in the United Kingdom, are acting exclusively for the Company and no-one else in connection with the Capital Raising and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Capital Raising and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing advice in connection with the Capital Raising, Admission or the contents of this Prospectus. Apart from the responsibilities and liabilities, if any, that may be imposed on the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters by FSMA or the regulatory regime established thereunder, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters accept no responsibility whatsoever, and make no representation or warranty, express or implied, for the contents of this Prospectus including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on behalf of them, the Company or any other person, in connection with the Company or the Capital Raising and nothing in this Prospectus shall be relied upon as a promise or representation in this respect, whether as to the past or the future. The Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters accordingly disclaim all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), that they might otherwise have in respect of this Prospectus or any such statement.

The latest time and date for acceptance and payment in full for Open Offer Shares under the Open Offer is expected to be 11:00 a.m. (London time) on 15 February 2013.

The procedures for acceptance and payment are set out in Part III: "Terms and Conditions of the Open Offer" of this Prospectus and, for Qualifying Non-CREST Shareholders only, also in the Application Form. Qualifying CREST Shareholders should refer to paragraph 4.2 ("If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer") of Part III: "Terms and Conditions of the Open Offer" of this Prospectus.

Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) will receive an Application Form and Qualifying Lender/Seller Shareholders will receive an Excess Application Facility Application Form. Qualifying CREST Shareholders (who will not receive an Application Form) (other than, subject to certain exceptions, Excluded Territory Shareholders) will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements which will be enabled for settlement on 1 February 2013. Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Ordinary Shares prior to the date on which the Ordinary Shares were marked "ex" the entitlement by the London Stock Exchange. The entitlement to apply for Excess Shares under the Excess Application Facility is personal to such Qualifying Lender/Seller Shareholder and may not be transferred or assigned.

If the Open Offer Entitlements are for any reason not enabled by 8:00 a.m. (London time) on 1 February 2013 or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this Prospectus and the Open Offer. The Application Form is personal to Qualifying Shareholders and cannot be transferred, sold, or assigned except to satisfy *bona fide* market claims.

Holdings of Existing Ordinary Shares in certificated and uncertificated form, holdings under different designations and holdings in different countries will each be treated as separate holdings for the purpose of calculating entitlements under the Open Offer and the rounding of fractional shares.

Notice to Overseas Shareholders

The New Ordinary Shares have not been and will not be registered or qualified under the relevant laws of any state, province or territory of the United States or any Excluded Territories and may not be offered or sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into or within the United States or any of the Excluded Territories except pursuant to an applicable exemption from registration or qualification requirements. Neither this Prospectus, the Application Form nor the Excess Application Facility Application Form is or constitutes an invitation or offer to sell or the solicitation of an invitation or an offer to buy New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. Persons into whose possession these documents come 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.

Subject to certain exceptions, neither this Prospectus, the Application Form nor the Excess Application Facility Application Form will be distributed in or into the United States or any Excluded Territory, and neither this Prospectus, the Application Form nor the Excess Application Facility Application Form constitutes a public offer of New Ordinary Shares to any Shareholder with a registered address in, or who is resident or located in (as applicable), the United States or any Excluded Territory.

The New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") or under any securities laws of any state or other jurisdiction of the United States. The New Ordinary Shares may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the United States, except pursuant to an applicable exemption from, or a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States.

Any reproduction or distribution of this Prospectus in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the New Ordinary Shares is prohibited. By accepting delivery of this Prospectus, each offeree of the New Ordinary Shares agrees to the foregoing.

The attention of Overseas Shareholders and any person (including, without limitation, nominees, custodians or trustees) who has a contractual or legal obligation to forward this Prospectus, the Application Form or the Excess Application Facility Application Form to a jurisdiction outside the United Kingdom is drawn to paragraph 6 ("Overseas Shareholders") of Part III: "Terms and Conditions of the Open Offer" of this Prospectus.

No action has been taken by the Company or by the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners or the Joint Underwriters that would permit an offer of the New Ordinary Shares or possession or distribution of this Prospectus or any other offering or publicity material, the Application Form or the Excess Application Facility Application Form in any jurisdiction where action for that purpose is required, other than the United Kingdom and the Netherlands. None of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters or any of their respective affiliates is making any representation to any offeree, purchaser or acquirer of New Ordinary Shares regarding the legality of an investment in the Open Offer or the New Ordinary Shares by such offeree, purchaser or acquirer under the laws applicable to such offeree, purchaser or acquirer.

Certain terms used in this Prospectus, including all capitalised terms and technical and other terms, are defined and explained in Part XV: "Definitions" of this Prospectus.

Notice to Investors

This Prospectus has not been, and is not required to be, filed with any governmental or other authority in the Cayman Islands. No governmental or other authority in the Cayman Islands has approved this Prospectus nor passed upon or endorsed the merits of the First Placing, the Second Placing or the Open Offer or the accuracy of this Prospectus. The activities of the Company will not be regulated or otherwise overseen by any Cayman Islands authority. Any representation to the contrary is unlawful. No offering of the New Ordinary Shares is being made by this Prospectus to the public in the Cayman Islands.

This Prospectus is dated 30 January 2013.

TABLE OF CONTENTS

Summary	1
Risk Factors	24
Expected Timetable of Principal Events	51
Share Capital Statistics	53
Important Information	54
Directors, Secretary and Advisers	61
Part I Background and Information on the Capital Raising	63
Part II Some Questions and Answers about the Capital Raising	80
Part III Terms and Conditions of the Open Offer	87
Part IV Description of the Group	110
Part V Industry	127
Part VI Regulatory Framework Overview	130
Part VII Embedded Value Information	145
Part VIII Operating and Financial Review of the Company	146
Part IX Historical and Selected Financial Information on the Group	160
Part X Unaudited Pro Forma Financial Information on the Group	163
Part XI Directors, Corporate Governance and Employment Matters	173
Part XII Taxation	207
Part XIII Additional Information	211
Part XIV Information Incorporated by Reference	268
Part XV Definitions	271

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A - E (A.1 - E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A—Introduction and Warnings

A.1 Introduction

This summary should be read as an introduction to the Prospectus; any decision to invest in the New Ordinary Shares (as defined in C.1 below) should be based on consideration of this Prospectus as a whole by the investor; where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EU Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.

A.2 Subsequent resale of securities or final placement of securities through financial intermediaries

Not Applicable. The Company is not engaging any financial intermediaries for any resale of New Ordinary Shares or final placement of New Ordinary Shares after publication of this Prospectus.

Section B—Issuer

B.1 Legal and Commercial Name

Phoenix Group Holdings (the "Company").

B.2 Domicile/Legal Form/Legislation/Country of Incorporation

The Company, previously named Liberty International Acquisition Company and then Liberty Acquisition Holdings (International) Company and then Pearl Group, is a company incorporated on 2 January 2008 under the laws of the Cayman Islands as an exempted company with limited liability, under registration number 202172.

The Company's registered office is at c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is at 1st Floor, 32 Commercial Street, St. Helier, Jersey, JE2 3RU, Channel Islands.

The principal legislation under which the Company operates is the Companies Law (as amended) of the Cayman Islands ("Companies Law") and the New Ordinary Shares are issued pursuant to the terms of the Articles of Association of the Company (the "Articles of Association") and the Companies Law.

B.3 Business Description and Key Factors Affecting Results of Operations

Business Description

The Company and its subsidiaries (the "Group") is a closed life assurance fund consolidator that specialises in the management and acquisition of closed life and pension funds and operates primarily in the UK, with total Group assets under management of £71.6 billion and approximately 6 million policyholders as at 30 June 2012. Measured by total assets, the Group is the UK's largest specialist consolidator of closed life assurance funds. The Group does not write any new policies (other than increments to existing policies and annuities for current policyholders when their policies mature) and is therefore focused on the efficient "run off" of the Group's policies, seeking to maximise economies of scale and generating capital efficiencies through internal fund mergers and other operational

improvements. The Group has two business segments: life assurance (including its management services operations)—referred to as Phoenix Life; and asset management—referred to as Ignis Asset Management.

Key factors affecting results of operations and comparability

The following paragraphs describe the key factors which have affected the results of operations of the Group during the period from 1 January 2009 to 31 December 2012 and which may affect the results of operations of the Group in subsequent periods.

Impact of the recent economic downturn

The Group derives a significant portion of its income from (i) its share of the appreciation of investments held in shareholder, non-profit and supported with profit funds and (ii) management fees charged in connection with managing not only the investments of such funds but also the investments of third parties.

The first half of 2011 was characterised by volatility in investment markets that was driven by uncertainty about the strength and sustainability of global growth and a debt crisis in Europe. The global financial environment became even more volatile in the second half of 2011 following increased concerns about the impact of the sovereign debt crisis, the trajectory of global economic growth and the strength of some banking systems. Global financial stress increased with a retrenchment in cross-border bank lending and investors reallocated capital away from "risky" assets. In addition, wholesale funding pressures rose sharply during this period as a result of the widening of spreads on corporate bonds and increases in the cost of sovereign debt, which exacerbated concerns over global growth and sovereign solvency. These circumstances exerted significant downward pressure on the prices of equity securities, corporate bonds and property assets. These decreases were partially offset by increases in the value of gilts following the reduction in yields to historical lows in the second half of 2011. Volatility in the investment markets decreased at the start of 2012 but markets became more volatile in the second quarter of 2012, with the continued uncertainty facing the Eurozone having an impact across all asset classes.

These economic conditions negatively affected the results of operations of the Group's insurance subsidiaries during 2011 and, to a lesser extent, in the first half of 2012. The long-term nature of much of the Group's operations means that the effects of short-term economic volatility are treated as non-operating items. In calculating the Group's International Financial Reporting Standards ("IFRS") operating profit, the Group incorporates expected returns on investments supporting its long-term business. Changes due to economic items, for example market value movements and interest rate changes, which give rise to variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside operating profit as investment variances and economic assumption changes. The Group's investment return variances and economic assumption changes on long-term business on an IFRS basis were a negative £338 million for the year ended 31 December 2011, compared with a positive £18 million for the year ended 31 December 2010 and a positive £145 million for the year ended 31 December 2009. For the half year ended 30 June 2012, the Group's investment return variances and economic assumption changes on long-term business on an IFRS basis were a negative £82 million, compared with a positive £47 million for the half year ended 30 June 2011.

Although the Group is not immune to further negative developments in the Eurozone region, it has carefully managed its exposure to peripheral Eurozone countries, reducing shareholder, non-profit and supported with profit fund debt securities held in peripheral Eurozone sovereign and supranational debt to £5 million as at 30 June 2012. The unit linked and non-supported with profit funds' exposure to debt securities held in peripheral Eurozone sovereign and supranational debt was £16 million as at 30 June 2012. However, the Group's results and financial condition remain indirectly impacted through the impact of the Eurozone crisis being felt in the wider financial markets.

Mortality, longevity and persistency

The Group's results of operations and cash flows may be affected by increased mortality and longevity rates and by variances between assumed and actual experience in factors such as persistency levels. As the Group's term and annuity business are inversely related, fluctuations in mortality and longevity rates will positively impact one business while negatively impacting the other, with the Group's exposure to longevity rates having a more pronounced effect on the Group than the Group's exposure to mortality rates. Increased mortality rates increase death claims on the Group's term insurance products, while increased longevity rates result in pay-outs to holders of annuities over a longer period. The Group manages its

exposure to changes in mortality and longevity rates by holding prudent reserves based on assumptions that reflect past experience and anticipated future trends.

In addition, the Group maintains reserves to compensate policyholders that choose to surrender their respective policies, the amount of such reserves being based on the assumed level of surrenders. Variances between the assumed level of surrenders and the actual level of surrenders expose the Group to persistency risk. In the case of policies providing a guaranteed payment at a future date, if the amount of surrenders falls below expectations, the Group will need to provide for the cost of the additional future payments. On the other hand, in the case of policies providing no guaranteed payment, if the amount of surrenders exceeds expectations, the anticipated future profits to be obtained from these policies could be curtailed.

The Group's IFRS insurance liabilities decreased by £72 million in 2011 as a result of changes in longevity assumptions and increased by £18 million in 2011 as a result of changes in persistency assumptions (2010: decreased by £43 million and increased by £35 million, respectively; 2009: decreased by £73 million and increased by £94 million, respectively). During the first half of 2012, there were no material changes to the longevity or persistency assumptions.

Changes in market levels

The Group's results and financial condition, and in particular the capital position of the Group's life companies and the Group's EU Insurance Groups Directive (98/78/EC) surplus ("IGD surplus") and its Individual Capital Assessment ("ICA") at the level of Phoenix Life Holdings Limited ("PLHL"), can be affected by changes in market levels, including risk-free rates, corporate bond credit spreads, equity values and property values.

The Group's IGD surplus is a capital adequacy calculation which is carried out on a group-wide Pillar 1 basis which enables the UK Financial Services Authority (the "FSA") to assess both the level of insurance and financial risk within the Group and the resources available to cover this risk. The Group's PLHL ICA involves an assessment, on a Pillar 2 basis, of the capital resources and requirements arising from the obligations and risks which exist outside the Group's life companies.

B.4a Known Trends

An update on the Group's recent developments, current trading and outlook is included in the 2012 Q3 Interim Management Statement, which is incorporated by reference into this Prospectus.

Transfer of annuity in-payment liabilities to Guardian Assurance

On 27 June 2012, the Company announced an agreement to transfer approximately £5 billion of annuity in-payment liabilities to Guardian Assurance Limited ("Guardian Assurance"). The transaction comprised the reinsurance of approximately £5 billion of annuity in-payment liabilities to Guardian Assurance, effective 1 July 2012. The Group made an associated transfer of approximately £5 billion of assets to Guardian Assurance as the related reinsurance premium for the transferred annuity liabilities. Guardian Assurance has agreed terms with Ignis Asset Management for them to provide investment management services in respect of the majority of the assets transferred pursuant to the reinsurance agreements. It is expected that the reinsurance agreement will be replaced by a formal Part VII transfer of the annuity liabilities to Guardian Assurance in 2013.

The transaction resulted in the release of regulatory capital backing the transferred annuity in-payment liabilities, and in the half year ended 30 June 2012, this transaction increased the free surplus within the Group's life companies by £252 million, improved the Group IGD surplus by £25 million and increased Market Consistent Embedded Value ("MCEV") by £36 million. The Group does not expect the transaction to have a material impact on its Group recurring operating profit for the year ended 31 December 2012 calculated under IFRS. As the annuity liabilities include prudential margins under IFRS, a non-recurring positive impact (net of any write-down of associated intangible assets) is expected in the second half of 2012 which will be reported outside of operating profit in the Company's consolidated financial statements for the year ended 31 December 2012. The exact amount of the impact is subject to the progress of the expected Part VII transfer which is expected to take place in the second half of 2013. The Group expects to realise further Group IGD benefits when the annuity liabilities are transferred to Guardian Assurance through the Part VII transfer.

Cash Generation

Operating companies' cash generation is a measure of cash and cash equivalents remitted by the Group's operating companies to the Group's holding companies (which comprise the Company, Phoenix Life Holdings Limited, Pearl Group Holdings (No. 2) Limited, Impala Holdings Limited, Pearl Group Holdings (No. 1) Limited, PGH (TC1) Limited, PGH (TC2) Limited, PGH (MC1) Limited, PGH (MC2) Limited, PGH (LCA) Limited, PGH (LCB) Limited, PGH (LC1) Limited, PGH (LC2) Limited and Pearl Life Holdings Limited) (the Group's "Holding Companies") and is available to cover dividends, debt servicing and repayments, pension scheme contributions and operating expenses.

For the year ended 31 December 2012, the Group had a cash generation target of £600 million to £700 million. For the year ended 31 December 2012, the Group delivered £690 million of cash generation.

The Group currently has a long-term cash generation target for the period from 2011 to 2016 of £3.3 billion. As at 31 December 2012, £1,500 million of cash generation had been achieved since 1 January 2011.

The table below sets out, for the periods indicated, an analysis of the cash paid by the operating companies to the Holding Companies, as well as the uses of those cash receipts.

	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
	(unaudited)	(audited)	
	£ million	£ million	£ million
Cash and cash equivalents at 1 January	**837**	**486**	**202**
Operating companies' cash generation:			
Cash receipts from Phoenix Life	661	778	708
Cash receipts from Ignis Asset Management	29	32	26
Total receipts of cash by Holding Companies	**690**	**810**	**734**
Uses of cash:			
Operating expenses	37	52	45
Pension scheme contributions	50	35	38
Debt interest	115	122	123
Total recurring outflows	**202**	**209**	**206**
Non-recurring outflows	21	24	79
Uses of cash before debt repayments and shareholder dividend	223	233	285
Debt repayment	165	171	122
Shareholder dividends	73	55	43
Total uses of cash	**461**	**459**	**450**
Cash and cash equivalents at 31 December	**1,066**	**837**	**486**

Group IGD surplus

As at 30 September 2012, the Group's IGD surplus was estimated to be £1.4 billion, compared with £1.2 billion as at 30 June 2012 and £1.3 billion as at 31 December 2011. As at 30 November 2012, the Group's IGD surplus was estimated to be £1.2 billion, as adjusted to take into account the updated unaudited Group pension scheme valuations on an IAS19 basis and an IFRIC14 adjustment. The surplus over the Group's IGD capital policy was £0.4 billion as at 30 November 2012 (as adjusted), £0.6 billion as at 30 September 2012, £0.4 billion as at 30 June 2012 and £0.4 billion as at 31 December 2011.

PLHL ICA surplus

PLHL ICA is an additional group solvency calculation. As at 30 September 2012, the Group's PLHL ICA surplus was £0.6 billion, compared with £0.4 billion as at 30 June 2012. As at 30 November 2012, as adjusted to take into account the new funding arrangements entered into with the trustee of the Pearl Group Staff Pension Scheme, the Group's PLHL ICA surplus was estimated to be £0.9 billion. As agreed with the FSA, the Group aims to ensure that PLHL maintains a PLHL ICA surplus of at least £150 million, which represents the surplus of the Group's capital resources over its capital resource requirements on a Pillar 2 basis.

Group MCEV

The Group calculates MCEV in accordance with the methodology set out in Note 1 to the Notes to the MCEV supplementary information for the half year ended 30 June 2012 which is on pages 62 to 65 of the 2012 Half Year Interim Report, which is incorporated by reference into this Prospectus.

Group MCEV was £2,135 million as at 30 June 2012, compared to £2,118 million as at 31 December 2011.

The Group currently targets an average of £100 million per annum of incremental embedded value growth from management actions between 2011 to 2014, representing an aggregate of £400 million in such four year period. Although Group MCEV increased by £17 million in the six months ended 30 June 2012, the Group generated £107 million of incremental MCEV during the first half of 2012 from management actions, as part of its ongoing programme of system and modelling improvements. The Group has delivered a total of £272 million of incremental MCEV from 1 January 2011 to 30 June 2012 from management actions.

Gearing—Existing Definition

As at 31 December 2009, 2010 and 2011 and as at 30 June 2012, the Group calculated its gearing as the Group's net shareholder debt as a percentage of the sum of Group MCEV, net shareholder debt and the present value of future profits of Ignis Asset Management (which is the present value of profits attributable to the shareholder of Ignis Asset Management arising from its in-force business) (the "Existing Gearing Definition"). Net shareholder debt is defined as shareholder debt (including hybrid debt) less Holding Companies' cash and cash equivalents.

The table below sets out, for the periods indicated, the calculation of the sum of Group MCEV, net shareholder debt and the present value of future profits of Ignis Asset Management.

	As at 30 June 2012	**As at 31 December 2011**	**As at 31 December 2010**	**As at 31 December 2009**
	(unaudited)	**(audited, except as otherwise indicated)**		
	£ billion	**£ billion**	**£ billion**	**£ billion**
Group MCEV	2.1	2.1	2.1	1.8
Net shareholder debt:				
—*Shareholder debt* (*including hybrid debt*)	*2.9*	*3.0*	*3.2*	*3.3*
—*Less Holding Companies' cash and cash equivalents* (*unaudited*)	(*0.7*)	(*0.8*)	(*0.5*)	(*0.2*)
Net shareholder debt (*unaudited*)	2.2	2.2	2.7	3.1
Present value of future profits of Ignis Asset Management (*unaudited*)	0.4	0.4	0.4	0.4
Total (*unaudited*)	**4.7**	**4.7**	**5.2**	**5.3**

As at 30 June 2012 and as at 31 December 2011, the Group's gearing, calculated on the basis of the Existing Gearing Definition was 46 per cent., compared to 52 per cent. as at 31 December 2010 and 58 per cent. as at 31 December 2009.

In the Group's 2012 Half Year Interim Report, the Company confirmed that it was targeting gearing of 43 per cent. or below as at 31 December 2012, calculated on the basis of the Existing Gearing Definition, which the Company expects to meet.

Gearing—New Definition

Concurrently with the announcement of the Capital Raising, the Company has announced that it has changed the way it will present the Group's gearing as at 31 December 2012 and as at the end of future periods.

The Group calculates its amended gearing as gross shareholder debt as a percentage of the gross MCEV (the "New Gearing Definition"). Gross shareholder debt is defined as the sum of IFRS carrying value of shareholder debt (as disclosed in the Borrowings note to the Company's consolidated financial statements) and 50 per cent. of the IFRS carrying value of the Perpetual Reset Capital Securities issued by PGH1 given the hybrid nature of that instrument. Gross MCEV is defined as the sum of the Group MCEV and the value of the shareholder and hybrid debt as included in the MCEV.

The Company has changed the way it calculates the Group's gearing in order to adopt a gearing calculation that is more consistent with typical gearing calculations that credit rating agencies use in calculating corporate credit ratings.

The table below sets out, for the periods indicated, the calculation of the components of the New Gearing Definition.

	As at 30 June 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2009
	(unaudited)		(audited, except as otherwise indicated)	
	£ million	£ million	£ million	£ million
Group MCEV	2,135	2,118	2,104	1,827
Gross shareholder and hybrid debt at IFRS carrying values:				
—*Shareholder debt*	*2,598*	*2,694*	*2,854*	*2,968*
—*50 per cent. of Perpetual Reset Capital Securities* (*hybrid debt*) (*unaudited*)	*199*	*204*	*206*	*264*
Gross shareholder and hybrid debt (*unaudited*)	2,797	2,898	3,060	3,232
Difference between IFRS and MCEV carrying values of listed debt[(1)] (*unaudited*)	53	71	141	37
Gross MCEV (*unaudited*)	**4,985**	**5,087**	**5,305**	**5,096**

Note:

(1) The Perpetual Reset Capital Securities and the £200 million 7.25 per cent. unsecured subordinated loan note are included in MCEV at market value as disclosed in the Assumptions note of the Company's MCEV financial statements.

Concurrently with the announcement of the Capital Raising (as defined in E.1 below), the Company has announced that it has set a new gearing target of 40 per cent. by the end of 2016, calculated on the basis of the New Gearing Definition. Calculated on the basis of the New Gearing Definition, the Group's gearing as at 30 June 2012 was 56 per cent. and as at 31 December 2011 was 57 per cent., compared to 58 per cent. as at 31 December 2010 and 63 per cent. as at 31 December 2009.

Interim dividend

On 4 October 2012, the Company paid an interim dividend of 21 pence per share. The cost of this dividend was not recognised as a liability in the Group's interim financial statements for the half year ended 30 June 2012 and will be charged to the Group's statement of consolidated changes of equity for the year ended 31 December 2012. See "—C.7 Dividend Policy" below for further information on the Company's dividend policy.

Current trading update

The Group issued its 2012 Q3 Interim Management Statement for the nine months ended 30 September 2012, which is incorporated by reference into this Prospectus, on 31 October 2012.

The Group's trading performance for the year ended 31 December 2012 was in line with the expectations of the Company's management. Group MCEV as at 31 December 2012 is expected to be in line with the expectations of the Company's management. For the year ended 31 December 2012, the Group delivered £690 million of cash generation.

Following the continued narrowing of credit spreads on high quality corporate bonds experienced during the fourth quarter of 2012 and the initial findings of the draft triennial funding valuation as at 30 June 2012, the Group has updated its assumptions for valuing the Pearl Group Staff Pension Scheme and the PGL Pension Scheme on an IAS19 basis. The estimated IAS19 deficit for the Pearl Group Staff Pension Scheme as at 31 December 2012 is £114 million, compared with a £31 million surplus as at 30 June 2012, in each case gross of related tax. The estimated gross of tax IAS19 surplus for the PGL Pension scheme as at 31 December 2012 is £344 million, compared with a gross of tax IAS19 surplus of £456 million as at 30 June 2012, before eliminating insurance policies effected by the PGL Pension scheme within the Group. Taking into account the updated unaudited Group pension scheme valuations on an IAS19 basis as at 31 December 2012, Group MCEV would reduce by approximately £0.1 billion compared to the impact of the Group pension scheme valuations as at 30 June 2012.

Under IFRIC14, an interpretation of IAS19, where deficit reduction contributions payable into a pension scheme will not be available after they are paid, a liability is recognised when the obligation arises to make

those contributions. Following the agreement of the new funding arrangements entered into with the trustee of the Pearl Group Staff Pension Scheme in November 2012 which is referred to below, an additional liability will be recognised on the Pearl Group Staff Pension Scheme in the Group's IFRS financial statements, reflecting the tax that would arise on any notional refund of the resultant IAS19 surplus following the revised contributions being paid. The estimated additional liability at 31 December 2012 is £83 million reflecting 35 per cent. tax on the resultant IAS19 surplus of £237 million (which represents £351 million present value of deficit reduction contributions less the estimated current deficit of £114 million). A deferred tax asset of £55 million as at 31 December 2012 will also be recognised in the Group's IFRS financial statements to reflect tax relief at a rate of 23 per cent. that is expected to be available on the contributions, once paid into the pension scheme. The net IFRIC14 adjustment is not reflected in the Group MCEV as the Group does not anticipate that its ultimate contributions into the pension scheme will give rise to a notional refund.

On 27 November 2012, PGH2 entered into an agreement with the trustee of the pension scheme covering the past and present employees of the Group prior to the acquisition of Pearl Group Holdings (No. 1) Limited (formerly named Resolution plc) and its subsidiaries (the "Pearl Group Staff Pension Scheme"), which sets out an agreed contractual framework for contributions to the Pearl Group Staff Pension Scheme (the "2012 Pensions Agreement"). The agreement reached with the trustee of the Pearl Group Staff Pension Scheme in the 2012 Pensions Agreement resulted in a £0.3 billion increase in the Group's PLHL ICA surplus. The sensitivity of the Group's PLHL ICA surplus to external market stresses is significantly reduced as a consequence of agreement reached with the trustee of the Pearl Group Staff Pension Scheme in the 2012 Pensions Agreement.

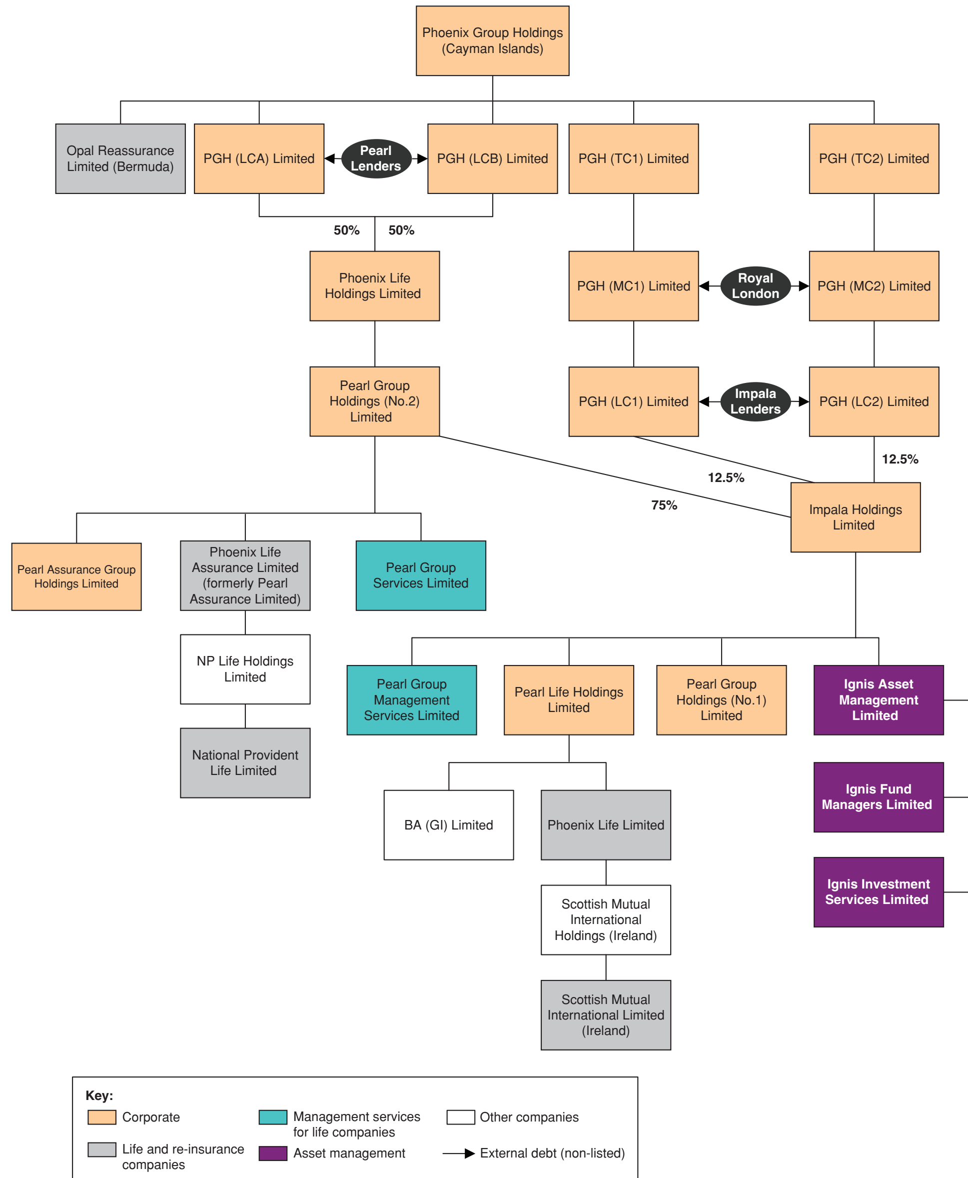
B.5 Structure of the Group

The Group's operating structure is aligned to the market sectors in which it operates. In this respect, the Group has two business segments: life assurance (including its management services operations)—referred to as Phoenix Life; and an asset management business—referred to as Ignis Asset Management. The Group's UK-based Group functions provide support and co-ordination for the delivery of the Group's strategic initiatives.

The holding company structure between the Company and the four operating life companies which hold policyholder assets (the "Phoenix Life Companies") includes several holding companies which were established in relation to the acquisitions of the Original Pearl Business (as defined in B.7, footnote 1, below) and their affiliates in 2005 and the Resolution Group in 2008. Certain of these companies are the borrowers of the Group's external debt that was used to help fund the acquisitions.

PLHL is the ultimate insurance parent undertaking within the European Economic Area (the "EEA") for group capital purposes. The Group's IGD calculation and the PLHL ICA are therefore prepared at this level.

The following chart gives an overview of the legal structure of the Group and its principal companies as at the date of this Prospectus.



Notes:

(1) Shareholdings are 100 per cent. unless otherwise indicated.

(2) This chart excludes UK Commercial Property Trust Limited and the investment vehicles managed and/or operated by Ignis Asset Management.

B.6 Major Shareholders

Information provided to the Company pursuant to the FSA's Disclosure and Transparency Rules is published on a Regulatory Information Service and on the Company's website. As at 28 January 2013 (being the latest practical date prior to the date of this Prospectus), the Company had been notified of the following significant holdings of voting rights in its shares.

Name	Number of Ordinary Shares held (including by subsidiaries) before the Capital Raising	Percentage of Ordinary Shares in issue before the Capital Raising	Number of Ordinary Shares issuable pursuant to Warrants[1]	Number of Ordinary shares issuable pursuant to (including to subsidiaries) Contingent Rights[2]
TDR Capital Nominees Limited[3]	30,206,189	17.30	—	1,141,227[7]
Hugh Edward Mark Osmond[4]	11,072,825	6.34	—	404,186[8]
Xercise2 Limited[5]	10,004,321	5.73	—	369,767[9]
Lloyds Banking Group plc	7,051,934	4.04	1,296,672	218,473
Nicholas Berggruen Charitable Trust[6]	7,028,190	4.03	—	25,000
Royal London Asset Management Limited	6,862,908	3.93	12,704,510	—
William Alan McIntosh	6,844,529	3.92	—	316,726[10]
Martin E Franklin	5,885,048	3.37	—	20,372[11]
Jeff Greene	5,752,498	3.29	—	—

Notes:

(1) There exist 25,529,868 outstanding redeemable warrants in the Company. Each Public Warrant (as defined in D.3 below) and each other warrant issued by the Company on 2 September 2009 is exercisable into 1.027873 Ordinary Shares of the Company. To the extent they are exercised, the Company will be required to issue up to 26,241,461 additional Ordinary Shares.

(2) The Company may be required to issue a total of 3,600,000 Ordinary Shares pursuant to the contingent consideration agreement between the Company and TDR Capital, Hugh Osmond, William Alan McIntosh, Edward Hawkes, Matthew Allen, Marc Jonas, O-Re Holdings (Netherlands) B.V. and O-Re Holdings UK Limited dated 27 June 2009 (as amended), the contingent fee agreement between the Company, the Pearl Borrowers, the Impala Borrowers and the Impala Lenders and Pearl Lenders dated 27 June 2009 (as amended) and the contingent subscription agreement between the Company and Berggruen Holdings II Ltd, and Marlin Equities IV, LLC (as amended), which includes the rights of the parties which were assigned the benefit thereof (the "Contingent Rights Agreements").

(3) TDR Capital Nominees Limited is controlled by TDR Capital LLP, of which Manjit Dale is a Partner. The stated shareholding includes Ordinary Shares also held by Jambright Limited, TDR Shares Limited and Jambright Midco Limited. The number of Ordinary Shares issuable pursuant to the Contingent Rights includes the Contingent Rights held by TDR Shares Limited.

(4) 6,518,093 Ordinary Shares held by Hugh Osmond are also included in the figure for Xercise2 Limited shown above.

(5) Xercise2 Limited is controlled by affiliates of Sun Capital Partners, which comprises the following principals: Hugh Osmond, Matthew Allen, Edward Hawkes and Marc Jonas or, where the context requires, certain vehicles or entities controlled by or associated with such persons.

(6) Nicholas Berggruen Charitable Trust, formerly known as the Tarragona Trust.

(7) This excludes Ordinary Shares which may be issued to O-Re Holdings UK Limited pursuant to the Contingent Rights Agreements. O-Re Holdings UK Limited is subject to an arrangement whereby approximately 24% of its economic interest is accrued for the benefit of TDR Capital.

(8) Hugh Osmond's interest in Contingent Rights as disclosed are held by Xercise2 Limited and Friends Provident.

(9) This excludes Ordinary Shares which may be issued to O-Re Holdings UK Limited pursuant to the Contingent Rights Agreements. O-Re Holdings UK Limited is subject to an arrangement whereby approximately 75% of its economic interest is accrued for the benefit of Sun Capital.

(10) William Alan McIntosh's interest in Contingent Rights as disclosed are held by Xercise2 Limited, Friends Provident and in his own name.

(11) Martin Franklin's interest in Contingent Rights as disclosed is held by Marlin Equities.

Insofar as is known to the Company, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

None of the major holders of ordinary shares in the Company ("Shareholders") referred to above has different voting rights from other Shareholders.

Immediately following the Capital Raising and assuming compliance with their respective Irrevocable Commitment Undertakings (as defined in E.4 below) and based on their existing holdings of Ordinary Shares as notified to the Company, the TDR Capital Entities (which are certain entities affiliated with TDR Capital) will hold in aggregate 15.4 per cent. of the Fully Enlarged Issued Share Capital (as defined in E.1 below) and the Sun Capital Entities (which are certain entities affiliated with Sun Capital) will hold in aggregate 12.0 per cent. of the Fully Enlarged Issued Share Capital. The individual shareholdings of the TDR Capital Entities and the Sun Capital Entities would therefore enable each of those Shareholders to control a significant portion of the voting rights in the Company.

Under the Relationship Agreements, the Lender/Seller Shareholders (as defined in E.4 below) have contractual rights of pre-emption in respect of the issuance of the First Placed Shares and the Second Placed Shares. However, certain Lender/Seller Shareholders have agreed to disapply such pre-emption rights and those Qualifying Lender/Seller Shareholders (as defined in E.4 below) who have not disapplied their pre-emption rights can choose whether to exercise their respective pre-emption rights. Therefore, as a result of the Capital Raising and the operation of the contractual pre-emption rights contained in the Relationship Agreements, the absolute and relative percentage ownership of Lender/Seller Shareholders in the Company (certain of whom are major Shareholders in the Company) may change.

B.7 Selected Historical Key Financial Information and Results of Operation

The table below sets out the Group's selected financial information for the periods indicated. The data has been extracted without material adjustment from the Group's historical financial statements for the years ended 31 December 2009, 2010 and 2011, and for the half year ended 30 June 2012, incorporated by reference into Part XIII of this Prospectus.

	For the year ended 31 December (audited, except as otherwise indicated)		
	2011	**2010**	**2009**
IFRS operating profit before tax (£ million):			
—Actual	387	373	282(1)
—Pro forma (*unaudited*)	—	—	457(2)
IFRS profit/(loss) before tax attributable to owners (£ million)	(177)	6	151(1)
IFRS earnings per share (pence):			
—Basic	(76.2)	20.1	102.9(1)
—Diluted	(76.2)	20.1	89.8(1)

	As at 31 December (audited)		
	2011	**2010**	**2009**
Total IFRS assets (£ million)	89,501	83,602(3)	76,974(3)
IFRS equity attributable to ordinary shareholders (£ million)	1,652	1,580	1,412

(1) Incorporates the results of LCA, LCB, TC1, TC2 and Opal Re, together with their subsidiaries, being the five companies acquired by the Company on 2 September 2009 or, at any date between 1 January 2007 and 2 September 2009, those companies identified as being an Original Pearl Business at the relevant time (the "Original Pearl Business") for the four month post acquisition period only.

(2) Represents unaudited pro forma financial information for the year ended 31 December 2009 to illustrate the effect the acquisition of Original Pearl Business would have had on the Group's performance for the year had the acquisition taken place on 1 January 2009.

(3) The total IFRS assets for the years ended 31 December 2010 and 31 December 2009 have been restated. During the Group's review of the recoverability of its deferred tax assets, it was identified that a deferred tax asset of £38 million should have been written off at the date of, and as a consequence of, the 2009 acquisition of the then Pearl businesses by the Company. The consequence of this is a prior year understatement of deferred tax liabilities and goodwill of £38 million. The impact of the correction on the prior year statement of consolidated financial position is to increase goodwill and deferred tax liabilities by £38 million. The correction of this classification error has no impact on operating profit, profit attributable to owners, retained earnings or net assets.

	For the half year ended 30 June (unaudited)	
	2012	2011
IFRS operating profit before tax (£ million)	207	136
IFRS (loss)/profit before tax attributable to owners (£ million)	(29)	69
IFRS earnings per share (pence):		
—Basic	1.1	52.3
—Diluted	1.1	52.3

	As at 30 June (unaudited)	
	2012	2011
Total IFRS assets (£ million)	89,715	82,659
IFRS equity attributable to ordinary shareholders (£ million)	1,553	1,670

The Directors use a number of financial key performance indicators to review and monitor the Group's performance on a regular basis. The principal key performance indicators are provided in the tables below.

	For the year ended 31 December (unaudited)		
	2011	2010	2009
Operating companies' cash generation (£ million)			
—Actual	810	734	444[(1)]
—Pro Forma	—	—	716[(2)]
Dividend per share (pence, unless otherwise stated)	42	42	€0.17[(3)]

	As at 31 December (unaudited, except as otherwise indicated)		
	2011	2010	2009
IGD surplus (£ billion)	1.3	1.0	1.2
Group MCEV (£ million) (*audited*)	2,118	2,104	1,827
Group assets under management (£ billion)	72.1	69.6	68.3
Gearing (calculated on the basis of the Existing Gearing Definition) (per cent.)	46	52	58

(1) Incorporates the results of Original Pearl Business for the four months post acquisition period only.

(2) Represents unaudited pro forma financial information for the year ended 31 December 2009 to illustrate the effect the acquisition of the Original Pearl Business would have had on the Group's performance for the year had the acquisition taken place on 1 January 2009.

(3) Represents dividend per share in respect of the four month period ended 31 December 2009.

	For the half year ended 30 June (unaudited)	
	2012	2011
Operating companies' cash generation (£ million)	119	496
Interim dividend per share (pence)	21	21

	As at 30 June 2012	As at 31 December 2011
	(unaudited)	(unaudited, except as otherwise indicated)
IGD surplus (£ billion)	1.2	1.3
Group MCEV (£ million) (*audited*)	2,135	2,118
Group assets under management (£ billion)	71.6	72.1
PLHL ICA surplus (£ billion)	0.4	—[(1)]
Gearing (calculated on the basis of the Existing Gearing Definition) (per cent.)	46	46

Note:

(1) In accordance with FSA requirements, the Group now undertakes an ICA at the level of the highest EEA level insurance group holding company, which is PLHL.

Prior to the Group's acquisition of the Original Pearl Business, the Group was a cash shell, and the audited consolidated financial statements for the year ended 31 December 2009 include the results of the Original Pearl Business from 28 August 2009, the date of acquisition by the Company for IFRS purposes. Consequently, the increases in the line items of the 2010 consolidated income statement compared to the 2009 consolidated income statement were primarily due to the acquisition of the Original Pearl Business and the subsequent consolidation of the Original Pearl Business's financial results.

B.8 Selected Key Pro Forma Financial Information

The discussion and analysis for the year ended 31 December 2010 includes unaudited financial information and commentary on the year ended 31 December 2009 on a pro forma basis to illustrate the effect the acquisition of the Original Pearl Business would have had on the Group's performance for the year had the acquisition taken place on 1 January 2009 as set forth in "—B.7 Selected Historical Key Financial Information and Results of Operation" above. The unaudited pro forma financial information was prepared for illustrative purposes only. Because of its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

The financial effects of the expected Capital Raising and the expected £450 million debt prepayment of the Groups's Impala credit facility made available pursuant to the Existing Impala Facility Agreement (as defined in C.7 below) or as amended and restated by the Impala Facility Amendment and Restatement Agreement if it becomes effective (as defined in C.7 below) (the "Impala Facility"), assuming all such transactions took place on 30 June 2012 and based on the Group's published financial information as at such date, are expected to include:

- assuming (i) payment to the Company of the net proceeds from the Capital Raising, of £232 million, after deduction of commissions, fees and expenses incurred in relation to the Capital Raising and (ii) payment of the £450 million debt prepayment expected to be made within two business days following completion of the Capital Raising (which is to be funded in part by the net proceeds of the Capital Raising and in part by the Group's existing cash resources) and the payment of arrangement and structuring fees in connection with the Impala Facility Amendment and Restatement Agreement, which are estimated to be approximately £21 million (but not taking into account the £62.5 million repayment of the Impala Facility made by the Group in the last quarter of 2012 or any other transactions or results between 30 June 2012 and the date of this Prospectus):
  - (a) the Directors believe that the Group's PLHL ICA surplus would reduce by £0.2 billion, which reflects the impact of using existing cash resources held in the Holding Companies of approximately £239 million from the PLHL sub-group to part fund such prepayment;
  - (b) the Group's IGD surplus would reduce by £0.2 billion. The Group's IGD assessment is made at the PLHL level;
  - (c) calculated on the basis of the Existing Gearing Definition, the Group's gearing would reduce from 46 per cent. to 42 per cent. as at 30 June 2012;
  - (d) calculated on the basis of the New Gearing Definition, the Group's gearing would reduce from 56 per cent. to 50 per cent. as at 30 June 2012; and

(e) Holding Companies cash and cash equivalents would reduce by £239 million as a result of using existing cash resources held in the PLHL sub-group to part fund the partial prepayment of the Impala Facility referred to above; and

- following the transactions, Group MCEV per share as at 30 June 2012 would reduce from £12.23 to £10.34 on a pro forma basis. This reflects the increase in the number of issued Ordinary Shares following the Capital Raising. This is partially offset by the impact of the net increase to MCEV as a result of the net proceeds of the Capital Raising less the impact of the arrangement and structuring fees in connection with the Impala Facility Amendment and Restatement Agreement and the expected reduction in tax attributes available to the Group to relieve tax on emerging surpluses from the Group's operating businesses following the prepayment.

B.9 Profit Forecast

Not Applicable

B.10 Qualifications in the Audit Report

Not Applicable

B.11 Working Capital

In the opinion of the Company, the working capital available to the Group is sufficient for the Group's present requirements, that is for the next 12 months following the date of this Prospectus.

Section C—Securities

C.1 Type and Class of Securities Offered

This Prospectus relates to the conditional placing of 7,800,000 new ordinary shares of €0.0001 each in the share capital of the Company (the "Ordinary Shares") (the "New Ordinary Shares") (the "First Placing"), the conditional placing of 8,200,000 New Ordinary Shares ("the Second Placing") and the open offer of 34,000,000 New Ordinary Shares (the "Open Offer"), all at 500 pence per New Ordinary Share (the "Issue Price"). The ISIN of the New Ordinary Shares is KYG7091M1096.

C.2 Currency of the Securities

The New Ordinary Shares will be issued with a nominal value of €0.0001 each and the Issue Price is 500 pence per New Ordinary Share.

C.3 Share Capital

Immediately prior to the publication of this Prospectus, the authorised share capital of the Company was €41,000, comprising 410,000,000 Ordinary Shares of €0.0001 each, of which 174,587,148 Shares were issued (all of which were fully paid or credited as fully paid).

C.4 Rights Attaching to the Securities

Shareholders have voting rights for the election of the executive and non-executive directors of the Company (the "Directors") and all other matters requiring Shareholder action. Shareholders are entitled to one vote per share on matters to be voted on by Shareholders and also are entitled to receive such dividends, if any, as may be declared from time to time by the board of directors of the Company (the "Board") in its discretion out of funds legally available therefore. There is no cumulative voting with respect to the election of Directors, with the result that the holders of more than 50 per cent. of the shares can elect all of the Directors.

Other than as provided in the Articles of Association, shareholders have no conversion, pre-emptive or other subscription rights, and there are no sinking fund or redemption provisions applicable to the shares, except that the Lender Shareholders and Sellers have pre-emptive rights under the relationship agreement entered into between the Company and the Lender Shareholders on 27 June 2009 (as amended, the "Lender Relationship Agreement"), and the relationship agreement entered into between the Company and Sun Capital, TDR Capital, Xercise Midco Limited, Jambright Midco Limited and William Alan McIntosh (the "SRA Sellers") on 27 June 2009 (as amended, the "Sellers' Relationship Agreement").

C.5 Restrictions on Free Transferability of the Securities

The New Ordinary Shares are freely transferable but may be subject to restrictions on resale and may not be resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

C.6 Admission

The existing Ordinary Shares (the "Existing Ordinary Shares") are listed on the premium listing segment of the Official List (the "Official List") and admitted to trading on the London Stock Exchange plc's (the "London Stock Exchange") main market for listed securities.

Application will be made to the FSA in its capacity as the competent authority in the UK under the FSMA (the "UK Listing Authority") for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the FSA and to London Stock Exchange for the New Ordinary Shares to be admitted to trading on the main market of the London Stock Exchange ("Admission").

Subject to certain conditions being satisfied, including the passing of the Ordinary Resolution at the extraordinary general meeting of the Company to be held on 19 February 2013 (the "EGM") and (in relation to the issuance of the Second Placed Shares and the Open Offer Shares only) the Special Resolution at the EGM, it is expected that the First Placed Shares and, if applicable, the Second Placed Shares and the Open Offer Shares will be issued on 21 February 2013 and that Admission of the First Placed Shares and, if applicable, the Second Placed Shares and the Open Offer Shares will become effective, and that unconditional dealings in the New Ordinary Shares will commence, on 21 February 2013. No application is currently intended to be made for the New Ordinary Shares to be admitted to listing or dealt with on any other exchange.

C.7 Dividend Policy

On 15 April 2010, the Company paid a dividend for the year ended 31 December 2009 in an amount equal to €0.17 per Ordinary Share, representing €0.50 per Ordinary Share pro rated from the date of completion of the acquisition of the Original Pearl Business to the year end. The Company's aggregate dividend for 2011 and 2010 of 42 pence per share annually was allocated equally as one-half interim dividend and one-half final dividend, with the Company paying an interim and final dividend of 21 pence per share in each year.

On 4 October 2012, the Company paid an interim dividend of 21 pence per share. Subject to market conditions and trading performance and the factors discussed below, the Board currently intends to recommend a 26.7 pence per share final 2012 dividend, which would represent a 27 per cent. increase in the 2012 final dividend compared with the 2011 final dividend. The Board believes this is a sustainable level at which to rebase the dividend going forward as the business executes its stated strategy.

All future dividends paid by the Company will depend upon, among other things, market conditions and the Group's financial position, trading performance and outlook, as well as the Board's assessment of the Group's operating plans and its progress in achieving its stated gearing target. In the absence of acquisitions in the medium term, the Group may consider reducing dividends at some point, taking account of, amongst other things, the run off nature of the Group's business and its financial condition at that point. In recommending future dividends, the Board will also consider any future outperformance of the Group's business. The Board believes that, subject to the Group remaining on track to achieve its financial targets, Shareholders will be able to participate in any future outperformance of the business. There is no requirement for the Company to declare and pay any dividends and no assurance is given that the Company will declare and pay any dividends and no assurance can be given that any dividends paid will be in line with any previous dividends paid by the Company. The Board intends to re-assess its dividend policy on a regular basis in light of each of the factors described above.

In addition, the Pearl Facility Agreement and the Existing Impala Facility Agreement, currently and as amended by the Impala Facility Amendment and Restatement Agreement upon it becoming effective, contain restrictions on the upstreaming of cash by PGH (LCA) Limited (previously Sun Capital Investments Limited) and PGH (LCB) Limited (previously Hera Investments One Limited) (the "Pearl Borrowers") and PGH (LC1) Limited (previously Sun Capital Investments No.2 Limited) and PGH (LC2) Limited (previously Hera Investments No.2 Limited) (the "Impala Borrowers"). These restrictions are based primarily on the need to comply with financial covenants and surplus cash provisions in those facilities, which could affect the ability of the Company to declare and pay dividends.

As used above (i) the Pearl Facility Agreement means the facility agreement dated 15 November 2006 as amended and restated entered into among the Pearl Borrowers, the lenders under the Pearl Facility Agreement, the bookrunners, the arrangers, the facility agent under the Pearl Facility Agreement and the security trustee (ii) Existing Impala Facility Agreement means a facility agreement dated 10 October 2007 (as previously amended from time to time), entered into among the Impala Borrowers, the lenders under the Existing Impala Facility Agreement (the "Impala Lenders"), the bookrunners and the arrangers described therein, Commerzbank Aktiengesellschaft and Filiale Luxemburg (the "Impala Facility Agent") and the security trustee described therein; and (iii) the Impala Facility Amendment and Restatement Agreement means the amendment and restatement agreement dated 30 January 2013 entered into among the Impala Borrowers, the Impala Lenders, the Impala Facility Agent and the other parties to the Existing Impala Facility Agreement.

In addition to the considerations discussed above, in arriving at its dividend recommendations, the Board is bound by the conditions contained in the Group's credit agreements, which directly and indirectly restrict the distribution of cash by the Group. The Company's aggregate dividend for 2011 and 2010 reflected the maximum dividend payment which the Company was able to make in each of those years as a result of the restrictions on the payment of dividends from certain of the Group's subsidiaries to the Company under the Pearl Facility Agreement and the Existing Impala Facility Agreement. However, once effective, the amendments made by the Impala Facility Amendment and Restatement Agreement, which amends and restates the Existing Impala Facility Agreement, will not, provided that there are no repayment arrears, place any upper limit on the dividends that can be paid by the Impala Borrowers, subject to the following: (a) at such time as the Incremental Impala Dividend Amount exceeds £250 million and the In-Out Adjustment Date occurs, the Impala Dividends paid in any subsequent Relevant Period shall not be permitted to exceed £38 million (and there shall be a limit on Impala Dividends payable in the remainder of the Relevant Period in which the In-Out Adjustment Date has occurred calculated as a pro rata amount of £38 million to the extent that such period is less than 12 months); and (b) the Impala Borrowers shall be required to make incremental matching prepayments of the Impala Facility as the level of payments to the Company from the Impala silo increases.

At the Company's AGM held on 13 May 2011, Shareholders passed an ordinary resolution which authorised the establishment of a scrip dividend programme by the Company, under which the Company may, at the election of the Board of Directors, offer a scrip dividend alternative to all Shareholders in respect of a relevant dividend which is declared and/or paid by the Company on or before 13 May 2016. No scrip dividend option was offered in relation to the most recent interim dividend paid by the Company on 4 October 2012. The Board does not intend to offer a scrip dividend alternative for the foreseeable future.

Section D—Risks

D.1 Risks Relating to the Issuer and Its Industry

- The Group's Holding Companies are dependent upon distributions from subsidiaries to cover operating expenses, debt interest and repayments, pension scheme contributions and dividend payments. In times of severe market turbulence, the Group may not have sufficient liquid assets to meet its payment obligations or may suffer a loss in value.
- The Group could be materially adversely affected by the level of its indebtedness and its financing structure.
- The Group may have to retain more regulatory capital as a result of fluctuations in investment markets or stricter regulatory capital requirements imposed by the FSA. As an industry regulator, the FSA is able to restrict the payment of cash from the Group's subsidiaries.
- If the legislation or regulation to which the Group is subject in relation to group capital is amended or interpreted and applied in a new way, the Group may have to retain more capital or, in the longer term, may not be able to meet its group capital requirements.
- Defaults by trading counterparties and in relation to investments may adversely affect the Group.
- Changes in actuarial assumptions driven by experience and estimates may lead to changes in the level of capital required to be maintained.
- In times of extreme or prolonged market turbulence, the Group's life companies may not have sufficient liquid assets to meet their payment obligations, which could have an adverse effect on them and the Group.

- Competition, regulatory restrictions, the level of the Group's indebtedness and an inability to raise acquisition financing may make it difficult for the Group to grow by acquiring additional closed life fund companies and portfolios.
- Future acquisitions and disposals could have an adverse effect on the Group.
- The Group's business is subject to risks arising from economic conditions in the UK and other markets in which it operates or in which its and its policyholders' investments are invested and from risks arising from the continuing global economic weakness, such as those associated with the Eurozone crisis.
- Significant declines in equity markets, debt markets or property prices, or significant movements in swap yields relative to gilt yields, could have an adverse effect on the Group.
- The Group may be adversely affected by changes in interest and inflation rates.
- The Group faces exposure to currency risks.
- If the Group's businesses do not perform in accordance with expectations, the Group may be required under IFRS to recognise an impairment of its goodwill or its present value of acquired in-force assets or to establish a valuation allowance against deferred tax assets or it may be unable to use tax relief to offset tax on profits, any of which could have an adverse effect on the Group and/or lead to regulatory sanction.
- The Group's valuations of many of its financial instruments include methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations.
- The Group needs to reduce the expenses of managing long-term business in line with the run-off profile of its funds. The inability to adjust these costs could have an adverse effect on the Group.
- Increases in liabilities relating to product guarantees may adversely affect the Group.
- The Group may be adversely affected by third party reinsurers' unwillingness or inability to meet their obligations under reinsurance contracts, or potential variations and reductions in the nature and scope of cover through schemes of arrangement. In addition, the unavailability, adverse pricing and/or inadequacy of reinsurance arrangements may adversely affect the Group.
- The Group's ability to raise debt and equity financing in the future and its dealings with counterparties may be negatively impacted by perceptions about the Group.
- Periods of underperformance could lead to disproportionate redemptions in the funds of the Group's asset management business or a decline in the rate at which the business acquires additional assets under management and the performance of the Group's asset management business may be adversely affected by mismanagement of client assets or liabilities and the loss of key investment managers.
- Various new reforms to the legislation and regulation relating to the UK life insurance and asset management industries have been proposed that could adversely affect the Group.
- If the legislation or regulation to which Group companies are subject in a wide range of areas and in a wide range of jurisdictions are amended or interpreted and applied in a new way, the Group may be adversely affected.
- The Group is subject to ongoing FSA supervision and to potential FSA (and other regulator) intervention on industry-wide issues and to other specific investigations, reports and reviews relating to the Group.
- The Group is vulnerable to adverse market perception arising as a result of reputational damage, especially as it operates in a highly regulated industry.
- The Group's success will depend upon its ability to attract, motivate and retain key personnel.
- The Group may in the future need to change the basis under which it reports its embedded value.
- The Group's risk management policies and procedures may not be effective and may leave the Group exposed to unidentified or unexpected risks.
- If the Group experiences difficulties arising from outsourcing relationships, its ability to conduct business may be compromised.
- Legal and arbitration proceedings could cause the Group to incur significant expenses, which could have an adverse effect on the Group.

- Changes in accounting and other assumptions driven by experience and estimates may lead to increases in the level of provisioning or additional provisions being made in respect of a range of actual, contingent and/or potential liabilities including, but not limited to, tax.
- The Group has a number of significant change programmes underway across the life and asset management businesses. If it is unable to manage the level of change efficiently and effectively there is a risk of an adverse effect on the Group.
- The Group may be required to make further contributions, in addition to those already agreed, to its defined benefit pension schemes for employees if the value of pension fund assets is not sufficient to cover future obligations under the schemes.
- If the Group is unable to maintain the availability of its systems and safeguard the security of its data, including customer data, due to the occurrence of disasters or other unanticipated events, its ability to conduct business may be compromised, which may have an adverse effect on the Group.
- The Group has exposure for claims under the Group's legacy general insurance business.
- Changes in taxation law may adversely impact the Group.
- The effect of future changes in tax legislation on specific products may have an adverse effect on the Group and may lead to policyholders attempting to seek redress where they allege that a product fails to meet their reasonable expectations.
- Changes to the current VAT rules may result in VAT being chargeable on certain outsourcing agreements of the Group.
- The Company may become resident in the UK for tax purposes, which could have an adverse effect on the Group, result in stamp duty reserve tax being payable in respect of transfers of depositary interests and affect the basis for the IGD, PLHL ICA and Solvency II calculations.
- Because the Company is incorporated under the laws of the Cayman Islands, Shareholders may face difficulties in protecting their interests, and their ability to protect their rights through the courts of England and Wales may be limited.
- The UK City Code on Takeovers and Mergers (the "City Code") does not apply to the Company and, as a result, Shareholders may be adversely affected in the event of a situation arising to which the City Code would apply if the City Code had applied to the Company.

D.3 Risks Relating to the Securities

- The price of the Ordinary Shares and public warrants in respect of Ordinary Shares (the "Public Warrants") may experience volatility.
- Shareholders will experience an immediate dilution of their percentage ownership of the Company as a result of the Capital Raising. In addition, if the Company decides to offer additional Ordinary Shares in the future, this could result in the dilution of interests of Shareholders.
- The Company's ability to continue to pay dividends on the Ordinary Shares will depend on market conditions, the business and financial condition of the Group, the level of gearing of the Group, the level of profits and cash flows generated by the Group, the availability of distributable reserves and/or share premium, regulatory restrictions and restrictions under the Group's credit facilities.
- The availability of Ordinary Shares for future issuances and the existence of certain rights and securities pursuant to which further Ordinary Shares may be required to be issued and any future sales by certain affiliated investment funds of Och-Ziff Capital Management Group ("Och-Ziff") (the "Och-Ziff Funds") or other Shareholders of the Company could depress the share price of the Ordinary Shares and, in the case of issues of further Ordinary Shares, dilute existing holders.
- Shareholders in certain jurisdictions may not be able to participate in any future open offer, capital raisings or receive scrip dividends.

Section E—Offer

E.1 Net Proceeds and Estimated Expenses of the Capital Raising

The Company proposes to issue 50,000,000 new ordinary shares in the Company (each a "New Ordinary Share") and to offer such New Ordinary Shares at an issue price of 500 pence per New Ordinary Share (the "Issue Price") pursuant to a First Placing, a Second Placing and an Open Offer (the "Capital Raising"). The net proceeds receivable by the Company from the Capital Raising, after deduction of commissions, fees and expenses incurred in relation to the Capital Raising (estimated to be £18 million), are expected to be approximately £232 million.

E.2a Reasons for the Capital Raising and Use of Proceeds

The Directors believe that the Capital Raising, and the associated partial refinancing and amendment of the Group's Impala Facility, will align the Group's debt repayments more closely to the Group's expected cash flows, allow for increased dividend payments, strengthen the Group's balance sheet and bring the Group greater strategic flexibility.

The net proceeds receivable by the Company from the Capital Raising (expected to be approximately £232 million) will be used, alongside existing cash resources held in the Holding Companies, to prepay £450 million of the Impala Facility, which payment is expected to be made within two business days following completion of the Capital Raising. In addition, in connection with the Impala Facility Amendment and Restatement Agreement, the Group will pay, using existing cash resources held in the Holding Companies, arrangement and structuring fees, which are estimated to be approximately £21 million.

E.3 Principal Terms of the Capital Raising

The Issue Price of 500 pence per New Ordinary Share represents a 15.4 per cent. discount to the closing middle market quotation of an Ordinary Share as derived from the Daily Official List published by the London Stock Exchange (the "Closing Price") of 591.0 per Ordinary Share on 29 January 2013 (being the last day on which the London Stock Exchange is open for business in the trading of securities admitted to the Official List ("Dealing Day") before the announcement of the Capital Raising) and a discount of 58.7 pence (10.5 per cent.) to the average of the volume weighted average price of the Ordinary Shares for the 30 Dealing Day period ending on 29 January 2013 (the last Dealing Day prior to the announcement of the Capital Raising) which is 558.7 pence. The level of discount reflects the price, determined following discussions with the Company, at which the Och-Ziff Funds have agreed to participate in the Capital Raising on the terms described below. The Och-Ziff Funds are affiliated investment funds of Och-Ziff. Och-Ziff is one of the largest institutional alternative asset managers in the world.

Given that the Issue Price represents a discount of more than 10 per cent. to the Closing Price of 591.0 pence per Ordinary Share on 29 January 2013 (being the last Dealing Day before the announcement of the Capital Raising), the Company is required, under the Listing Rules of the FSA (the "Listing Rules"), to seek approval of Shareholders by way of an Ordinary Resolution for the issue of the New Ordinary Shares at that price pursuant to the First Placing and, if the Special Resolution is passed, the Second Placing and the Open Offer, as well as any Additional Relationship Agreement Shares. Accordingly, the EGM will consider, amongst other things, the approval of the Issue Price.

Any Ordinary Shares which the Company may issue to Qualifying Lender/Seller Shareholders otherwise than pursuant to the Excess Application Facility within the Open Offer which are issued in satisfaction of pre-emption rights under the Relationship Agreements as a result of the issuance of the Placed Shares are referred to in this Prospectus as "Additional Relationship Agreement Shares". Any Additional Relationship Agreement Shares which may be issued by the Company from time to time do not form part of the Capital Raising and the offering and issue of such Additional Relationship Agreement Shares would not be pursuant to this Prospectus. Upon the passing of the Ordinary Resolution and the Special Resolution by Shareholders at the EGM and the completion of the Capital Raising, there would be no conditions to the allotment and issuance by the Company of the Additional Relationship Agreement Shares to Qualifying Lender/Seller Shareholders. The Company would conduct any offering, issuance and listing of Additional Relationship Agreement Shares in reliance on an exemption from the requirement to produce a prospectus in respect of such Additional Relationship Agreement Shares pursuant to the Prospectus Directive. The Company reserves the right to issue any Additional Relationship Agreement Shares on the date that the New Ordinary Shares are issued or at a later date.

Under the terms of the Open Offer, Shareholders on the register of members of the Company on 28 January 2013 (the "Record Date") ("Qualifying Shareholders") (other than, subject to certain exceptions, Qualifying Shareholders who have a registered address in Australia, its territories and possessions, Canada, Japan, South Africa and any other jurisdiction where the extension or availability of the Capital Raising, or any transaction contemplated thereby and any activities carried out in connection therewith, would breach applicable law) or the United States ("Excluded Territory Shareholders")) will be given the opportunity to apply for the Open Offer Shares at the Issue Price, pro rata to their holdings of Existing Ordinary Shares on the Record Date, on the following basis:

0.194745 Open Offer Shares for every 1 Existing Ordinary Share

The Open Offer is conditional on:

- the passing of the Ordinary Resolution and the Special Resolution (described below) by Shareholders at the EGM;
- the Admission of the 34,000,000 New Ordinary Shares to be offered to Qualifying Shareholders and Qualifying Lender/Seller Shareholders (as defined in E.4 below) under the Open Offer (the "Open Offer Shares") occurring by no later than 8:00 a.m. (London time) on 21 February 2013 or such later time or date (not later than 28 February 2013) as the parties to the underwriting and sponsors' agreement dated 30 January 2013 between the Company and Deutsche Bank and J.P. Morgan Cazenove (together, the "Joint Underwriters") (the "Underwriting and Sponsors' Agreement") may agree;
- the First Placing and the Second Placing (described below) having become unconditional (save in respect of Admission);
- the subscription agreement, dated 30 January 2013, entered into by and among the Company and the Placees (as defined in E.4 below) (the "Subscription Agreement") and the Underwriting and Sponsors' Agreement having become unconditional in all respects (save in respect of Admission) and not having been terminated in accordance with their respective terms; and
- customary documentary and administrative conditions precedent comprising the publication of the required regulatory announcement giving details of the Capital Raising, the Subscription Agreement, the Swap Commitment Agreements (as defined below) and the Irrevocable Commitment Undertakings (as defined below) having been executed by all parties thereto and not having been amended or terminated and the formal approval of this Prospectus by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the "AFM") and the formal approval of the circular to be issued by the Company on or about 30 January 2013 (the "Circular") by the FSA. The Circular is required to be approved by the FSA pursuant to the Company's obligations under the Listing Rules.

The Open Offer and the Second Placing are also inter-conditional.

It will be determined whether all the conditions to the Open Offer have been satisfied prior to Admission of the Open Offer Shares (save for Admission itself), which is expected to take place on 21 February 2013.

The "Capital Raising Resolutions" are the resolutions to be set out in Part II: "Notice of Extraordinary General Meeting" of the Circular relating to the Capital Raising Resolutions to be considered by the shareholders of the Company at the EGM, which comprise a special resolution which requires at least 75 per cent. of the votes cast to be in favour of the resolution in order for the resolution to be passed and an ordinary resolution, which requires a majority of votes cast to be in favour of the resolution in order for the resolution to be passed.

Other than in respect of certain Lender/Seller Shareholders (as defined in E.4 below), there is no excess application facility in connection with the Open Offer. Therefore, Qualifying Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) can only apply for Open Offer Shares up to the entitlement set out above.

The latest time and date for acceptance and payment in full for Open Offer Shares under the Open Offer is expected to be 11:00 a.m. (London time) on 15 February 2013. For Qualifying Shareholders whose ordinary shares on the register of members of the Company on the Record Date are in certificated form ("Qualifying Non-CREST Shareholders"), completed application forms should be returned to Computershare Investor Services (Cayman) Limited (the "Registrar") so as to be received by no later than 11:00 a.m. (London time) on 15 February 2013.

E.4 Description of Any Interest Material to the Capital Raising

First Placing

The Company is proposing to issue 7,800,000 New Ordinary Shares (representing approximately 4.5 per cent. of the Company's entire issued share capital at the date of this Prospectus) at the Issue Price pursuant to a conditional placing to the Och-Ziff Funds (the "First Placed Shares" and, in their capacity as subscribers of the New Ordinary Shares which are to be issued pursuant to the First Placing, the "Placees"). The First Placed Shares are expected to be issued to the Placees on 21 February 2013. The First Placing is not conditional on completion of the other components of the Capital Raising, but is conditional on the conditions set out below. The First Placing is not underwritten by the Joint Underwriters.

The First Placing is conditional on:

- the passing of the Ordinary Resolution by the Shareholders at the EGM
- the Admission of the First Placed Shares occurring by no later than 8:00 a.m. (London time) on 21 February 2013 or such later time or date (not later than 28 February 2013) as the parties to the Subscription Agreement may agree;
- the Underwriting and Sponsors' Agreement, the Swap Commitment Agreements, the Lock-up Deeds and the Irrevocable Commitment Undertakings having been executed by all parties thereto and not having been amended or terminated (other than, in each case, a termination as a result of the Special Resolution not having been passed by Shareholders at the EGM);
- the Impala Facility Amendment and Restatement Agreement being in full force and effect and not having been amended or terminated at Admission (notwithstanding that the amendments to be made to the Existing Impala Facility Agreement by the Impala Facility Amendment and Restatement Agreement shall only become effective upon the satisfaction of the Amendment Conditions Precedent);
- at Admission, the only conditions to the amendments to be made to the Existing Impala Facility Agreement by the Impala Facility Amendment and Restatement Agreement being (i) the delivery by the Impala Borrowers to the Impala Facility Agent of a certificate confirming that the Company has raised at least £250 million of gross proceeds from the Capital Raising and that the net proceeds (after deducting the costs, expenses, fees and commissions that are permitted to be deducted pursuant to the terms of the Impala Facility Amendment and Restatement Agreement) have been either (A) contributed by the Company to one or more of the Impala Borrowers or (B) applied in prepayment of amounts outstanding under the Existing Impala Facility Agreement, and (ii) the payment by the Impala Borrowers of the fees, costs and expenses required to be paid by the Impala Borrowers pursuant to the terms of the Impala Facility Amendment and Restatement Agreement;
- there being no termination rights contained in the Impala Facility Amendment and Restatement Agreement that would give the lenders a right to terminate the Impala Facility Amendment and Restatement Agreement, save that, upon the occurrence of the 21 March 2013 long-stop date (and unless the Majority Lenders under the Existing Impala Facility Agreement otherwise agree), the Impala Facility Amendment and Restatement Agreement will automatically lapse if the conditions to the amendment and restatement have not been satisfied; and
- customary documentary and other conditions precedent, comprising the publication of the required regulatory announcement giving details of the Capital Raising and the formal approval of this Prospectus by the AFM and the formal approval of the Circular by the FSA.

It will be determined whether all the conditions to the First Placing have been satisfied prior to Admission of the First Placed Shares (save for Admission itself), which is expected to take place on 21 February 2013.

The Company has, in the Subscription Agreement, agreed to pay the Och-Ziff Funds a structuring fee of £5 million in consideration of their assistance in becoming part of the arrangements for the re-terming of the Impala Facility.

Since the Record Date for Open Offer Entitlements is prior to the issuance of the First Placed Shares and the Second Placed Shares, the Placees do not have any Open Offer Entitlements in respect of the Open Offer.

Second Placing

The Company is proposing to issue 8,200,000 New Ordinary Shares (representing approximately 4.7 per cent. of the Company's entire issued share capital at the date of this Prospectus) at the Issue Price pursuant to a conditional placing to the Och-Ziff Funds (the "Second Placed Shares" and, in their capacity as subscribers of the New Ordinary Shares which are to be issued pursuant to the Second Placing, the "Placees"). The Second Placed Shares are expected to be issued to the Placees on 21 February 2013. The Second Placing and the Open Offer are also inter-conditional. The Second Placing is not underwritten by the Joint Underwriters.

The Second Placing is conditional on:

- the passing of the Ordinary Resolution and the Special Resolution by Shareholders at the EGM;
- the Admission of the Second Placed Shares occurring by no later than 8:00 a.m. (London time) on 21 February 2013 or such later time or date (not later than 28 February 2013) as the parties to the Subscription Agreement may agree;
- the First Placing and Open Offer having become unconditional (save in respect of Admission);
- the Total Return Swaps having been executed by all parties thereto and not having been amended or terminated prior to Admission; and
- customary documentary and administrative conditions precedent comprising the publication of the required regulatory announcement giving details of the Capital Raising, the Underwriting and Sponsors' Agreement and the Irrevocable Commitment Undertakings having been executed by all parties thereto and not having been amended or terminated and the formal approval of this Prospectus by the AFM and the formal approval of the Circular by the FSA.

It will be determined whether all the conditions to the Second Placing have been satisfied prior to Admission of the Second Placed Shares (save for Admission itself), which is expected to take place on 21 February 2013.

The Company has agreed to pay the Placees an equity commitment fee of £2 million and reimbursement of transaction expenses of £1 million.

Underwriting of the Open Offer

The Open Offer is fully underwritten by the Joint Underwriters. The Joint Underwriters shall, subject to the terms and conditions set out in the Underwriting and Sponsors' Agreement, subscribe, at the Issue Price, for such number of Open Offer Shares that are not subscribed for by Qualifying Shareholders in the Open Offer or subscribed for by Qualifying Lender/Seller Shareholders pursuant to the Excess Application Facility (described below) (such number of Open Offer Shares not so subscribed being referred to as the Open Offer Placement Shares). The Open Offer Shares are expected to be issued on 21 February 2013. The conditions to the Open Offer are set out in "Principal terms of the Capital Raising" above. The Open Offer and the Second Placing are also inter-conditional.

The Company has agreed to pay the Joint Underwriters a commission of 1.75 per cent. of the Issue Price multiplied by the number of Open Offer Shares and to pay certain expenses. The Company has acknowledged in the Underwriting and Sponsors' Agreement that the Joint Underwriters (or their affiliates) are entitled, in their absolute discretion, to pay to the Och-Ziff Funds, certain of the TDR Capital Entities, certain of the Sun Capital Entities, any of their respective affiliates or any other Shareholder of the Company, a portion of the commission (by way of a fee or otherwise) that the Company pays to the Joint Underwriters pursuant to the Underwriting and Sponsors' Agreement. The Company has been notified by the Joint Underwriters that the Joint Underwriters will (i) retain for the own account of the Joint Underwriters an aggregate commission of 0.75 per cent. of the Issue Price multiplied by the number of Open Offer Shares, (ii) pay to each of the TDR Capital Entities, the Sun Capital Entities and certain Shareholders which have entered into Irrevocable Commitment Undertakings (the "Irrevocably Committed Shareholders") whose Irrevocable Commitment Undertaking provides for the payment of a fee, a fee of 1.0 per cent. of the Issue Price multiplied by the number of Ordinary Shares which are the subject of the Irrevocable Commitment Undertakings and (iii) pay to the Och-Ziff Funds an exposure fee of 1.0 per cent. of the Issue Price multiplied by the number of Open Offer Shares less the number of Open Offer Shares which are the subject of the Irrevocable Commitment Undertakings which provide for the payment of a fee to the relevant Irrevocably Committed Shareholder.

Total Return Swap

The Company has been notified by the Joint Underwriters that each of the Joint Underwriters and each of Deutsche Bank AG, London Branch and JPMorgan Chase Bank N.A. (the "Swap Counterparties") has entered into a swap commitment agreement (the "Swap Commitment Agreements") with each of the Och-Ziff Funds. Pursuant to each Swap Commitment Agreement, a Total Return Swap will be entered into between each of the Swap Counterparties and each of the Och-Ziff Funds (each a "Total Return Swap") on or prior to the date of Admission of the Open Offer Shares. The Total Return Swaps will provide that they become effective as of the date of Admission of the Open Offer Shares. The Total Return Swaps enable the Joint Underwriters (through the Swap Counterparties) to pass to the Och-Ziff Funds economic exposure to the Open Offer Placement Shares. Such Open Offer Placement Shares represent the entire number of Ordinary Shares for which the Joint Underwriters are required to subscribe.

The Total Return Swaps will not give the Och-Ziff Funds any legal or beneficial ownership of the Open Offer Placement Shares, nor any rights to vote the Open Offer Placement Shares nor any rights to procure the exercise of voting rights in respect of the Open Offer Placement Shares.

Accordingly, the Joint Underwriters have effectively transferred to the Och-Ziff Funds their economic exposure in respect of the Open Offer Placement Shares for which they have agreed to subscribe, upon completion of the Open Offer. The Och-Ziff Funds have represented to the Joint Underwriters that they are acquiring the economic exposure in respect of such New Ordinary Shares for investment purposes and not with a view to distribution.

Irrevocable Commitment Undertakings

The Company has been notified by the Joint Underwriters that each of the TDR Capital Entities, the Sun Capital Entities and certain Shareholders, on the one hand, and the Joint Underwriters on the other hand, has entered into an irrevocable commitment undertaking in favour of the Joint Underwriters (the "Irrevocable Commitment Undertakings"). Pursuant to the Irrevocable Commitment Undertakings, (i) certain of the TDR Capital Entities have irrevocably and unconditionally agreed to apply to subscribe for an aggregate of 4,400,000 Open Offer Shares pursuant to their respective entitlements ("Open Offer Entitlements") in the Open Offer, (ii) certain of the Sun Capital Entities have irrevocably and unconditionally agreed to apply to subscribe for an aggregate of 4,349,381 Open Offer Shares pursuant to their respective Open Offer Entitlements in the Open Offer and (iii) certain Shareholders have irrevocably and unconditionally agreed to apply to subscribe for an aggregate of 5,879,928 Open Offer Shares pursuant to their respective Open Offer Entitlements in the Open Offer (which number also includes the number of Open Offer Shares for which the Directors intend to subscribe). See "—Irrevocable Commitment Undertakings and Irrevocable Voting Undertakings" below.

Assuming that each of the TDR Capital Entities and the Sun Capital Entities comply with their respective Irrevocable Commitment Undertakings, this would result in the TDR Capital Entities and the Sun Capital Entities holding 15.4 per cent. and 12.0 per cent., respectively, of the Fully Enlarged Issued Share Capital.

The Company is not party to the Irrevocable Commitment Undertakings and has no rights or liabilities under them. The Company is not paying any fees, expenses or commissions to the Irrevocably Commited Shareholders in connection with the Irrevocable Commitment Undertakings. The Company has acknowledged in the Underwriting and Sponsors' Agreement that the Joint Underwriters (or their affiliates) are entitled, in their absolute discretion, to pay to the Och-Ziff Funds, certain of the TDR Capital Entities, certain of the Sun Capital Entities, any of their respective affiliates or any other Shareholder of the Company, a portion of the commission (by way of a fee or otherwise) that the Company pays to the Joint Underwriters pursuant to the Underwriting and Sponsors' Agreement.

Each of the TDR Capital Entities, the Sun Capital Voting Entities and certain other Shareholders (the "Irrevocable Voting Shareholders") has executed a binding Irrevocable Voting Undertaking dated 30 January 2013 in favour of the Company. Pursuant to the Irrevocable Voting Undertakings, the Irrevocable Voting Shareholders have irrevocably and unconditionally agreed to vote in favour of the Resolutions to be put to the EGM.

Excess Application Facility for certain Lender/Seller Shareholders

Under the Lender Relationship Agreement and the Sellers' Relationship Agreement, the Company agreed to provide certain pre-emptive rights to the Lender Shareholders and Seller Shareholders respectively (the "Lender/Seller Shareholders" and "Relationship Agreements" respectively). The Excess Application

Facility is being made available to those Lender/Seller Shareholders who have the benefit of contractual pre-emption rights in respect of the issuance of the Placed Shares pursuant to the Lender Relationship Agreement or the Sellers' Relationship Agreement and who have not disapplied their contractual pre-emption rights under the relevant Relationship Agreement prior to the date of this Prospectus (the "Qualifying Lender/Seller Shareholders"). The number of Open Offer Shares (the "Excess Shares") for which a Qualifying Lender/Seller Shareholder is entitled to apply under the Excess Application Facility (the "Excess Application Facility Entitlement") is determined by a formula, based in part on the number of Ordinary Shares held by such Qualifying Lender/Seller Shareholder on the Record Date. The Excess Application Facility Entitlement of a Qualifying Lender/Seller Shareholder will be specified on the Excess Application Facility Application Form which will be sent to each Qualifying Lender/Seller Shareholder.

Any Open Offer Shares not subscribed for by Qualifying Shareholders will be available for subscription by Qualifying Lender/Seller Shareholders under the Excess Application Facility. The balance of any Open Offer Shares not subscribed for by Qualifying Lender/Seller Shareholders under the Excess Application Facility will constitute Open Offer Placement Shares for which the Joint Underwriters are required to subscribe.

As at the date of this Prospectus, the maximum number of Excess Shares to which Qualifying Lender/Seller Shareholders are entitled to apply for under the Excess Application Facility is 176,866 Ordinary Shares, which represents 0.1 per cent. of the Company's existing issued share capital at the date of this Prospectus.

E.5 Selling Shareholders and Lock-up Agreements

Each of the TDR Capital Entities and Sun Capital Entities has irrevocably and unconditionally agreed, in a Lock-up Deed dated 30 January 2013 executed in favour of the Company, not to sell, transfer or otherwise dispose of their respective holdings of Ordinary Shares that they legally or beneficially held on the date of this Prospectus for a period of six months from the date of this Prospectus. The Lock-up Deeds contain certain exceptions in respect of sales, transfers or other dispositions to relatives, holding companies, subsidiaries, other members of the same group of companies, affiliates and connected persons.

The Company has agreed, in the Subscription Agreement, to a lock-up under which it will refrain from offering, allotting, issuing, pledging, selling or making other transfers or dispositions of Ordinary Shares or rights over Ordinary Shares or a period of 180 days from the date of Admission of the New Ordinary Shares, with exceptions for any issuance of Additional Relationship Agreement Shares, employee incentive schemes, the Contingent Rights and certain warrants. The Company has agreed, in the Underwriting and Sponsors' Agreement, to a lock-up under which it will refrain from offering, pledging, selling, contracting to sell, granting, transfer of dispose of Ordinary Shares or any right over Ordinary Shares for a period of 120 days from the date of the Underwriting and Sponsors' Agreement, with exceptions for any issuance of Additional Relationship Agreement Shares, employee incentive schemes and pre-existing contractual obligations.

E.6 Amount of Immediate Dilution Resulting from the Offer

If the First Placing is completed, the First Placed Shares will represent approximately 4.5 per cent. of the Company's existing issued share capital at the date of this Prospectus and approximately 4.3 per cent. of the First Enlarged Issued Share Capital. Upon the issue of the First Placed Shares, Shareholders will experience an immediate dilution of approximately 4.3 per cent. of their interests in the Company as a result of the First Placing.

If, in addition to the First Placing, the Second Placing and the Open Offer are completed, the First Placed Shares, the Second Placed Shares and the Open Offer Shares will represent in aggregate approximately 28.6 per cent. of the Company's existing issued share capital at the date of this Prospectus approximately 22.3 per cent. of the Fully Enlarged Issued Share Capital. Upon the issue of the First Placed Shares, the Second Placed Shares and the Open Offer Shares, Qualifying Shareholders who take up their full entitlements in respect of the Open Offer will experience an immediate further dilution of approximately 3.0 per cent. of their interests in the Company. However, upon the issue of the First Placed Shares, the Second Placed Shares and the Open Offer Shares, Shareholders who do not (or are not eligible to) take up any of their entitlements in respect of the Open Offer will experience an immediate further and greater dilution of approximately 18.8 per cent. of their interests in the Company.

E.7 Estimated Expenses Charged to the Investor by the Issuer

None.

RISK FACTORS

The Capital Raising and any investment in the Company is subject to a number of risks. Accordingly, investors and prospective investors should consider carefully all of the information set out in this Prospectus and all of the information incorporated by reference into this Prospectus, including, in particular, the risks described below, prior to making any investment decision. The risks described below are considered to be material by the Directors and are based on information known at the date of this Prospectus, but may not be the only risks to which the Group is exposed. Additional risks and uncertainties, which are currently unknown to the Group or that the Group does not currently consider to be material, may also have a material adverse effect on the Group's business, results of operations and financial condition and could negatively affect the value of the New Ordinary Shares.

If any of the following or other risks were to occur, the Group's business, results of operations and financial condition could be materially adversely affected and the value of the New Ordinary Shares could decline and investors could lose all or part of the value of their investment. Investors and prospective investors should consider carefully whether an investment in the Company is suitable for them in light of the information set out in this Prospectus, the information incorporated by reference into this Prospectus and their own personal circumstances. Furthermore, investors and prospective investors should consult their financial, legal and tax advisers to carefully review the risks associated with an investment in the New Ordinary Shares.

1. Risks Related to the Group

1.1 The Group's Holding Companies are dependent upon distributions from subsidiaries to cover operating expenses, debt interest and repayments, pension scheme contributions and dividend payments. In times of severe market turbulence, the Group may not have sufficient liquid assets to meet its payment obligations or may suffer a loss in value.

The Group's insurance and asset management operations are conducted through direct and indirect subsidiaries. The Group's Holding Companies ultimately rely on distributions and other payments from subsidiaries, including in particular the life companies, to meet the funding requirements of Group companies which do not generate a cash surplus from their operations and other activities. The Group's Holding Companies' principal sources of funds are dividends, inter-company loans from subsidiaries, repayment of inter-company loans that have been made by the Group's Holding Companies to subsidiaries and any amounts that may be raised through the issuance of equity, debt and commercial paper. As a result, a deterioration in the liquidity and solvency position of the Group's life companies could, in addition to its impact on the individual life companies, have an adverse impact on the Group's funding, which could have a material adverse effect on the Group's financial condition and prospects.

The Group has ongoing principal repayment and interest payment obligations in respect of two separate credit facilities (being the Pearl Facility and the Impala Facility, which are described in Part XIII: "Additional Information—Material Contracts—Credit Facilities") which obligations are funded by the release of capital and profits from the Group's operating units. The emerging cash flows from subsidiaries, in particular the life companies, may be impacted during periods of severe market turbulence by the need to maintain appropriate levels of regulatory capital in the Group's subsidiaries. Although the Group's Holding Companies maintain cash buffers to reduce the reliance on emerging cash flows in any particular year, in the event that cash flows from the Group's subsidiaries are limited as a consequence of periods of severe market turbulence, this may impair the Group's ability to service these obligations. This may result in material adverse consequences, including the exercise by the external finance providers of their security rights over shares in Group companies. In addition, the Group is subject to restrictions on dividends and other cash flows around the Group and on acquisitions and disposals by the Group under the terms of its main credit facilities. For further information on the restrictions placed on the Group under these credit facilities, see Part XIII: "Additional Information—Material Contracts—Credit Facilities".

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.2 The Group could be materially adversely affected by the level of its indebtedness and its financing structure.

The total principal amount outstanding under the Group's two main credit facilities as at 30 June 2012 was £2,369 million. While it is intended that £450 million of the Impala Facility will be prepaid within two business days following completion of the Capital Raising, in connection with the Impala Facility Amendment and Restatement Agreement, and that the maturity date of the principal amount of the

Impala Facility (currently due for repayment by way of scheduled bullet repayments payable in 2014, 2015 and 2016) will be extended to a final maturity of 31 December 2017 (subject to extension to 30 June 2019 at the option of the Impala Borrowers) with mandatory amortisations of £30 million semi-annually over the remaining life of the Impala Facility, the cash flows emerging from the Group's subsidiaries up to and over the period to maturity of these credit facilities may be insufficient to meet the Group's repayment obligations. The amendments made to the Existing Impala Facility Agreement are conditional on the Capital Raising and if the Company does not consummate the Capital Raising, the Existing Impala Facility Agreement will continue in force without the amendments made by the Impala Facility Amendment and Restatement Agreement.

The Group may still need to refinance the remaining outstanding principal amount on terms which could potentially be less favourable than the existing terms under unfavourable market conditions or the Group may be unable to refinance those obligations at all. More information on the Group's amended credit facilities (which take into account the extension of the maturity referred to above), including the bank covenants which impose limitations on its ability to undertake certain actions are detailed in Part XIII: "Additional Information—Material Contracts—Credit Facilities".

The Group's level of indebtedness, restrictions on the Group under the terms of its credit facilities, and the "silo" structure of the Group's debt in terms of it having two separate credit facilities relating to separate groups of entities in the Group, could have a material adverse effect on the Group, including:

- making it more difficult for the Group to satisfy its obligations with respect to its debt and other liabilities;
- requiring the Group to dedicate a substantial portion of its cash flow to payments on its debt, thus reducing distributions to Shareholders;
- restricting the Group from pursuing potential acquisition opportunities or preventing the Group from being able to obtain regulatory approval for a potential acquisition opportunity, which could impair the Group's ability to execute its acquisition strategy;
- restricting the Group's ability to exploit certain business opportunities, including moving subsidiaries between the groups of entities to which the credit facilities relate;
- increasing the Group's vulnerability to a downturn in economic conditions;
- exposing the Group to increases in interest rates to the extent its variable rate debt is unhedged;
- placing the Group at a competitive disadvantage compared to its competitors that have less debt in relation to cash flow;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business and industry; and
- limiting, among other things, the Group's ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

On the other hand, the Group's leverage currently has a positive effect on the Group's embedded value through the beneficial impact of the tax deductibility of interest and so any significant reduction in its indebtedness may have an adverse impact on the Group's embedded value as a consequence of higher tax payments than currently projected by the Group.

The level of the Group's indebtedness and its financing structure could therefore have a material adverse effect on the Group's business, results, financial condition and prospects.

1.3 The Group may have to retain more regulatory capital as a result of fluctuations in investment markets or stricter regulatory capital requirements imposed by the FSA. As an industry regulator, the FSA is able to restrict the payment of cash from the Group's subsidiaries.

Firms that are permitted to conduct insurance business in the UK are required to maintain a minimum level of assets (referred to as regulatory capital) in excess of their liabilities. Continued fluctuations in investment markets will, directly or indirectly, affect levels of regulatory capital required to be held by the Group. In addition, the FSA may, under existing regulations, impose stricter regulatory capital requirements on the Group or existing regulations may be amended in the future or new regulations may be implemented (for example, Solvency II, which is a new prudential framework for insurance companies to increase regulatory capital requirements in the future). For further discussion of Solvency II, see Part VI: "Regulatory Framework Overview—Additional Regulation of Insurance Business—New EU

solvency framework equivalence consideration". The FSA has the power under FSMA to place limitations upon the payment of cash from FSA regulated entities if, among other things, the FSA deems this necessary to preserve the entities' capital adequacy position.

The Group is subject to capital adequacy requirements under both EU-directive based "Pillar 1" requirements and "Pillar 2" requirements, which are additional risk-based capital requirements that the FSA has implemented in the UK. A UK life company's actual capital requirement is based on whichever of the Pillar 1 or Pillar 2 requirement turns out to be more onerous for the relevant UK life company. Each life company generally holds an amount of capital that is greater than the minimum required amount to allow for adverse events in the future that may use capital and cause the company to fail the minimum level of regulatory capital test.

The life companies' Pillar 1 requirements are aggregated under the EU Insurance Groups Directive (IGD) to calculate regulatory capital adequacy at a group level. Insurance groups are required to hold capital resources at least equal to their capital resource requirements at the ultimate insurance parent undertaking within the EEA. The Group is required to perform its IGD calculation and its PLHL ICA at the level of the highest EEA level insurance group holding company, which is PLHL, a subsidiary of the Company and the ultimate insurance parent undertaking within the EEA. As at 30 September 2012, the Group's IGD surplus was estimated to be £1.4 billion, compared with £1.2 billion as at 30 June 2012 and £1.3 billion as at 31 December 2011. As at 30 November 2012, the Group's IGD surplus was estimated to be £1.2 billion, as adjusted to take into account the updated unaudited Group pension scheme valuations on an IAS19 basis and an IFRIC14 adjustment. The surplus over the Group's IGD capital policy was £0.4 billion as at 30 November 2012 (as adjusted), £0.6 billion as at 30 September 2012, £0.4 billion as at 30 June 2012 and £0.4 billion as at 31 December 2011. See VIII: "Operating and Financial Review of the Company—Regulatory capital requirements—IGD Solvency" for more information.

Under Pillar 2 requirements, the PLHL ICA involves an assessment, on a Pillar 2 basis, of the capital resources and requirements arising from the obligations and risks which exist outside the Group's life companies. Pillar 2 is based on a self-assessment methodology and calculates capital resources and requirements on an economic basis. The Group's Pillar 2 capital resources include the surplus over capital policy in the life companies, a prudent assessment of the present value of future profits of Ignis Asset Management and the net assets of the Holding Companies less pension scheme obligations calculated on a Pillar 2 basis. The Group's Pillar 2 capital resource requirements relate to the risks arising outside of the life companies including those in relation to the Group's staff pension schemes, offset by Group diversification benefits. As agreed with the FSA, the Group aims to ensure that PLHL maintains capital resources of at least £150 million in excess of the Group's Pillar 2 capital resource requirements, which is known as the Group's PLHL ICA surplus. The Group is obliged to restrict discretionary payments out of PLHL to the extent required to maintain a PLHL ICA surplus of at least £150 million. As at 30 September 2012, the Group's PLHL ICA surplus was £0.6 billion, compared with £0.4 billion as at 30 June 2012. As at 30 November 2012, as adjusted to take into account the new funding arrangements entered into with the trustee of the Pearl Group Staff Pension Scheme, the Group's PLHL ICA surplus was estimated to be £0.9 billion. In accordance with FSA requirements, the Group now undertakes an ICA at the level of the highest EEA level insurance group holding company, which is PLHL. See VIII: "Operating and Financial Review of the Company—Regulatory capital requirements—Individual Capital Assessment" for more information.

The Group is required to hold sufficient capital of appropriate quality to ensure that the IGD calculation at the PLHL level is positive. The Group's capital policy, which is agreed with the FSA, is to maintain group capital resources at the PLHL level at an amount in excess of:

- 105 per cent. of the with profit insurance capital component ("WPICC"), being an additional capital requirement of with profit funds; plus
- 145 per cent. of the group capital resource requirement less the WPICC.

If payments out of PLHL are limited by any material deterioration in the Group's IGD solvency surplus, or by law, regulatory action or change in established approach, and in the event that the Group is unable to reschedule or restructure its current loans, refinance all or a portion of its debt or obtain additional equity, any of which may be impossible or available only on more unfavourable terms for the Group, this may impair the Group's ability to service its obligations under the Group's credit facilities or pay dividends to Shareholders. See VIII: "Operating and Financial Review of the Company—Regulatory capital requirements—IGD Solvency" for more information.

Since the acquisition of the Original Pearl Business by the Company, the FSA has required that £100 million of liquid assets are to be held at the level of Impala Holdings Limited and that £50 million of liquid assets are to be held at the level of PLHL in order to provide support to the Group's life and regulated service companies.

If payments out of PLHL are limited by fluctuations in investment markets or any law, regulatory action or change in established approach, this could have a material adverse effect on the Group's business, results, financial condition and prospects and may impact the Company's ability to service its obligations under the Group's credit facilities or pay dividends to Shareholders.

The FSA also monitors the risk management activities of the asset management companies within the Group, which are required to utilise an Individual Capital Adequacy Assessment Process ("ICAAP") to identify material risks to the business and assess how much current and future capital is required to be held against these risks. An asset management company is primarily exposed to operational and reputational risks and these are analysed as part of the ICAAP process. The amount of capital that is required to be held by the asset management company against the operational and credit risks is assessed and is subject to review by the FSA. If payments out of the asset management subsidiaries are limited by any law, regulatory action or change in established approach, this could have a material adverse effect on the Group's business, results, financial condition and prospects.

In addition, the Group has two service companies, PGMS, a former Resolution service company, and PGS, the former Pearl Service Company, each of which is authorised by the FSA to conduct its business. Service companies are categorised as 'Personal Investment Firms' ("PIF") and new prudential requirements are due to come into effect on 31 December 2013 in respect of PIFs. The changes to the capital requirements for PIFs, as outlined in PS 09/19, may have a material impact on both service companies. An inability to meet the Group's regulatory capital requirements in the longer term could lead to intervention by the FSA, which could be expected to require the Group to take steps to safeguard the interests of policyholders and other customers with a view to restoring regulatory capital to acceptable levels. If such intervention were to occur, this could have a material adverse effect on the Group's business, results, financial condition and prospects and may adversely impact creditors as well as Shareholders.

1.4 If the legislation or regulation to which the Group is subject in relation to group capital is amended or interpreted and applied in a new way, the Group may have to retain more capital or, in the longer term, may not be able to meet its group capital requirements.

If the legislation or regulation to which the Group is subject in relation to group capital is amended or interpreted and applied in a new way, the Group may have to retain more capital or, in the longer term, may not be able to meet its group capital requirements.

For the Company, the IGD calculation and the PLHL ICA is performed at the PLHL level because PLHL is the ultimate insurance parent undertaking which is within the EEA (the Company is resident in Jersey, a non-EEA country). If the Company's head office were to be relocated to an EEA country, the IGD calculation and the ICA might need to be performed at the Company level. In addition, the IGD calculation and the ICA calculation for the Group could also be required to be performed at the Company level if: (i) the Group were to be supervised as if it were an EEA group pursuant to Solvency II (the main aspects of this framework are described in "—Various new reforms to the legislation and regulation relating to the UK life insurance and asset management industries have been proposed that could adversely affect the Group") or (ii) before Solvency II is implemented the legislation and rules regarding group capital were to be amended or interpreted in a new way. This would bring the Group's external bank debt into the IGD calculation (which will become the "group regulatory capital calculation" under Solvency II) and as a result, the Group may have to retain significantly more capital and consequently may not be able to meet its group capital requirements, which would have a material adverse effect on the Group's business, results, financial position and prospects.

1.5 Defaults by trading counterparties and in relation to investments may adversely affect the Group.

The Group is exposed to counterparty risk. Such counterparty risk may be caused by deterioration in the actual or perceived creditworthiness of, or default by, issuers of the securities or other financial instruments forming part of the Group's investments to meet obligations. For instance, assets held to meet obligations to policyholders include corporate bonds and other debt securities. Counterparty risk may also include the risk of trading counterparties failing to meet all or part of their obligations, such as reinsurers failing to meet obligations assumed under reinsurance arrangements, or derivative counterparties or stock-

borrowers failing to pay as required. An increase in credit spreads, particularly if it is accompanied by a higher level of issuer defaults, could have a material adverse impact on the Group's financial condition although some of this risk is shared with policyholders.

The recent turbulence in financial markets, including the Eurozone sovereign debt and credit crisis, has increased the risk of counterparty defaults and increased the difficulty of finding suitable counterparties. Counterparty defaults could have a material adverse effect on the Group's business, results, financial condition and prospects.

In common with many insurance companies and other institutional investors, the Group engages in securities lending, or stock-lending, activities, whereby the Group loans equity and debt securities from its portfolios to counterparties that use the loaned securities in their securities trading activities. In securities lending transactions, the legal title of the loaned securities passes from the lender to the borrower. While the Group seeks to lend securities only to high-quality borrowers to minimise the possibility of default, and then only within pre-set credit limits for each borrower, borrowers may default on their securities-redelivery obligations to the Group due to bankruptcy, insolvency, lack of liquidity, operational failure, fraud, government intervention and other reasons. While the Group mitigates counterparty risk by requiring collateral to support the obligations of counterparties, there is a risk that the collateral obtained will not be sufficient or effective in all circumstances in order to protect against those risks.

Furthermore, securities which have been loaned could be redelivered and it may then prove difficult or impossible to return collateral held against those securities in the event that this collateral had been invested in assets which have become illiquid.

Additionally, the underlying cash collateral supporting a counterparty's securities-redelivery obligation could be invested by collateral managers in a manner that breaches the terms of their investment mandates, causing the Group to incur losses on its securities-lending transactions, with potential material adverse effects on the Group's business, results, financial condition and prospects.

1.6 Changes in actuarial assumptions driven by experience and estimates may lead to changes in the level of capital required to be maintained.

The Group has liabilities under annuities and other policies that are sensitive to future mortality and longevity rates. In particular, annuities are subject to the risk that annuitants live longer, or longevity rates increase more, than was projected at the time their policies were issued, with the result that the issuing life company must continue paying out to the annuitants for longer than anticipated and, therefore, longer than was reflected in the price of the annuity. There may also be increases in the cost of meeting guarantees on policies with a right to convert their policy value into an annuity at a fixed rate and the contributions required to the Group's defined benefit pension schemes may also increase. Conversely, increased mortality, or higher mortality rates, increases death claims on term-insurance products.

The Group's life companies monitor their actual liability experience against the actuarial assumptions they use and apply the outcome of such monitoring to refine their long-term assumptions. Based on these assumptions, the Group's life companies make decisions aimed at ensuring an appropriate build-up of assets and liabilities relative to one another. These decisions include the allocation of investments among fixed-income, equity, property and other asset classes, the setting of policyholder bonus rates (some of which are guaranteed) and the setting of surrender terms. However, because of the underlying risks inherent in actuarial assumptions, it is not possible to determine precisely the amounts that will ultimately be paid to meet policyholder liabilities. Actual liabilities may vary from estimates, particularly when those liabilities do not occur until well into the future. The Group's life companies evaluate their liabilities allowing for changes in the assumptions used to establish their liabilities, as well as for the actual claims experience. Changes in assumptions may lead to changes in the level of capital that is required to be maintained. In the event that the Group's capital requirements are significantly increased, the amount of capital available for other business purposes, for distribution to Shareholders or to meet the Group's financing commitments, will decline.

To the extent that actual mortality, longevity and morbidity rates or other insurance risk experience is less favourable than the underlying assumptions about such rates or experience and it is necessary to increase reserves for policyholder liabilities as a consequence, the amount of additional capital required (and therefore the amount of capital that can be released from the Group's life companies in order to service and pay down debt or to finance distributions to shareholders of the life companies) and the ability of the Group to manage the life companies in an efficient manner may all be materially adversely affected. In

particular, there is considerable uncertainty over the rate at which mortality rates will continue to improve in the future. Over time, the Group could incur significant losses if mortality rates improve faster than has been assumed.

In addition, the Group makes assumptions about the rates at which policyholders will surrender or otherwise terminate their policies prior to their maturity date. For products with guarantees at maturity, the Group is exposed to the risk that fewer policyholders will terminate their policies prior to their maturity date than assumed, since this will increase the volume of guarantees that are required to be met at maturity. Conversely, for policies with no guarantees, the anticipated future profits obtained from those policies may be curtailed if more policyholders terminate their policies prior to their maturity date than assumed.

If the assumptions underlying calculations of reserves are shown to be incorrect (e.g., if policyholders do not die at the rate assumed in actuarial calculations or if the volume of guarantees that are required to be met at maturity is greater than assumed), the Group may have to increase the amount of its reserves or the amount of risk reinsured. The Group also has obligations towards pensions schemes that are sensitive to longevity experience rates. If members live longer than expected, additional capital may need to be held to cover increased pension scheme obligations. Any of these factors could have a material adverse impact on the Group's business, results, financial condition and prospects.

1.7 In times of extreme or prolonged market turbulence, the Group's life companies may not have sufficient liquid assets to meet their payment obligations, which could have an adverse effect on them and the Group.

Periods of extreme or prolonged market turbulence can result in materially reduced liquidity for both listed and unlisted investments. As at 30 June 2012, 53 per cent. of the funds of the Group's life companies were invested in government, supranational, corporate debt and other fixed income securities, 19 per cent. of the funds of the Group's life companies were invested in equity securities and 2 per cent. of the funds of the Group's life companies were directly invested in property, all of which may experience varying levels of market price volatility as well as reductions in tradability. As at 30 June 2012, 20 per cent. of the funds of the Group's life companies were invested in cash and cash equivalents. In addition, 1.3 per cent. of the funds of the Group's life companies are invested in certain alternative asset classes that have been subject to market price volatility and constrained liquidity, due to, among other things, actions taken by investment managers to limit redemptions of such investments and, in the case of property, the illiquid nature of that asset class. Although the Group has existing controls that aim to ensure the life companies have sufficient liquid resources to meet their payment obligations, any of them could be subject to a liquidity shortage or be impacted by having insufficient liquid assets to meet payment obligations in times of extreme or prolonged market turbulence, with potential material adverse consequences on the life companies affected and the wider Group.

Where the Group's life companies consider reductions in liquidity to be due to reasons other than the increased possibility of an absolute loss or default of the underlying investments, a portion of the increased spread on such investments is added to the discount rate at which future policyholder liability cash flows are valued, resulting in a reduction in the value of such policyholder liabilities. In extreme circumstances, the Group's life companies could be compelled to dispose of assets before the benefits of such "liquidity premiums" are realised. This would result in an upward reassessment of policyholder liabilities, with negative implications for the solvency of the impacted life company.

Decreases in prices of investment assets supporting policy liabilities may increase the incidence of policyholder complaints, the size of policyholder compensation payments, rates at which policyholders let their policies lapse and the rates at which policyholders redeem their policies before their maturity date. This could give rise to liquidity difficulties, especially where a high volume of surrenders coincides with a tightening of liquidity to the point where fund assets may have to be sold on disadvantageous terms to meet surrender requests. In addition, if a life company's assets are illiquid at such time, its ability to manage its asset allocation could be impeded, with potential material adverse consequences to that life company.

1.8 Competition, regulatory restrictions, the level of the Group's indebtedness and an inability to raise acquisition financing may make it difficult for the Group to grow by acquiring additional closed life fund companies and portfolios.

The Group's ability to acquire closed life fund companies and portfolios will depend upon a number of factors, including its ability to identify acceptable acquisition candidates, its ability to consummate

acquisitions on favourable terms, its ability to integrate acquired companies and portfolios successfully and the level of the Group's indebtedness and its ability to obtain financing to finance acquisitions and otherwise support growth. Additionally, the Group's ability to obtain required regulatory consents from the FSA and other relevant regulatory authorities (such as for transfers and internal fund mergers under Part VII of FSMA) would depend on, amongst other things, the financial condition of the Group and the life companies, the financial implications of any acquisition for new and existing policyholders and wider risks to policyholder security as a result of the financial condition of the Group.

There are other closed life fund consolidators as well as a number of other potential purchasers, including other insurance companies, banks, hedge funds and private equity firms. This may result in increased competition (and therefore prices paid) for acquisitions of closed life companies. External factors which influence sector participants' decisions to seek to dispose of their insurance interests could also impact the Group's ability to make acquisitions.

If the Group is unable to acquire additional closed life fund companies and portfolios in line with its strategy in the medium term this could have a material adverse effect on the Group's business, results, financial condition and prospects and may impact the Company's ability to pay dividends to Shareholders. In addition, in the absence of acquisitions in the medium term, the Group may consider reducing dividends at some point, taking account of a number of factors, including the run-off nature of the business.

1.9 Future acquisitions and disposals could have an adverse effect on the Group.

In connection with any future acquisitions, the Group may experience unforeseen difficulties as it integrates the acquired companies and portfolios into its existing operations. These difficulties may require significant management attention and financial resources.

In addition, future acquisitions involve risks more generally, including:

- diligence investigations not identifying material liabilities or risks within the acquired business or adequately assessing the value of the acquired business;
- difficulties in integrating the risk, financial, technological and management standards, processes, procedures and controls of the acquired business with those of the Group's existing operations;
- challenges in managing the increased scope and complexity of the Group's operations;
- triggering or assuming liabilities, including employee pension liabilities;
- failure to achieve anticipated benefits from acquisitions;
- distraction of management from existing businesses;
- unexpected losses of key employees of the acquired business;
- difficulties repaying acquisition and related financing costs; and
- changing the structure of the Group which may result in a reduction in brought forward tax losses.

If the Group decides to dispose of a company which it owns, or the business or assets of such a company, such as a block of annuities, there is no guarantee that it will find a purchaser for such a company, business or assets, or that a potential purchaser will have the same view of the value of such company, business or assets. In addition, significant acquisitions and disposals by the Group are likely to require the consent of the FSA and other relevant regulatory authorities as well as the consent of the Group's bank lenders and there can be no assurance that the Group would be able to obtain such consents. For further information on the restrictions placed on the Group under these credit facilities, see Part XIII: "Additional Information—Material Contracts—Credit Facilities". Any of these factors may mean that the Group is unable to realise the target value of such company, business or assets. In addition, any disposal of part of the Group's business could reduce the assets under management by the Group and as a result reduce the revenues of the Group's asset management business.

If the Group is unable to successfully meet the challenges associated with any future acquisitions or disposals, this could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.10 The Group's business is subject to risks arising from economic conditions in the UK and other markets in which it operates or in which its and its policyholders' investments are invested and from risks arising from the continuing global economic weakness, such as those associated with the Eurozone crisis.

The Group's business is subject to risks arising from general and sector-specific economic conditions in the markets in which it operates or invests, particularly the UK, in which the Group's earnings are predominantly generated and in which its and its policyholders' investments are predominantly invested. Although investment risks are often borne, in whole or in part, by its policyholders in accordance with the terms of the relevant policies, fluctuations in investment markets and the general rate of inflation will, directly and indirectly, affect the Group's financial position, including its embedded value, its capital requirements and its results, including the Group's asset management income, which is to a large extent driven by the value of underlying investments. Substantial decreases in the value of investments could lead to shareholder capital of the Group's life companies being required to meet obligations to policyholders and regulatory capital requirements and could restrict the ability of the Group's life companies to distribute dividends or release capital to service or pay down debt or to distribute to their shareholders, including the Company, which in turn may restrict the Company's ability to distribute dividends to Shareholders. Decreases in the value of investments could also require further capital to be held to cover pension scheme obligations.

In addition, in the event of a failure of a market participant, under the Financial Services Compensation Scheme ("FSCS"), the Group could be required to make contributions to compensate investors. For further information on the FSCS, see Part VI: "Regulatory Framework Overview—Regulation Applicable to the Group's Insurance and Asset Management Businesses—The Financial Services Compensation Scheme ("FSCS")".

The global economy and financial system have suffered considerable turbulence and uncertainty in recent years. Expectations concerning the performance of the global economy in the short to medium term remain uncertain. Furthermore, the global financial system has not yet overcome the difficulties that began in late 2008, when the first of several leading international financial institutions were declared insolvent. This dislocation had significantly impacted general levels of liquidity, the availability of credit and the terms on which credit is available. This crisis in the financial markets led the UK government and other governments to inject liquidity into the financial system and to require (and participate in) the recapitalisation of the banking sector to reduce the risk of failure of certain large institutions and provide confidence to the market. Although the impact of the crisis on insurers has not resulted in as many failures as in the banking sector, regulators have, following the outcome of the crisis, signalled a need for insurers to hold high quality capital.

Despite this intervention, the volatility and market disruption in the financial sector has continued. This market dislocation has been accompanied by recessionary conditions in many economies throughout the world, including the UK. Whilst the widespread and severe effects of the global financial crisis on economies throughout the world (including, but not limited to, business and consumer confidence, unemployment trends, the state of the housing market, the commercial real estate sector, equity markets, bond markets, foreign exchange markets, commodity markets, attitude to counterparty risk, consumer prices, the availability and cost of credit, lower transaction volumes in key markets, the liquidity of the global financial markets, market interest rates and market inflation rates) have already reduced, further volatility in financial markets could adversely affect the Group's profitability, lead to lower asset and other realisations and increase negative fair value adjustments and impairments of investments and other assets. There can be no assurance of a return to consistent economic growth or that there will not be further significant deteriorations in the UK and other economies to which the Group is exposed. Moreover, future economic growth may be modest for some time and may be insufficient to prevent unemployment rising further. The rate at which deterioration of the global and UK economies has occurred has proven very difficult to predict as will be the timing and extent of any further deterioration or any recovery.

Furthermore, the deterioration of the sovereign debt of several countries, including Greece, Italy, Ireland, Spain and Portugal, together with the risk of contagion to other, more stable, countries, particularly France and Germany, has exacerbated the global economic crisis. This situation has also raised a number of uncertainties regarding the stability and overall standing of the Euro. The growing risk that other Eurozone countries could be subject to an increase in borrowing costs and could face an economic crisis similar to that of Greece, Italy, Ireland, Spain and Portugal, together with the risk that some countries, albeit those with a relatively small gross domestic product, could leave the Eurozone (either voluntarily or

involuntarily), could have a negative impact on the Group's activities, just as the impact of these events on Europe and the global financial system could be severe.

The exact impact of market risks faced by the Group is thus difficult to predict and guard against in view of (i) the severity of the current Eurozone sovereign debt and credit crisis, (ii) difficulties in predicting the rate at which any further economic deterioration may occur, and over what duration, and (iii) the fact that many of the related risks to the business are totally, or partly, outside the control of the Group.

Economic conditions in the UK and other markets in which the Group operates or in which the Group's and its policyholders' investments are invested could therefore have a material adverse effect on the Group's business, results, financial condition and prospects.

1.11 Significant declines in equity markets, debt markets or property prices, or significant movements in swap yields relative to gilt yields, could have an adverse effect on the Group.

As at 30 June 2012, 53 per cent. of the funds of the Group's life companies were invested in government, supranational, corporate debt and other fixed income securities, 20 per cent. of the funds of the Group's life companies were invested in cash and cash equivalents, 19 per cent. of the funds of the Group's life companies were invested in equity securities and 2 per cent. of the funds of the Group's life companies were directly invested in property. In addition, 1.3 per cent. of the funds of the Group's life companies are invested in certain alternative asset classes that have been subject to market price volatility and constrained liquidity. Although policyholders bear most of the impact of falls in equity, debt and property values in accordance with the terms of their policies, significant decreases in the market prices of the Group's equity, debt and property investments could reduce the amounts available to fund its long-term policyholder obligations. This, in turn, could increase liquidity risks and could lead to shareholder capital of the Group's life companies being retained or shareholder capital available within the Group being required to be injected into the Group's life companies to meet obligations to policyholders and regulatory capital requirements. Further capital could also be required to cover the Group's pension scheme obligations.

Partly as a result of the ongoing adverse economic conditions discussed above, a number of countries currently have high levels of sovereign indebtedness. Concern over the ability of certain countries to service their sovereign indebtedness has resulted in an increase in the yield on new sovereign debt issued by certain countries which, in turn, has reduced the trading prices of their existing issued sovereign debt. To the extent that these concerns persist or worsen, yields on sovereign debt could rise and trading prices could fall further. In addition, there is a risk that certain countries default on their sovereign indebtedness or adopt inflationary policies which seek to reduce their real levels of indebtedness. Any of these factors could adversely affect the value of the Group's sovereign debt holdings.

Certain of the Group's with profit policies and a small number of the Group's unit linked policies offer guaranteed benefits. These policies increase the Group's financial exposure to declines in equity markets. The Group has implemented hedging arrangements which seek to protect it to an extent against declines in equity markets but not all exposure is hedged and it may not be possible or feasible to hedge such exposure in the future. To the extent that these exposures have not been hedged, declines in equity markets may result in the need to devote significant additional capital to support these policies.

The Group has significant exposure to investment risk in relation to the potential for lower earnings associated with the Group's asset management businesses and its unit linked business, where revenue is earned based on the fair value of the assets under management, generally as an ad valorem charge. As at 31 December 2011, Ignis Asset Management held 14 per cent. of its assets under management as equity securities and 74 per cent. as fixed income securities (including sovereign debt). Significant declines in equity markets and in the capital value of corporate bonds would negatively impact the value of assets under management and, as a result, management fee income earned by Ignis Asset Management.

Certain assets held by the Group, such as swaps, swaptions and other derivatives, move in line with swap yields whereas the Group's liabilities generally move in line with gilt yields. A change in the relative swap yields versus gilt yields could have an adverse effect on the Group's capital position and its embedded value. The Group has implemented hedging arrangements which seek to protect it to an extent against this potential change in relative yields but not all exposure is hedged and it may not be possible or feasible to hedge such exposure in the future. There is also a risk that under Solvency II the primary driver of the Group's liabilities may change to swap yields rather than gilt yields which could mean that the margin between swap yields and gilts yields could become the key driver in changes to the Group's capital position.

Uncertainty over this key driver of the liabilities adds a further risk for the Group as it may be desirable to hedge gilts to swaps at an inappropriate time leading to additional costs.

Any significant declines in equity markets, debt markets (including for sovereign debt) or property prices, or significant movements in swap yields relative to gilt yields, could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.12 The Group may be adversely affected by changes in interest and inflation rates.

The Group's exposure to interest rate and inflation risks relates primarily to the variability of market prices and cash flow of assets relative to liabilities associated with changes in interest and inflation rates.

The Group's obligations to pension schemes and policyholders vary as interest rates fluctuate as they are discounted based on the level of long-term interest rates. As a result, a reduction in long-term interest rates increases the amount of the Group's liabilities. The Group attempts to match a significant proportion of its liabilities with assets whose sensitivity to interest rates is the same as, or similar to, that of the underlying liabilities. However, to the extent that such asset-to-liability matching is not practicable or fully achieved, there may be differences in the impact of changes in interest rates on assets and liabilities, which could have a material adverse effect on the Group's business, results, financial condition and prospects. Changes to inflation rates could also have an adverse impact on the Group primarily as a result of increased pension scheme obligations.

The Group's with profit funds are exposed to additional interest rate risk as the funds' guaranteed liabilities are valued based on market interest rates, with the funds' investments including fixed-interest investments and derivatives. As a result, declines in interest rates could materially decrease the amount of distributions from the Group's with profit funds which are available to policyholders or Shareholders, and this could have a material adverse effect on the Group's business, results, financial condition and prospects.

As at 30 June 2012, the Group had bank debt outstanding, through its two main credit facilities, with a principal amount of £2,369 million, all of which bears floating rates of interest. The Group has implemented hedging arrangements which seek to protect it to an extent against interest rate fluctuations but not all borrowings are hedged and it may not be possible or feasible to hedge borrowings in the future. Increases in interest rates, to the extent not successfully hedged, may lead to material increases in the Group's interest payments, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

Due to the long-term nature of the liabilities of the Group's life companies, sustained declines in long-term interest rates may also subject the Group to reinvestment risks and increased hedging costs. Declines in credit spreads may also result in lower spread income. During periods of declining interest rates, issuers may prepay or redeem debt securities that the Group owns, which could force the Group to reinvest the proceeds at materially lower rates of return. This could, in the absence of other countervailing changes, cause a material increase in the net loss position of the Group's investment portfolio, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.13 The Group faces exposure to currency risks.

Certain of the Group's companies have exposure to financial assets that are not denominated in pounds sterling. Although the Group aims substantially to limit the foreign exchange exposure of its financial assets, the Group's operations are subject to currency transaction risks from assets in circumstances where the currency risk is imperfectly hedged. These risks are heightened by turbulence in financial markets, including the recent Eurozone sovereign debt and credit crisis which caused increased currency volatility and has raised a number of uncertainties regarding the stability and overall standing of the Euro.

The Group is also exposed to foreign currency translation risk. The Group's consolidated financial statements are stated in pounds sterling, whereas the revenues and expenses of parts of the Group's operations are earned and paid, and assets and liabilities held, in currencies other than pounds sterling. Foreign currency amounts are translated into pounds sterling at the applicable exchange rates for inclusion in the Group's consolidated financial statements. The exchange rate between these currencies and pounds sterling can fluctuate substantially.

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.14 If the Group's businesses do not perform in accordance with expectations, the Group may be required under IFRS to recognise an impairment of its goodwill or its present value of acquired in-force assets or to establish a valuation allowance against deferred tax assets, or it may be unable to use tax relief to offset tax on profits, any of which could have an adverse effect on the Group and/or lead to regulatory sanction.

The Group's results and financial position are consolidated in the Group's financial statements in accordance with IFRS. Upon the acquisition of subsidiaries and other businesses, the Group is required under IFRS to recognise any goodwill or other intangible assets, including the present value of in-force ("PVIF") business arising upon such acquisition. Goodwill represents the excess of the amounts the Group paid to acquire subsidiaries and other businesses over the fair value of their net assets at the date of acquisition. PVIF represents the net present value of the Group's interest in the expected pre-tax cash flows of the in-force business associated with an acquisition of a portfolio of insurance policies. Policies generally have expected lives of between five and 50 years and the PVIF assets are amortised over the period of the related contracts.

Under IFRS, the Group tests goodwill at least annually for impairment. For PVIF an impairment review is performed whenever there is an indicator of impairment. PVIF is also considered in the liability adequacy test for each reporting period. Impairment testing is performed based upon estimates of the fair value or value in use of the "cash generating unit" to which the assets relate. The cash generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows or other assets or groups thereof. The fair value or value in use of the cash generating unit is impacted by the performance of the business and could be adversely impacted by any efforts made by the Group to limit risk. If it is determined that goodwill or PVIF assets have been impaired, the Group will be required to write-down the goodwill or PVIF assets under IFRS by the amount of the impairment, with a corresponding charge to net income.

In addition, value is placed in the Group's MCEV on tax relief arising from the Group's financing. Existing tax attributes, such as brought forward tax losses, are also valued in the Group's IFRS accounts, MCEV and Pillar 2 valuations. The valuation of tax attributes in both MCEV and IFRS depends on, in particular, the Group's businesses generating profits against which the tax relief can be offset. If the Group's businesses do not perform in accordance with expectations, full value may not be obtained in respect of this tax relief, which could affect the net income and cash flows within the Group and the Group's ability to recognise deferred tax assets on its IFRS, MCEV and Pillar 2 balance sheet.

Such write-downs of goodwill or PVIF assets or the inability to use tax relief could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.15 The Group's valuations of many of its financial instruments include methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations.

As at 30 June 2012, the Group held 64.9 per cent. of its financial assets and investment property at fair value as debt securities, 15.9 per cent. of its financial assets and investment property at fair value as equity securities, 8.9 per cent. of its financial assets and investment property at fair value as holdings in collective investment schemes, 2.7 per cent. of its financial assets and investment property at fair value as holdings in investment property and 7.6 per cent. of its financial assets and investment property at fair value as derivatives, in its consolidated financial statements. 3.0 per cent. of the Group's financial assets carried at fair value were held as "Level 3 financial instruments" as at 30 June 2012, which is the category that, under IFRS, relies the most on management estimates. As at 30 June 2012, the Group had derivative assets of £5,098 million and derivative liabilities of £3,958 million, of which 0.5 per cent. of assets and 0.1 per cent. of liabilities are level 3 financial instruments. Determination of fair values is made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts.

During periods of market disruption, including periods of rapidly widening credit spreads or illiquidity, it has been, and will likely continue to be, difficult to value certain of the Group's investments, particularly if trading becomes less frequent or reliable market data becomes unavailable, as has occurred in certain markets in recent years. As such, valuations may include inputs and assumptions that are less observable or require greater estimation thereby resulting in values which may differ materially from the values at which the investments may be ultimately sold or realised. Further, rapidly changing credit and equity market conditions could materially impact the reported valuation of the Group's securities and the

period-to-period changes in value could vary significantly. The Group may have, in assessing the fair value of its assets, overvalued or undervalued some of those assets, which could result in it having managed those assets less efficiently than it would have otherwise or, in the case of assets that have been overvalued, result in those assets being written down in the future following sale or revaluation. Either of these could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.16 The Group needs to reduce the expenses of managing long-term business in line with the run-off profile of its funds. The inability to adjust these costs could have an adverse effect on the Group.

The Group's life companies, by their nature, are in long-term run-off. In order to protect with profit policyholder benefits and shareholder returns, it will be necessary to reduce the costs of managing the Group's long-term business at least in line with the run-off profile, which the Group partly does through the use of outsourcing arrangements. The Group is exposed to the risk that it may be unable to reduce costs proportionately or to adjust to an appropriate new balance of fixed and variable costs. This exposure could arise, for example, from deficient management, contractual restrictions, significant changes in the regulatory environment, material sector-specific inflationary pressures or an unexpected increase in policy lapses. The current expense assumptions for policy charges are based on anticipated governance costs and the underlying administration services contracts, whether with intra-group or external providers, and these assumptions may prove incorrect. An inability to adjust costs in line with the run-off profile of the Group's funds could therefore have a material adverse effect on the Group's business, results, prospects and financial condition.

1.17 Increases in liabilities relating to product guarantees may adversely affect the Group.

In the 1970s and 1980s, when interest rates were higher than they currently are or have been in recent years, UK life insurance companies (including the life companies within the Group) sold pension contracts that contained certain guarantees or options, including guaranteed annuity options ("GAOs") that allowed the policyholder to elect to take the lump sum payable upon the maturity of the pension and apply the funds to purchase an annuity at a minimum guaranteed rate. During the last decade, average interest and inflation rates have been lower and life expectancy has increased more rapidly than originally anticipated. As a result, the guaranteed rate applicable to these contracts in many cases is more favourable than annuity rates currently available in the market. There has been significant market concern in recent years as to the implications of such guarantees and options for reserving and bonus declarations.

The Group's life companies have existing liabilities relating to guarantees and options contained in policies, which are increased by adverse movements in interest rates, increasing life expectancy and the proportion of customers exercising their options. The Group has purchased derivatives that provide some hedge protection against movements in interest rates but not all such interest rate risk is hedged and it may not be possible or feasible to hedge such risks in the future. The Group is also exposed to counterparty risk in respect of such financial instruments. The most significant factors affecting the cost of these liabilities relative to the provisions made are the number of customers electing to exercise their option to take the more favourable annuity rates, the relative values of any hedge derivatives that may be maintained from time to time, interest rates and the longevity rates of annuity holders. The Group's business, results, financial condition and prospects may be materially adversely affected if such liabilities are significantly increased.

1.18 The Group may be adversely affected by third party reinsurers' unwillingness or inability to meet their obligations under reinsurance contracts, or potential variations and reductions in the nature and scope of cover through schemes of arrangement. In addition, the unavailability, adverse pricing and/or inadequacy of reinsurance arrangements may adversely affect the Group.

As an insurer, the Group, through reinsurance with third parties, seeks to reduce the losses that may arise from insurance risk (and, in particular, in relation to the Group's life companies, mortality, longevity and morbidity risk) that can cause unfavourable outcomes to its business. As a result, the Group has substantial exposure to reinsurers through reinsurance arrangements in relation to the Group's life companies. Under these arrangements, reinsurers assume all or a portion of the costs, losses and expenses associated with the reinsured policies' claims and reported and unreported losses in exchange for a premium, or as part of a sale arrangement. However, the Group's insurance companies remain liable as the direct insurer (or reinsurer) on all risks reinsured (or retroceded). Consequently, ceded reinsurance arrangements do not eliminate the Group companies' obligation to pay claims, and the Group's companies are subject to reinsurer credit risk with respect to their ability to recover amounts due from reinsurers. While the Group

regularly evaluates the financial condition of its reinsurers to minimise its exposure to significant losses from reinsurer defaults and insolvencies, reinsurers may become financially unsound or choose to dispute their contractual obligations when they become due. Reinsurers may also seek to "cut off" the obligations they owe under the reinsurances by "schemes of arrangement". A scheme of arrangement allows an insurer or reinsurer to achieve finality for their exposure to certain policies by giving creditors a fair valuation of ultimate liabilities (i.e., settling all known claims balances and Incurred But Not Reported balances). A scheme of arrangement may limit the benefit of reinsurance protections and ultimately the amount available to pay out subsequent claims.

In addition, market conditions beyond the Group's control determine the availability and cost of the reinsurance that the Group is able to purchase in the event that the existing reinsurance arrangements prove to be insufficient. Historically, reinsurance pricing has changed significantly from time to time. No assurances can be given that reinsurance will remain continuously available to the Group to the same extent and on the same terms as are currently available or which were available at the time that the current arrangements were established. If the Group were unable to maintain its current level of reinsurance or purchase new reinsurance protection in amounts that the Group considers sufficient and at prices that it considers acceptable, the Group would have to either accept an increase in its net liability exposure or develop other alternatives to reinsurance. In addition, many of the larger reinsurance assets cover business which, as part of the relevant reinsurance arrangement, is managed and administered entirely by the reinsurer, with little ability of the reinsured company to influence the management thereof.

Third party reinsurers' unwillingness or inability to meet their obligations under reinsurance contracts, or potential variations and reductions in the nature and scope of cover through schemes of arrangement and the unavailability, adverse pricing or inadequacy of reinsurance arrangements could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.19 The Group's ability to raise debt and equity financing in the future and its dealings with counterparties may be negatively impacted by perceptions about the Group.

On 25 April 2009, PGH1 deferred the coupon payments on its Tier 1 Bonds. This deferral was permitted by the terms of the agreements governing the Tier 1 Bonds. On 22 April 2010, proposals to amend the terms of the Tier 1 Bonds were approved by a meeting of bondholders, including the pro rata reduction of outstanding principal amount from £500 million to £425 million. As a result of this approval, the 2010 coupon was paid and an undertaking was given to satisfy the 2009 deferred coupon by the end of 2010. This was effected by means of a placing of Ordinary Shares in October 2010. For further information on the Tier 1 Bonds, see Part XIII: "Additional Information—Material Contracts—Tier 1 Bonds".

The deferral and pro rata reduction of principal created a negative impression of the Group. Negative impressions in relation to the Group's creditworthiness and finance arrangements could limit its ability to raise debt and equity finance in the future. There are also potential adverse implications for dealings with other market counterparties where the perception of the Group's creditworthiness has been damaged.

In addition, the Group's ability to raise additional significant amounts of equity finance in the future is likely to require the consent of Shareholders holding at least 75 per cent. of the votes to be cast at an extraordinary general meeting of the Company. Consequently, Och-Ziff, the TDR Capital Entities and the Sun Capital Entities, and any other significant shareholders following the Capital Raising, may be in a position to exert significant influence over the ability of the Company to raise substantial amounts of equity finance or determine the outcome of any such proposal to be voted on by Shareholders.

Any of the factors described above could have a material adverse effect on the Group's business, results, financial condition, liquidity and prospects.

1.20 Periods of underperformance could lead to disproportionate redemptions in the funds of the Group's asset management business or a decline in the rate at which the business acquires additional assets under management and the performance of the Group's asset management business may be adversely affected by mismanagement of client assets or liabilities and the loss of key investment managers.

If investment performance of the Group's asset management business represents underperformance relative to other asset management firms, existing clients may decide to reduce or liquidate their investments or transfer mandates to other asset managers and the Group may be unable to attract new asset management clients. In addition, a change in the nature of clients' requirements may also result in an increase in redemptions or a reduction in the number of new mandates. An increase in redemptions or

clients transferring mandates to other asset management firms, or the reduction in asset management mandates that the Group is able to attract, could have a material adverse effect on the Group's results, financial condition and prospects.

The Group's asset management business generates a substantial part of its income from investment mandates from the Group's life companies. The Group's life companies could withdraw their mandates or decide not to award additional mandates for regulatory or other reasons, which could significantly reduce the value of the Group's asset management business, with potential material adverse consequences for the Group's business, results, financial condition and prospects. In addition, the investment management mandates between the Group's life companies and the Group's asset management business include performance fee conditions. The Group's asset management business generates a significant part of its income from these performance fees which would be lost if investment performance was poor in relation to the performance metrics agreed in the investment mandates.

The Group's asset management business is also subject to risks associated with the process of managing client assets and providing asset and liability management services, such as the risk of failure to manage the investment process or execute trading activities properly which could lead to poor investment decisions, incorrect risk assessments and poor asset allocation, the wrong investments being bought or sold and incorrectly monitoring exposures. A failure to achieve competitive investment returns on clients' assets or to manage their interest rate and liquidity risks effectively could lead to the loss of clients or a liability for the Group to pay compensation, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

In addition, if the Group loses any of its key investment managers, it may also lose certain investment management mandates and funds or be "put on hold" by consultants and other controllers of investments, making the retention and winning of mandates and funds more difficult.

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.21 Various new reforms to the legislation and regulation relating to the UK life insurance and asset management industries have been proposed that could adversely affect the Group.

The European Commission is continuing to develop the new Solvency II prudential framework for insurance companies. This framework will update, among other things, the existing EU life, non-life, reinsurance and insurance groups directives. The scope of the Solvency II project is wider than Basel 2. It will contain rules, many of which are new. For further discussion of Solvency II, see Part VI: "Regulatory Framework Overview—Additional Regulation of Insurance Business—New EU solvency framework equivalence consideration".

The Solvency II directive containing the outlines of the above regime was formally adopted in November 2009. Due to ongoing development of the proposals and the entry into force of the Lisbon Treaty, a series of amendments to the original Solvency II directive and the other legislations are currently in the process of promulgation by way of a new directive known as the Omnibus II directive. The vote of the European Parliament on the final version of the Omnibus II directive has been rescheduled for 10 June 2013. This plenary vote is expected to lead to a final text, enabling consultation on more detailed level 2 rules and non-binding standards and guidance at level 3 of the regulatory rule-making process.

The FSA published a discussion paper in September 2008 and a feedback statement setting out its expectations as to how firms should prepare for the transition to the new regime. This has been followed up by further publications including Consultation Paper 11/22 "Transposition of Solvency II Part 1" and Consultation Paper 12/13 "Transposition of Solvency II Part 2". These are the first two of three planned consultations, on the transposition of the Solvency II directive. Additionally, also in November 2011, HM Treasury published its consultation on the proposed amendments to make UK legislation consistent with Solvency II, "Consultation on Solvency II".

The Group is actively monitoring proposals as they develop and participates in feedback provided from the industry to the regulators. The Directors expect Solvency II to result in an improved understanding of the link between risk and capital management and welcome the increased focus on risk management that Solvency II will bring. The Group is involved with the Association of British Insurers and other UK insurers through membership of Solvency II working groups with a view to ensuring that the final specifications are appropriate for the UK insurance market.

There remains considerable uncertainty regarding the technical basis for the valuation of long term insurance products. An impact analysis has been initiated by the European Commission to explore the impact of alternative technical bases and which is due to be published in the first half of 2013. The results and conclusions from this analysis may influence the development of the specifications of Solvency II and this leads to significant uncertainty regarding the overall financial impact of Solvency II on the Company.

The FSA has also indicated that, due to continuing uncertainties over the timetable for the introduction of Solvency II, it will work with the industry to enhance the existing Pillar 2 ICA regime to an "ICA+" regime leveraging the investments firms have made preparing for Solvency II. The details of the ICA+ regime, the timescale for its implementation and the ultimate transition to Solvency II are currently unknown.

In addition, the Solvency II framework includes specific provision for supervision of groups in which the parent has its head office outside the EEA. This applies to the Company, as its head office is in Jersey. The treatment of such groups to the Solvency II regime depends on whether the jurisdiction in which the parent has its head office is determined to have an equivalent regime to the Solvency II regime. Jersey is not currently seeking to be treated as equivalent. In such circumstances, the Group could be required to be treated as an EEA group in its entirety unless the FSA, in exercise of a discretion under the Solvency II directive, elects to regulate at the level of a sub-group within the EEA. The Group expects to seek continuation of the current position whereby capital is calculated at the EEA parent level (i.e. PLHL) but confirmation that this will be maintained has not currently been obtained. If such confirmation cannot be obtained, the Group may be supervised as if it were an EEA group. This could, among other things, result in the group regulatory capital calculation under Solvency II having to be performed at the Company level. This could bring the Group's external bank debt into the calculation and as a result, the Group may have to retain significantly more capital and consequently may not be able to meet its group capital requirements without restructuring.

In addition, on 1 July 2011, the European Commission published the final text of the AIFM Directive which applies to a wide variety of EU entities that provide investment management services to alternative investment funds ("AIFs"). The AIFM Directive entered into force on 21 July 2011 and will need to be implemented in EU Member States by 22 July 2013. Investment firms which manage AIFs will be subject to additional regulatory capital charges and will have to comply with various new conduct of business rules governing AIFs. Authorised AIF managers will also need to ensure that for each AIF they manage, the investment strategy and the liquidity profile are consistent with the objectives and the risk profile of the AIF, as well as ensuring that appropriate and consistent procedures are established for the valuation of assets. The AIFM Directive also provides that all AIFs managed by authorised AIF managers will be required to have an authorised depositary to receive all subscriptions and hold all financial instruments of the AIF. Authorised AIF manager's remuneration policies for key staff will be required to align compensation to performance and risk management together with containing restrictions on guaranteed bonuses and requirements to defer payments of variable remuneration. The implementation of the AIFM Directive will require amendment to a range of legislation and the additional restrictions could have a significant impact on the Group's asset management business.

In addition, in the UK, the FSA has adopted a regime of "principles-based", or "outcomes-based", regulation of the financial services industry. Principles-based regulation involves a greater degree of reliance on broadly stated, high level principles to set the standards by which regulated firms must conduct business, rather than on more detailed rules. In terms of compliance, there is a greater need for regulated firms, such as the Group, to make qualitative judgments for themselves and to integrate their compliance and business processes. Firms are expected to use the principles to form an ethical business culture, which is intended to ensure that any gaps in the rules-based regime are dealt with. The FSA has also responded to the recent financial crisis, and the financial problems experienced by a number of financial institutions, by announcing a more intensive and intrusive regulatory approach and there are additional changes and uncertainties as a result of the forthcoming "twin peaks" model of regulation, where the FSA will split into the Prudential Regulatory Authority covering prudential matters and the Financial Conduct Authority covering conduct matters. The FSA has also been adopting a more aggressive enforcement approach with a view to achieving credible deterrence. Although the Group is generally not subject to regulatory risks relating to the sale of new policies, the uncertainties of principles-based regulation, coupled with a more intensive regulatory and enforcement approach from the FSA, may result in an increased risk of regulatory intervention in the business of the Group, including the attribution or distribution of its funds.

Any of the above could have a material adverse effect on the Group's business, prospects, results and financial position.

1.22 If the legislation or regulation to which Group companies are subject in a wide range of areas and in a wide range of jurisdictions are amended or interpreted and applied in a new way, the Group may be adversely affected.

The legislation and regulation affecting members of the Group govern matters with respect to a wide range of areas and in a wide range of jurisdictions. In particular, Group companies are subject to applicable law and regulation, both within the UK (principally by the FSA) and internationally in Hong Kong, Ireland, Luxembourg, Guernsey and Jersey and to applicable laws in the US. Certain Group companies are also subject to applicable law in the Cayman Islands. The FSA is the most significant of these regulators in respect of the Group's regulated companies, although other regulators have powers and responsibilities that may affect the Group's operations within each such regulator's jurisdiction. In particular, Opal Re, a Group company and reinsurer for certain of the Group's life companies, is subject to regulation under the laws of Bermuda and the rules of the Bermuda Monetary Authority (the "BMA").

The Group's activities and strategies are based upon prevailing law and regulation. Changes in, and differing interpretation and application of, law and regulation could have a detrimental effect on the Group, including through the imposition of additional compliance costs. Changes in governmental policy, such as in relation to government pension arrangements and policies, could also have an adverse impact on the Group.

Any of the above could have a material adverse effect on the Group's business, prospects, results and financial position.

1.23 The Group is subject to ongoing FSA supervision and to potential FSA (and other regulator) intervention on industry-wide issues and to other specific investigations, reports and reviews relating to the Group.

In preparation for the "twin peaks" model where FSA will split into the Prudential Regulatory Authority (the "PRA") covering prudential matters and the Financial Conduct Authority (the "FCA") covering conduct matters, the FSA has split into the Conduct Business Unit (the "CBU") and the Prudential Business Unit (the "PBU"). Both business units operate independently but are coordinated in their approach. The Group is subject to ongoing supervision by both the CBU and the PBU. During 2012, the FSA's CBU undertook an "Advanced Risk Responsive Operating Framework", or ARROW, review of the conduct matters of the Group. ARROW is the primary means by which the FSA assesses the risks to its statutory objectives posed by FSA regulated entities. The outcome of the FSA's CBU ARROW review of the Group was encapsulated in a Risk Mitigation Programme on the Group. During 2012, the FSA's PBU undertook a series of Financial Risk Reviews on the prudential matters of the Group. The FSA's PBU concluded their risk assessment on 31 December 2012 and a Risk Mitigation Programme on prudential matters on the Group will be provided to the Company.

In addition to the ARROW process, the FSA, in carrying out its supervisory role, may undertake, or procure, other reviews or processes (including skilled persons reports under section 166 of FSMA) in respect of authorised firms, including in respect of the Group. The FSA has indicated a move to more intensive supervision and that the incidence of the use of such reviews and processes is likely to increase. The Group has been and expects to be subject to such reviews or processes from time to time. The outcomes of such reviews and processes may range from no action being required, through recommendations for actions by the Group to enforcement action and public censure.

From time to time, there are issues and disputes that arise from the way in which the insurance industry has, for example, sold or administered an insurance policy or otherwise treated policyholders, either individually or collectively. Typically, for individual policyholders, these issues and disputes are resolved by the UK Financial Ombudsman Service (the "FOS"), the equivalent non-UK body or by litigation. However, where larger groups or matters of public policy are concerned, the FSA or a non-UK regulator may intervene directly.

For example, in recent years, the FSA has intervened directly in industry-wide issues, such as the sale of personal pensions, the sale of mortgage-related endowments, the Treating Customers Fairly ("TCF") initiative and investments in split capital investment trusts. By way of example, the TCF initiative has been an increasing focus of FSA activity in recent years. In response to high-profile regulatory failures and a perceived divergence between the sophistication of financial products and the financial literacy of consumers, the FSA has increased its emphasis on the need for consumer protection. In particular, the FSA has stated that its approach to TCF will be governed by high-level principles rather than a strict interpretation of the FSA rules. Consequently, the failure by a financial services firm to implement a TCF policy aligned with the FSA's approach and to develop its TCF policy in response to changes in the FSA's

approach, may lead to enforcement action by the FSA. Assertions by policyholders that their interests have been adversely affected by actions taken by the Group, or that they have otherwise been treated unfairly, may also lead to enforcement action by the FSA.

The FSA may identify future industry-wide mis-selling or other issues or engage in other reviews that could affect the Group such as reviewing its approach to the basis or timing of distribution of closed life funds, the attribution and/or distribution of surplus assets or the extent to which the administration of products match the terms originally indicated to policyholders at purchase. This may lead from time to time to:

- significant direct costs or liabilities for the Group's life companies; and
- changes in the Group's practices which benefit policyholders at a cost to Shareholders.

In addition to the FSA, certain of the Group's life companies are regulated in foreign jurisdictions resulting in potential policyholder claims and regulatory intervention in those jurisdictions on a similar basis in respect of non-UK regulations.

The FOS exists to resolve disputes involving individual or small business policyholder disputes. While decisions are not currently made public, applicants may pursue customary legal remedies if decisions of the FOS are considered unacceptable. From time to time, decisions taken by the FOS may, if extended to a particular class or grouping of policyholders, have a material adverse effect on the Group's business, results, financial condition and prospects. In addition to the FOS, certain of the Group's life companies are subject to foreign regulation and may fall under the jurisdiction of a non-UK body similar to the FOS.

In addition to the Group proactively changing its practices and procedures in response to industry-wide developments and trends, reports, reviews, interventions and investigations by the FSA, FOS and other regulators and bodies such as those described above, whether relating to the Group specifically or to the industry generally, could disrupt the Group's ability to operate its business, could increase compliance costs or restrict the Group's ability to extract projected cash flows from the life companies, and could as a result or more generally have a material adverse effect on the Group's business, results, financial condition and prospects.

In addition enforcement action taken by the FSA, which could include the imposition of fines, public censure or the withdrawal or variation of permission to undertake regulated activities, either alone or together with any consequential reputational damage, could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.24 The Group is vulnerable to adverse market perception arising as a result of reputational damage, especially as it operates in a highly regulated industry.

The Group must display a high level of integrity and have the trust and the confidence of its customers and their advisers. Any mismanagement, fraud or failure to satisfy fiduciary responsibilities, or any negative publicity resulting from the Group's activities, the activities of a third party to whom the Group has licensed its brands or has outsourced any services, or any accusation by a third party in relation to the Group's activities (in each case, whether well founded or not) that is associated with the Group or the industry generally (such as those that arose in respect of mortgage endowments or split-capital investment trusts), could have a material adverse effect on the Group's results, financial condition and prospects, including:

- reducing public confidence in the Group;
- decreasing its ability to retain current policyholders;
- adversely affecting the willingness of insurance companies to sell closed-book companies or portfolios to the Group;
- increasing the likelihood that the FSA or non-UK regulators will not approve acquisitions or intragroup consolidations of closed-book companies or portfolios or will subject the Group to closer scrutiny than would otherwise be the case;
- increasing costs of borrowing, including in debt capital markets transactions; and
- adversely affecting the Group's ability to obtain reinsurance or to obtain reasonable pricing on reinsurance.

There have been a number of highly publicised cases involving fraud or other misconduct by employees in the financial services industry in recent years. It is not always possible to deter or prevent employee misconduct and the precautions the Group takes to prevent and detect this activity may not be effective in

all cases. The Group, therefore, runs the risk that employee misconduct could occur, with possible adverse effects on the Group as set out above.

Within Ignis Asset Management, different funds may be managed by the same manager or team. There is a risk that the manager or team may devote more time to those funds which provide higher remuneration either through the base fee or performance fee arrangements. Ignis Asset Management could suffer reputational damage or potential regulatory liability if its procedures and systems to detect such conflicts of interest fail or it fails to deal appropriately with such conflicts of interest, with the possible adverse effects on the Group set out above.

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.25 The Group's success will depend upon its ability to attract, motivate and retain key personnel.

The continued success of the Group will depend on its ability to attract, motivate and retain highly skilled management and other personnel, including actuaries, portfolio and liability managers, analysts and executive officers. Competition for qualified, motivated and skilled personnel in the life insurance and asset management industries remains significant. Moreover, in order to retain certain key personnel, the Group may be required to increase compensation to such individuals, resulting in additional expenses.

If the Group is unable to attract, motivate and retain key personnel, its business, results, financial condition and prospects could be materially adversely affected.

1.26 The Group may in the future need to change the basis under which it reports its embedded value.

European-listed life insurance companies generally publish embedded value information to supplement their financial information prepared in accordance with IFRS. The Group, as well as most European-listed insurance companies, looks to principles or guidelines adopted by the European Insurance CFO Forum (the "CFO Forum") for guidance in reporting embedded value. While in April 2011 the CFO Forum withdrew the assertion that all members of the CFO Forum that report embedded value adopt the European Insurance CFO Forum Market Consistent Embedded Value Principles (Copyright© Stichting CFO Forum Foundation 2008) (the "MCEV Principles") by 31 December 2011, the CFO Forum remains committed to the publishing of supplementary embedded value information in the context of Solvency II. The Group will keep under review its approach to the embedded value reporting in this context. If the Group follows any new principles promulgated by the CFO Forum, this may result in a restatement of reported embedded value results and change the reporting basis of future results. Accordingly, future reported embedded value information may be materially different, or may be prepared in a materially different manner, than the information contained in this Prospectus. The extent to which the Group currently complies with the CFO Forum's MCEV Principles is set out in the notes to the MCEV supplementary information incorporated by reference to this Prospectus. See Part VII: "Embedded Value Information".

1.27 The Group's risk management policies and procedures may not be effective and may leave the Group exposed to unidentified or unexpected risks.

The Group's policies, procedures and practices used to identify, monitor and control a variety of risks may fail to be effective. As a result, the Group faces the risk of losses, including losses resulting from human error, the payment of incorrect amounts to policyholders due to incorrect administration, market movements and fraud. The Group's risk management methods rely on a combination of technical and human controls and supervision that can be subject to error and failure. Some of the Group's methods of managing risk are based on internally developed controls and observed historical market behaviour, and also involve reliance on industry standard practices. These methods may not adequately prevent future losses, particularly if such losses relate to extreme market movements, which may be significantly greater than the historical measures indicate. These methods also may not adequately prevent losses due to technical errors if the Group's testing and quality control practices are not effective in preventing technical software or hardware failures.

Ineffective risk management policies and procedures may have a material adverse effect on the Group's business, results, financial condition and prospects.

1.28 If the Group experiences difficulties arising from outsourcing relationships, its ability to conduct business may be compromised.

The Group's life companies outsource almost all of their key customer service, policy administration, accounts collection, human resource payroll and administration and information technology functions to third party providers under formal outsourcing arrangements. The Group's principal outsourcing relationships include those with Capita Business Services Limited, Capita Life & Pensions Regulated Services Limited, Diligenta Limited (a subsidiary of Tata Consultancy Services), HCL Insurance BPO Services Limited, HSBC Bank Plc ("HSBC") and Percana International Managed Services Limited. If the Group does not effectively develop, implement and monitor its outsourcing strategy, third party providers do not perform as anticipated or the Group experiences problems with a transition of outsourcing arrangements, the Group may experience operational difficulties, increased costs, reputational damage and a loss of business that may have a material adverse effect on the Group's business, results, financial condition and prospects. In addition, the failure or insolvency of, or inability to provide the relevant services by, one or more of the Group's service providers could have a material adverse effect on the Group's ability to sustain its ongoing operations, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.29 Legal and arbitration proceedings could cause the Group to incur significant expenses, which could have an adverse effect on the Group.

From time to time, the Group is party to various legal and arbitration proceedings (including the matters discussed in Part XIII: "Additional Information—Legal and Arbitration Proceedings"), in some of which monetary damages are sought. The Group's management cannot predict with certainty the outcome of any pending legal and arbitration proceedings or potential future legal and arbitration proceedings, and the Group may incur substantial expense in pursuing or defending these proceedings. Potential liabilities may not be covered by insurance, the Group's insurers may dispute coverage or may be unable to meet their obligations, or the amount of the Group's insurance coverage may be inadequate. Moreover, even if claims brought against the Group are unsuccessful or without merit, the Group would have to defend itself against such claims. The defence of any such actions may be time consuming and costly, may distract the attention of management and potentially result in reputational damage. As a result, the Group may incur significant expenses and may be unable to effectively operate its business. Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.30 Changes in accounting and other assumptions driven by experience and estimates may lead to increases in the level of provisioning or additional provisions being made in respect of a range of actual, contingent and/or potential liabilities including, but not limited to, tax.

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. Where the Group has a present legal or constructive obligation, but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability. Provisions held by the Group, including those relating to tax, may be subject to estimates and may prove inadequate or inaccurate resulting in a material liability. Liabilities may also arise where no provision has been made. In particular, there is a time lag between acquisitions, disposals and other corporate transactions undertaken by the Group and the review of their tax treatment by HM Revenue & Customs ("HMRC"). While significant transactions are discussed with HMRC in "real-time", in some cases formal confirmation of HMRC's position cannot be obtained until the relevant tax returns are submitted.

1.31 The Group has a number of significant change programmes underway across the life and asset management businesses. If it is unable to manage the level of change efficiently and effectively there is a risk of an adverse effect on the Group.

The Group has announced a number of significant restructuring programmes. These include the delivery of the Actuarial Systems Transformation programme, changes required in preparation for the Solvency II prudential framework, the outsourcing by Ignis Asset Management of investment administration and other related back office administration services to HSBC and the reorganisation of certain of the Group's outsourcing relationships.

During this period of change there is a risk that the Group's framework of control, compliance and risk management may be weakened which could have a material adverse effect on the Group's business, results, financial conditions and prospects.

1.32 The Group may be required to make further contributions, in addition to those already agreed, to its defined benefit pension schemes for employees if the value of pension fund assets is not sufficient to cover future obligations under the schemes.

The Group operates several different pension schemes. The two main pension schemes are the pension scheme covering the past and present employees of the Group prior to the acquisition of the Resolution Group (the "Pearl Group Staff Pension Scheme") and the pension scheme covering the past and present employees of Impala's subsidiaries (the "PGL Pension Scheme"). Each of those two schemes has both defined benefit and defined contribution sections. The defined benefit sections of each scheme are closed to new entrants and contain no active members. Further information on the schemes is given in Part XI: "Directors, Corporate Governance and Employment Matters—Pensions" and Part XIII: "Additional Information—Material Contracts—Pearl Group Staff Pension Scheme Agreements".

If the pension schemes were to be wound up the relevant employing companies would be responsible, under section 75 of the UK Pensions Act 1995, for funding the pension schemes up to the level of the cost of buying out the benefits for all scheme members with an insurer. This cost would be considerably more than the value placed on the liabilities while the schemes are ongoing.

Funding obligations (on a share of the buy-out basis) can also arise under section 75 of the UK Pensions Act 1995 if an employer ceases to participate in the pension schemes (e.g., on a corporate disposal) while another employer continues to participate. Unless an alternative arrangement is agreed with the pension trustees, any such section 75 debt would be by reference to the ceasing employer's share of the total buy-out debt. The scale of any such section 75 debt may restrict the ability of the Group to enter into business disposals involving employers participating in the defined benefit pension schemes.

The pension schemes' trustees are required to undertake triennial valuations of the schemes and agree with the Group statutory funding plans, although the trustees are free to call for a further valuation on an earlier date if they see fit. The interaction of, among other things, increased life expectancy, poorly-performing equity markets and low interest rates over the past several years has had a significant negative impact on the funding levels of the Group's pension schemes. This has materially increased the Group's funding obligations in respect of the pension schemes. Any future decline in the value of scheme assets, changes in mortality and/or morbidity rates, future changes in interest rates, changes in inflation rates or changes in the current investment strategies of the pension schemes could increase or contribute to the pension schemes' funding deficits and require the Group to make additional funding contributions in excess of those currently expected.

A triennial valuation for each scheme as at 30 June 2012 is currently underway. The initial estimate prepared by the actuary for the Pearl Group Staff Pension Scheme is that the deficit as at 30 June 2012 was £480 million, on the agreed technical provisions basis. The initial estimate prepared by the actuary for the PGL Pension Scheme is that the deficit was £64 million as at 30 June 2012, using the technical provisions basis underlying the 2009 valuation (updated for market conditions as at 30 June 2012). The Group has until the end of September 2013 to agree the technical provisions basis for the triennial valuation as at 30 June 2012 and a revised level of contributions for the PGL Pension Scheme. The trustees of the Pearl Group Staff Pension Scheme and PGH2 entered into the 2012 Pensions Agreement on 27 November 2012 under which the trustees agreed the technical provisions basis to be used for the 30 June 2012 valuation and have agreed that the contributions payable to the scheme following completion of that valuation will be as set out in the 2012 Pensions Agreement. The key terms of the 2012 Pensions Agreement are summarised at Part XIII: "Additional Information—Material Contracts—Pearl Group Staff Pension Scheme Agreements".

The Pensions Regulator has statutory powers in some circumstances to require persons connected or associated with an employer (such as other companies within the Group) to contribute to or otherwise support the pension schemes. The Pensions Regulator also has statutory powers to intervene in pension scheme funding, if the employers and trustees fail to reach agreement or if it is not satisfied that the statutory funding plans will eliminate the funding deficit in a timely manner.

1.33 If the Group is unable to maintain the availability of its systems and safeguard the security of its data, including customer data, due to accidental loss, the occurrence of disasters or other unanticipated events, its ability to conduct business may be compromised, which may have an adverse effect on the Group.

The Group uses computer systems to store, retrieve, evaluate and utilise customer and company data and information. The Group's computer, information technology and telecommunications systems, in turn, interface with and rely upon third party systems, including those of third party outsourced service providers. The Group's business is highly dependent on its ability, and the ability of certain third parties, to access these systems to perform necessary business functions, including, without limitation, processing premium payments, making changes to existing policies, filing and paying claims, administering annuity products, providing customer support and managing the Group's investment portfolios. Systems failures or outages could compromise the Group's ability to perform these functions in a timely manner, which could harm its ability to conduct business and hurt its relationships with its business partners and customers. In the event of a disaster, such as a natural catastrophe, an industrial accident, a blackout, a computer virus, a terrorist attack or war, the Group's systems may be inaccessible to its employees, customers or business partners for an extended period of time. The Group's systems could also be subject to physical and electronic break-ins, and subject to similar disruptions from unauthorised tampering. In addition, the Group is also subject to the accidental loss of data by its employees or outsourced service providers, which could expose the Group to potential liabilities and could hurt its relationships with its business partners and customers. The factors described above may impede or interrupt the Group's business operations or lead to unauthorised disclosure or loss of data or data corruption, including customer data, which could lead to potential liabilities and damage the Group's reputation. Further, because of the long-term nature of much of the Group's life companies' businesses, accurate records have to be maintained for significant periods.

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.34 The Group has exposure for claims under the Group's legacy general insurance business.

The Group formerly wrote a variety of property and casualty insurance business, which has all been placed into run-off. The Group retains residual exposure to some of this business, and for some years the Group's strategic intent has been to proactively settle these legacy claim liabilities and dispose of them by way of solvent scheme, retrocession, statutory transfer or sale. The Group's remaining general insurance business liability exposure amounts to approximately £34 million of claims reserves, net of reinsurance and discounting, as at 31 December 2011. Although the Group aims to hold prudent reserves against its residual exposure, including Incurred But Not Reported reserves, much of the Group's remaining legacy general insurance exposure relates to asbestos, pollution, environmental and health hazard liabilities that are long-tail in nature given that it may take many years for a policyholder's injury or harm to become known and the attendant uncertainties regarding what circumstances gave rise to the claim and who should pay. Therefore, there is a risk that the Group's current reserves may be inadequate to cover future claims payments under its legacy general insurance business, and that the Group may need to devote additional capital to support these policies, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.35 Changes in taxation law may adversely impact the Group.

UK and overseas taxation law includes rules governing company taxes, business taxes, personal taxes, capital taxes, value added taxes and other indirect taxes. The Group's management cannot predict accurately the impact of future changes in UK and overseas tax law on its business. From time to time, changes in the interpretation of existing UK and overseas tax laws, amendments to existing tax rates, changes in the practice of tax authorities, or the introduction of new tax legislation in the UK or overseas may adversely impact the Group's results, financial condition and prospects.

There are specific rules governing the taxation of policyholders. The Group's management cannot predict accurately the impact of future changes in tax law on the taxation of life and pension policies in the hands of policyholders. Amendments to existing legislation (particularly if there is a withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules may impact upon the decisions of policyholders, and could have a material adverse effect on the Group's results, financial condition and prospects.

UK and overseas legislation governs the taxation of life companies and changes to this legislation might adversely affect the Group. In particular, the introduction of the new tax rules for life companies introduced in the UK Finance Act 2012 will have a significant impact on the Group's life companies. The new rules, which came into effect on 1 January 2013, have moved away from the FSA regulatory return as the basis of taxation for life companies, whose taxable profits are now instead based on their IFRS accounts. The Group has performed an indicative calculation of the impact of the transition to the new rules on the life companies, based on financial information for the year ended 31 December 2011 but incorporating material movements in reserves to the half year ended 30 June 2012. This calculation indicates that the move to the new tax regime should not have a material impact on the life companies' tax position. However, there are features of the new rules which could increase the volatility of the cash tax payable by the Group.

Changes to tax law could have a material effect on the Group's ability to manage its tax profile, which in turn could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.36 The effect of future changes in tax legislation on specific products may have an adverse effect on the Group and may lead to policyholders attempting to seek redress where they allege that a product fails to meet their reasonable expectations.

The design of long-term insurance products is predicated on tax legislation applicable at that time. However, future changes in tax legislation or in interpretation of the legislation may, when applied to these products, have a material adverse effect on the financial condition of the relevant long-term funds of the relevant Group companies in which the business was written and therefore have a material negative impact on policyholder and Group returns.

The design of long-term products takes into account, among other things, risks, benefits, charges, expenses, investment returns (including bonuses) and taxation. Policyholders may seek legal redress where a product fails to meet their reasonable expectations. An adverse outcome of such litigation and reputational damage arising out of such litigation could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.37 Changes to the current VAT rules may result in VAT being chargeable on certain outsourcing agreements of the Group.

Group companies currently do not pay significant amounts of VAT in respect of services they receive under their outsourced services agreements for policy administration. If the amount of VAT payable were to increase then this would increase the Group's costs to the extent that the relevant agreements did not contain adequate protection against VAT being charged or increased. VAT charged on goods and services is largely irrecoverable for financial services groups such as the Group.

VAT is currently reduced or not charged on services under the outsourced services agreements on the basis that the services are exempt under the insurance intermediaries' exemption. However, this is subject to possible change. The European Commission has adopted proposals for a directive and regulation that would change the existing rules in relation to the insurance intermediaries' exemption, and these now need to be agreed unanimously by the EU Member States, after consultation by the European Parliament. While it is considered likely that the existing insurance intermediaries' exemption will be changed, it is not currently possible to predict with any accuracy when the changes are likely to be agreed, how the changes will be implemented in UK law nor whether HMRC will change its practice prior to such changes coming into effect. If any such changes are effected, this may lead to the conclusion that services under the Group's outsourced services agreements for policy administration would be treated as subject to VAT. Although certain of the outsourced services agreements have a measure of protection against such changes, since VAT is largely irrecoverable by the Group, such treatment could have a material adverse effect on the Group's business, results, financial condition and prospects.

1.38 The Company may become resident in the UK for tax purposes, which could have an adverse effect on the Group, result in stamp duty reserve tax being payable in respect of transfers of depositary interests and affect the basis for the IGD, PLHL ICA and Solvency II calculations.

Since the Company is not incorporated in the UK, it will not be treated as being resident in the UK for UK corporation tax purposes unless its central management and control is exercised in the UK. The concept of central management and control is indicative of the highest level of control of a company, which is a

question of fact. The Directors operate in a manner intended to ensure that the Company is not resident in the UK for tax purposes (and intend to continue to operate in such manner).

A company not resident in the UK for UK corporation tax purposes can nevertheless be subject to UK corporation tax if it carries on a trade through a permanent establishment in the UK, but the charge to UK corporation tax is limited to profits attributable to such a permanent establishment. The Directors operate in a manner intended to ensure that the Company does not carry on a trade through a permanent establishment in the UK (and intend to continue to operate in such manner).

The Group is subject to UK tax in relation to the profits earned in the UK by the Group's principal subsidiaries, excluding Opal Re, which are incorporated and/or are centrally managed and controlled in the UK and are accordingly tax-resident in the UK.

If the Company is treated as being resident in the UK for UK corporation tax purposes, or if it is treated as carrying on a trade in UK through a permanent establishment, this could have a material adverse effect on the Company's business, results, financial condition and prospects. Currently no tax is payable on Eurobond interest received by the Company in Jersey. If the Company were treated as UK-resident (or having a permanent establishment in the UK to which the interest related), the interest receipt would be taxable in the UK, creating an additional tax cost to the Group in terms of a reduction in tax attributes, or potentially cash tax payable. There is also a risk, if the Company is treated as UK-resident, that the profits of Opal Re might become taxable in the UK under the UK's controlled foreign company regime.

In addition, if the Company is treated as being resident in the UK for corporation tax purposes, the Directors believe that there is a risk, based on the similarity between the conditions for residency under UK tax law and the IGD rules, that the FSA will require the IGD, PLHL ICA and Solvency II calculations to be made at the Company level, as further described above in "—If the legislation or regulation to which the Group is subject in relation to group capital is amended or interpreted and applied in a new way, the Group may have to retain more capital or, in the longer term, may not be able to meet its group capital requirements", which could have a material adverse effect on the Group's business, results, financial position and prospects.

Further, if the Company is treated as being resident in the UK for UK corporation tax purposes, stamp duty reserve tax will be payable in respect of any agreement to transfer depositary interests and this could have a material adverse effect on the Group's business, results, financial position and prospects.

1.39 Because the Company is incorporated under the laws of the Cayman Islands, Shareholders may face difficulties in protecting their interests, and their ability to protect their rights through the courts of England and Wales may be limited.

The Company is incorporated under the laws of the Cayman Islands and its corporate affairs are governed by its Articles of Association, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take action against the Company, actions by minority Shareholders and the fiduciary responsibilities of the Directors under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The UK Companies Act 2006 does not apply to the Company and Cayman Islands law does not provide identical shareholder protections to those contained in the UK Companies Act 2006. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from England, the decisions of whose courts are of persuasive authority, but are not binding on a court in the Cayman Islands, other than decisions by the Privy Council on appeal from the Cayman Islands, which are binding on a court in the Cayman Islands. The Cayman Islands has a less developed body of securities laws and corporate law as compared to the UK and other European jurisdictions. In addition, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a court in the Cayman Islands or a court in the UK. The Cayman Islands courts are also unlikely to impose penal liabilities against the Company, in original actions brought in the Cayman Islands, based on certain civil liability provisions of UK securities laws.

There is no statutory recognition in the Cayman Islands of judgments obtained in England and Wales, although the courts of the Cayman Islands will in certain circumstances recognise and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits at common law by an action commenced on the foreign judgment in the Grand Court of the Cayman Islands. It is doubtful the courts of the Cayman Islands will, in an original action in the Cayman Islands, recognise or enforce judgments of English courts predicated upon the civil liability provisions of the securities laws of England and Wales where such provisions are penal in nature. The Grand Court of the Cayman Islands may stay proceedings if concurrent proceedings are being brought elsewhere.

The rules on disclosure by shareholders of interests in a company under the Disclosure Rules and Transparency Rules of the FSA and under sections 793 and related sections of the UK Companies Act 2006 are not applicable to the Company. Under the Companies Law, shareholders are not obliged to disclose their interests in the Company in the same way as shareholders of a company governed by the UK Disclosure Rules and Transparency Rules and the UK Companies Act 2006. For further information on the rules of disclosure by shareholders of interests, see Part XIII: "Additional Information—Memorandum and Articles of Association".

As a result of all of the above, Shareholders may have more difficulty in protecting their interests in the face of actions taken by officers, Directors or controlling shareholders than they would as public shareholders of a company incorporated in England and Wales.

1.40 The UK City Code does not apply to the Company and, as a result, Shareholders may be adversely affected in the event of a situation arising to which the UK City Code would apply if the UK City Code had applied to the Company.

The UK City Code on Takeovers and Mergers (the "City Code") is the regulatory framework within which takeovers in the UK are required to be conducted. The City Code is designed principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover, and that shareholders of the same class are afforded equivalent treatment by an offeror. The UK Panel on Takeovers and Mergers (the "Panel") issues and administers the City Code.

Since the registered office of the Company is in the Cayman Islands, it is not a company to which the City Code applies. Certain of the protections contained in the City Code have been included, as far as practicable, in the Articles of Association, and are summarised in Part XIII: "Additional Information—Memorandum and Articles of Association". However, not all of the protections contained in the City Code are included in the Articles of Association. In addition, the inclusion of provisions in the Articles of Association may not provide shareholders with the same protection that they would receive under the City Code since, among other things, the Panel would not be involved in a takeover to which the City Code does not apply. In attempting to fulfil the role of the Panel, the Directors would not have the same powers or have access to the same information and experience as the Panel would have on a transaction to which the City Code applies.

The Companies Law does not contain provisions similar to those in the City Code which oblige a person or persons acquiring at least 30 per cent. of voting rights in a company to which the City Code applies to make an offer to acquire the remainder of the shares in such company.

Under the Companies Law, an offeror in respect of a takeover offer for the Company may, in certain circumstances, obtain the right to compulsorily acquire shares to which the offer relates but which it has not yet acquired or contracted to acquire. The offeror may not issue a notice requiring the acquisition of minority shares unless it has acquired or contracted to acquire not less than 90 per cent. in value of the shares to which the offer relates before the end of four months beginning with the date of the offer and no notice may be given after the end of the period of two months beginning with that date. The squeeze-out of minority shareholders shall be completed unless, on application made by a dissenting shareholder to the Cayman Islands court within one month from the date on which notice was given, the Cayman Islands court thinks fit to order otherwise. The consideration offered to those shareholders whose shares are compulsorily acquired under the Companies Law should be the same as the consideration that was available under the general offer.

As a result of the above, Shareholders may be adversely affected in the event of a takeover offer being made for the Company or if another situation arises to which the UK City Code would apply if the UK City Code had applied to the Company.

2. RISKS RELATED TO THE CAPITAL RAISING AND ORDINARY SHARES

2.1 The price of the Ordinary Shares and Public Warrants may experience volatility.

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Ordinary Shares (or securities similar to them), including, in particular, in response to various facts and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results, financial condition and/or business developments of the Group's and/or its competitors. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Company's operating performance or prospects. Furthermore, the Group's operating results and prospects

from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Ordinary Shares. In addition, the Public Warrants may from time to time be subject to limited liquidity which may have an adverse effect on the market price of the Public Warrants.

2.2 Shareholders will experience an immediate dilution of their percentage ownership of the Company as a result of the Capital Raising. In addition, if the Company decides to offer additional Ordinary Shares in the future, this could result in the dilution of interests of Shareholders.

The Capital Raising will have a dilutive effect on Shareholders. The First Placing will be conducted in accordance with the existing disapplication of pre-emption rights in the Existing Shareholder Authority. In addition, the Second Placing is proposed to be conducted in accordance with a disapplication of pre-emption rights in the proposed Special Resolution to be considered at the EGM. The First Placing, the Second Placing and the Capital Raising are each being conducted in accordance with the proposed Ordinary Resolution to be considered at the EGM which, if passed by Shareholders, would approve the issuance of the New Ordinary Shares at the Issue Price. Therefore, the proportionate ownership and voting interest of Shareholders in the Company will be reduced as a result of the Capital Raising if the Resolutions are passed at the EGM and the First Placing, the Second Placing and the Open Offer complete.

If the First Placing is completed, the First Placed Shares will represent approximately 4.5 per cent. of the Company's existing issued share capital at the date of this Prospectus and approximately 4.3 per cent. of the First Enlarged Issued Share Capital. Upon the issue of the First Placed Shares, all Shareholders will experience an immediate dilution of approximately 4.3 per cent. of their interests in the Company as a result of the First Placing.

If, in addition to the First Placing, the Second Placing and the Open Offer are completed, the First Placed Shares, the Second Placed Shares and the Open Offer Shares will represent in aggregate approximately 28.6 per cent. of the Company's existing issued share capital at the date of this Prospectus and approximately 22.3 per cent. of the Fully Enlarged Issued Share Capital. Upon the issue of the First Placed Shares, the Second Placed Shares and the Open Offer Shares, Qualifying Shareholders who take up in full their entitlements in respect of the Open Offer will experience an immediate further dilution of approximately 3.0 per cent. of their interests in the Company. However, upon the issue of the First Placed Shares, the Second Placed Shares and the Open Offer Shares, Shareholders who do not (or are not eligible to) take up any of their entitlements in respect of the Open Offer will experience an immediate further and greater dilution of approximately 18.8 per cent. of their interests in the Company.

To the extent that the entitlements of Qualifying Lender/Seller Shareholders to subscribe for Ordinary Shares pursuant to their contractual pre-emption rights under the relevant Relationship Agreement are not satisfied pursuant to the Excess Application Facility, the Company may issue Additional Relationship Agreement Shares to such Qualifying Lender/Seller Shareholders. The aggregate Additional Relationship Agreement Shares which may be issued by the Company is 176,866 Additional Relationship Agreement Shares, which represents approximately 0.1 per cent. of the issued ordinary share capital of the Company as at 28 January 2013 (being the last practicable date prior to publication of this Prospectus). The Company currently expects only to issue any Additional Relationship Agreement Shares in the event that the number of Ordinary Shares which Qualifying Lender/Seller Shareholders seek to subscribe for under the Excess Application Facility exceeds the number of Ordinary Shares available for subscription under the Excess Application Facility (as described in paragraph 2.8 ("Excess Application Facility for certain Lender/Seller Shareholders") of Part I: "Background and Information on the Capital Raising" of this Prospectus). To the extent that any Additional Relationship Agreement Shares are issued by the Company, Shareholders may experience further dilution in respect of a non-pre-emptive issuance of approximately 0.1 per cent. of the issued ordinary share capital of the Company.

Under the Relationship Agreements, the Lender/Seller Shareholders have contractual rights of pre-emption in respect of the issuance of the First Placed Shares and the Second Placed Shares. However, certain Lender/Seller Shareholders have agreed to disapply such pre-emption rights and those Qualifying Lender/Seller Shareholders who have not disapplied their pre-emption rights can choose whether to exercise their respective pre-emption rights. Therefore, as a result of the Capital Raising and the operation of the contractual pre-emption rights contained in the Relationship Agreements, the absolute and relative percentage ownership of Lender/Seller Shareholders in the Company (certain of whom are major Shareholders in the Company) may change.

In addition, if the Company decides to offer additional Ordinary Shares in the future, this could dilute the interests of Shareholders and/or have an adverse effect on the market price of the Ordinary Shares.

2.3 The Company's ability to continue to pay dividends on the Ordinary Shares will depend on market conditions, the business and financial condition of the Group, the level of gearing of the Group, the level of profits and cash flows generated by the Group, the availability of distributable reserves and/or share premium, regulatory restrictions and restrictions under the Group's credit facilities.

The Group's stated dividend policy provides that all future dividends paid by the Company will depend upon, among other things, market conditions and the Group's financial position, trading performance and outlook, as well as the Board's assessment of the Group's operating plans and its progress in achieving its stated gearing target. In recommending future dividends, the Board will also consider any future outperformance of the Group's business. The Board believes that, subject to the Group remaining on track to achieve its financial targets, Shareholders will be able to participate in any future outperformance of the business. In addition, the Company's ability to continue to pay dividends on the Ordinary Shares is also subject to the cash flows received by the Company, the availability of distributable reserves and/or share premium, regulatory restrictions and restrictions under the Group's credit facilities. There is no requirement for the Company to declare and pay any dividends and no assurance is given that the Company will declare and pay any dividends and no assurance can be given that any dividends paid will be in line with any previous dividends paid by the Company. The Board intends to re-assess its dividend policy on a regular basis in light of each of the factors described in this risk factor.

The Company's ability to pay dividends is also limited under Cayman Islands law, which provides that the Company can only make distributions by way of dividend out of profits or out of a share premium account (subject to a solvency test) and all dividend payments are subject to the Articles of Association. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, including the business and financial condition of the Group and the Company's ability to receive sufficient funds from its subsidiaries, including in particular the life companies.

The payment of cash to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay cash to the Company is subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in some of the Group's main credit facilities (for further information on the restriction of the payments on dividends, see Part XIII: "Additional Information—Material Contracts—Credit Facilities"). These laws, regulatory requirements and restrictions could limit the payment of future dividends and distributions to the Company by its subsidiaries, which could restrict the Company's ability to fund other operations or to pay a dividend to holders of the Ordinary Shares.

Additional factors which impact on the ability for the Group's subsidiaries to make distributions and other payments to the Company are described in the risk factor above headed "The Group's Holding Companies are dependent upon distributions from subsidiaries to cover operating expenses, debt interest and repayments, pension scheme contributions and dividend payments. In times of severe market turbulence, the Group may not have sufficient liquid assets to meet its payment obligations or may suffer a loss in value".

2.4 The availability of Ordinary Shares for future issuances and the existence of certain rights and securities pursuant to which further Ordinary Shares may be required to be issued and any future sales by the Och-Ziff Funds or other Shareholders of the Company could depress the share price of the Ordinary Shares and, in the case of issues of further Ordinary Shares, dilute existing holders.

A number of Ordinary Shares will or may be issued for sale in the public markets following the Open Offer, including the following:

- There exist 25,529,868 outstanding redeemable Warrants in the Company (for further information, see Part XIII: "Additional Information—Incorporation and Share Capital—Share Capital—Warrants"). Each Warrant is exercisable into 1.027873 Ordinary Shares of the Company. To the extent they are exercised, the Company will be required to issue up to 26,241,461 additional Ordinary Shares.
- Under the Contingent Rights Agreements, the Company will be required to issue 3,600,000 Ordinary Shares subject to the satisfaction of certain criteria as described in Part XIII: "Additional Information—Material Contracts—Contingent Rights Agreements". However, any such issuance of Ordinary Shares would not be as a result of the Capital Raising.

- Under the existing Employee Share Schemes, or if the Company introduces further employee share schemes in the future, further Ordinary Shares may be issued by the Company. For further information, see Part XI: “Directors, Corporate Governance and Employment Matters—Section D: Employee Incentive Plans”.
- The Company has implemented a scrip dividend programme, under which a scrip dividend alternative may, at the election of the Board of Directors, be offered to all Shareholders in respect of a relevant dividend which could result in the issuance of Ordinary Shares in satisfaction of certain dividend entitlements.

Any increase in the number of Ordinary Shares available for sale or the sale by the Och-Ziff Funds, the TDR Capital Entities and the Sun Capital Entities, or other Shareholders of the Company, of substantial amounts of Ordinary Shares or the perception that such sale might occur, could have an adverse effect on the market price of the Ordinary Shares. In addition, the issuance of Ordinary Shares by the Company will result in dilution to Shareholders’ existing holdings.

2.5 Shareholders in certain jurisdictions may not be able to participate in any future open offer, capital raisings or receive scrip dividends.

Although under Cayman Islands law Shareholders do not have pre-emption rights over further issues of Ordinary Shares of the Company or securities convertible into such Ordinary Shares, such rights are expressly provided for in the Articles of Association. However, securities laws of certain jurisdictions may restrict the Company’s ability to allow participation by Shareholders in the Open Offer or any future issues of Ordinary Shares and such an issue could dilute the interests of the then existing Shareholders. In addition, the Company is prohibited from making any invitation to the public in the Cayman Islands to subscribe for shares in the Company.

The Company has implemented a scrip dividend programme, under which a scrip dividend alternative may, at the election of the Board of Directors, be offered to all Shareholders in respect of a relevant dividend. However, the securities laws of certain jurisdictions may restrict the ability of certain Shareholders to receive a scrip dividend from the Company.

A scrip dividend is a dividend which shareholders of a company have the option to receive in the form of additional shares in that company instead of cash. A scrip dividend programme is a programme established by a company which establishes the framework which enables that company to give its shareholders the option of receiving a relevant dividend as a scrip dividend.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Time and Date (All times are London times)
Record Date for Open Offer Entitlements	6:00 p.m. on 28 January 2013
Ex-entitlement date for Open Offer	8:00 a.m. on 30 January 2013
Announcement of the proposed Capital Raising	30 January 2013
Prospectus and Circular published	30 January 2013
Circular, including Notice of Extraordinary General Meeting, sent to Shareholders	30 January 2013
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	8:00 a.m. on 1 February 2013
Recommended latest time for withdrawing Open Offer Entitlements from CREST	4:30 p.m. on 11 February 2013
Latest time and date for depositing Open Offer Entitlements into CREST	3:00 p.m. on 12 February 2013
Latest time and date for splitting Application Forms (to satisfy *bona fide* market claims only)	3:00 p.m. on 13 February 2013
Latest time and date for receipt of completed Application Forms and Excess Application Facility Application Forms and payment in full for Open Offer Shares under the Open Offer and the Excess Application Facility and settlement of the CREST instructions (as appropriate)	11:00 a.m. on 15 February 2013
Announcement of acceptances by Qualifying Shareholders and Qualifying Lender/Seller Shareholders in the Open Offer	18 February 2013
Extraordinary General Meeting	1:00 p.m. on 19 February 2013
Announcement of results of the Extraordinary General Meeting	as soon as possible following conclusion or adjournment of the EGM on 19 February 2013
Joint Underwriters notified of total number of Open Offer Placement Shares for which they are required to subscribe	20 February 2013
Entry into the Total Return Swaps by each of the Swap Counterparties and each of the Och-Ziff Funds	On or prior to 21 February 2013
Receipt by the Company of the net proceeds of the First Placing and, if applicable, the Second Placing and the Open Offer	21 February 2013
Issuance of the First Placed Shares and, if applicable, the Second Placed Shares to the Placees	21 February 2013
Issuance of Open Offer Shares to Qualifying Shareholders and Qualifying Lender/Seller Shareholders who have subscribed for Open Offer Shares in the Open Offer	21 February 2013
Issuance to the Swap Counterparties of the Open Offer Placement Shares which are the subject of the Total Return Swap	21 February 2013
The Total Return Swaps entered into by each of the Swap Counterparties and each of the Och-Ziff Funds become effective	At Admission on 21 February 2013
Admission and commencement of dealings in the First Placed Shares, and, if applicable, the Second Placed Shares and the Open Offer Shares	8:00 a.m. on 21 February 2013

Event	Time and Date (All times are London times)
First Placed Shares, and, if applicable, Second Placed Shares and Open Offer Shares credited to CREST stock accounts (uncertificated holders only)	8:00 a.m. on 21 February 2013
Despatch of definitive share certificates for the Open Offer Shares in certificated form (to Qualifying Non-CREST Shareholders only)	by 28 February 2013

Notes:

(1) The actions specified in this timetable are subject to certain restrictions relating to Shareholders with registered addresses, or who are resident or located (as applicable), outside the United Kingdom. See Part III: "Terms and Conditions of the Open Offer" of this Prospectus.

(2) The times set out in the expected timetable of principal events above and mentioned throughout this Prospectus are based on London time and may be adjusted by the Company in consultation with the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters, in which event details of the new times and dates will be notified to the London Stock Exchange and, where appropriate, Shareholders through the release of an announcement to a Regulatory Information Service. If a supplementary Prospectus is issued by the Company, the Company shall announce such fact through the release of an announcement to a Regulatory Information Service.

(3) If you have any queries on the procedure for acceptance and payment or on the procedure for splitting Application Forms, please telephone the Shareholder Helpline on 0870 707 1828 (or, if you are calling from outside the United Kingdom, +44 (0)870 707 1828). This helpline is available from 9:00 a.m. to 5:00 p.m. (London time) on any Business Day. Calls to the 0870 707 1828 number cost 8 pence per minute plus your service provider's network extras. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at applicable international rates. Please note that for legal reasons, the Shareholder Helpline is only able to provide you with information contained in this Prospectus and information relating to your shareholding and is unable to give advice on the merits of the Capital Raising or provide legal, financial, tax or investment advice.

SHARE CAPITAL STATISTICS

Number of Ordinary Shares in issue at 28 January 2013 (being the latest practicable date prior to publication of this Prospectus)	174,587,148
Issue Price for each First Placed Share, Second Placed Share and Open Offer Share	500 pence
New Ordinary Shares	
Number of New Ordinary Shares to be issued in connection with the Capital Raising	50,000,000
New Ordinary Shares as a percentage of the Fully Enlarged Issued Share Capital	22.3 per cent.
First Placed Shares	
Number of First Placed Shares to be issued in connection with the First Placing	7,800,000
First Placed Shares to be issued in connection with the First Placing as a percentage of the First Enlarged Issued Share Capital	4.3 per cent.
First Placed Shares to be issued in connection with the First Placing as a percentage of the Fully Enlarged Issued Share Capital	3.5 per cent.
Second Placed Shares	
Number of Second Placed Shares to be issued in connection with the Second Placing	8,200,000
Second Placed Shares to be issued in connection with the Second Placing as a percentage of the Fully Enlarged Issued Share Capital	3.7 per cent.
Open Offer Shares	
Number of Open Offer Shares to be issued in connection with the Open Offer	34,000,000
Open Offer Shares to be issued in connection with the Open Offer as a percentage of the Fully Enlarged Issued Share Capital	15.1 per cent.
Net proceeds and estimated expenses	
Estimated net proceeds receivable by the Company from the Capital Raising, after deduction of estimated commissions, fees and expenses incurred in relation to the Capital Raising	£232 million
Estimated commissions, fees and expenses incurred in relation to the Capital Raising	£18 million

Notes:

(1) This Prospectus assumes that no Ordinary Shares will be issued between the date of this Prospectus and the completion of the Capital Raising, including no issuances as a result of the exercise or satisfaction of any options/awards granted under the Employee Share Schemes.

(2) There are no Ordinary Shares held in treasury as at the date of this Prospectus

IMPORTANT INFORMATION

1. Market, economic and industry data

Except as otherwise indicated, all industry data regarding the UK insurance and pensions industry in this Prospectus is from publications prepared by the Association of British Insurers, the trade association for the UK insurance industry. The Company has not independently verified the industry data in this Prospectus. This industry data has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the relevant third parties, no facts have been omitted which would render the industry data inaccurate or misleading.

2. Currencies

In this Prospectus references to "pounds sterling", "£", "pence" or "p" are to the lawful currency of the UK, references to "Euro", "euro", "€" or "e" are to the single currency of those relevant adopting EU Member States.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in pounds sterling. The functional currency of the Company is pounds sterling, as is the reporting currency of the Group. Transactions not already measured in pounds sterling have been translated into pounds sterling in accordance with the relevant provisions of IAS21. On consolidation, income statements of subsidiaries for which pounds sterling are not the functional currency are translated into pounds sterling, the presentation currency for the Company, at average rates of exchange. Balance sheet items are translated into pounds sterling at period-end exchange rates. These translations should not be construed as representations that the relevant currency could be converted into pounds sterling at the rate indicated, at any other rate or at all.

Indicative exchange rates of the pound sterling against the Euro[(1)]

Period	Period-end	Average	High	Low
2008	1.0448	1.2574	1.3611	1.0211
2009	1.1267	1.1230	1.1852	1.0425
2010	1.1664	1.1662	1.2358	1.0962
2011	1.1987	1.1525	1.2045	1.1066
2012	1.2308	1.2332	1.2863	1.1793

(1) Source: Bloomberg Historical Exchange-Rate Chart

As at 5:00 p.m. (London time) on 28 January 2013, being the latest practicable date prior to publication of this Prospectus, the exchange rate of the pound sterling against the Euro was 1.1654.

In addition to the convenience translations (the basis of which is described above), the basis of translation of foreign currency transactions and amounts contained in the audited and unaudited financial information included in this Prospectus is described therein and may be different to the convenience translations.

3. Rounding

Certain figures contained in this Prospectus, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row.

4. Forward Looking Statements

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group business, results of operations, financial position, liquidity, prospects, dividends, growth, strategies and the asset management business.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations, its financial position, liquidity and dividends, and the development of the markets and the industries in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the Group's results of operations, financial position and liquidity, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- domestic and global economic and business conditions;
- asset prices;
- market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally;
- the policies and actions of governmental and/or regulatory authorities, including, for example, new government initiatives related to the financial crisis and the effect of the European Union's Solvency II requirements on the Group's capital maintenance requirements;
- the impact of inflation and deflation;
- market competition;
- changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates);
- the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries;
- risks associated with arrangements with third parties;
- inability of reinsurers to meet obligations or unavailability of reinsurance coverage;
- the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which members of the Group operate; and
- other factors discussed in "Risk Factors".

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Prospectus reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial condition, liquidity, prospects, dividends, growth, strategies and the asset management business. Investors should specifically consider the factors identified in this Prospectus, which could cause actual results to differ, before making an investment decision. Subject to the requirements of the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules, the Company undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this Prospectus.

5. Further issues of Ordinary Shares

This Prospectus assumes that no Ordinary Shares will be issued between the date of this Prospectus and the completion of the Capital Raising.

6. Notice to US Shareholders and to Shareholders in Excluded Territories

Securities may not be offered or sold in the United States unless they are registered under the Securities Act or are exempt from such registration. The New Ordinary Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States. The New Ordinary Shares may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the United States except to qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("QIBs") who are also qualified purchasers as defined

under Section 2(a)(51) of the US Investment Company Act of 1940, as amended ("QPs"). In addition, the New Ordinary Shares have not been and will not be registered under the relevant laws of any state, province or territory of any other Excluded Territory and may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly within any Excluded Territory except pursuant to an applicable exemption from registration requirements, and in compliance with, any applicable securities laws. Subject to certain exceptions, neither this Prospectus, the Application Form nor the Excess Application Facility Application Form will be distributed in or into any Excluded Territory.

Subject to certain exceptions, neither this Prospectus, the Application Form nor the Excess Application Facility Application Form constitute, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or acquire, the New Ordinary Shares, to any Shareholder with a registered address in, or who is resident or located in (as applicable), the United States or any Excluded Territory. The New Ordinary Shares offered outside the United States are being offered in reliance on Regulation S under the Securities Act.

Any person acquiring Open Offer Shares will be required to make the representations and warranties set out in paragraph 6.5 ("Further representations and warranties") of Part III: "Terms and Conditions of the Open Offer" of this Prospectus, including that such person:

(i) is not located or resident within the United States or any other Excluded Territory;

(ii) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Open Offer Shares;

(iii) is not acquiring Open Offer Shares for the account of any person who is located in the United States, unless:

  (a) the instruction to acquire originates from a person outside the United States; and

  (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and either (y) has investment discretion over such account or (z) is an investment manager or investment company that, in the case of each of (y) and (z), is acquiring the Open Offer Shares in an "offshore transaction" within the meaning of Regulation S; and

(iv) is not acquiring the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any Open Offer Shares into the United States, any other Excluded Territory or any other jurisdiction referred to in (ii) above.

Notwithstanding the representations referred to above, where proof has been provided to the Company's satisfaction that the New Ordinary Shares are being acquired by a person that is, and each account for which it is acting on behalf of is, a QIB who is also a QP, and/or that such acquisition or exercise will not result in the contravention of any applicable regulatory or legal requirements in any jurisdiction, the Company may allow such exercise on the terms and conditions and subject to the requirements set out in paragraph 6 ("Overseas Shareholders") of Part III: "Terms and Conditions of the Open Offer" of this Prospectus.

Subject to certain exceptions, any person in the United States who obtains a copy of this Prospectus and who is not a QIB who is also a QP is required to disregard it.

This Prospectus does not constitute an invitation or offer to sell or the solicitation of an invitation or an offer to buy, New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. Persons into whose possession this Prospectus and/or the Application Form and/or the Excess Application Facility Application Form come 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.

7. Notice to Overseas Shareholders

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee) who has a contractual or other legal obligation to forward this Prospectus, any Application Form or any Excess Application Facility Application Form, if and when received, or any other documents to a jurisdiction outside the United Kingdom or the Netherlands, should read paragraph 6 ("Overseas Shareholders") of Part III: "Terms and Conditions of the Open Offer" of this Prospectus.

In particular, subject to the provisions of paragraph 6 ("Overseas Shareholders") of Part III: "Terms and Conditions of the Open Offer", subject to certain exceptions, Excluded Territory Shareholders should not

be sent this Prospectus, an Application Form or an Excess Application Facility Application Form and should not have their CREST stock accounts credited with Open Offer Entitlements.

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a company incorporated as an exempted company with limited liability under the laws of the Cayman Islands. The rights of holders of Existing Ordinary Shares are governed by Cayman Islands law and by the Memorandum and Articles of Association of the Company.

8. **Notice to European Economic Area Investors**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "relevant member state") (except for the United Kingdom and the Netherlands) no New Ordinary Shares have been offered or will be offered pursuant to the Capital Raising to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that offers of New Ordinary Shares may be made to the public in that relevant member state at any time under the following exemptions under the Prospectus Directive, to the extent that they are implemented in that relevant member state:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(b) to fewer than 100, or, if the relevant member state has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(c) in any other circumstances falling within Article (2) of the Prospectus Directive,

provided that no such offer of New Ordinary Shares shall result in a requirement for the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive or in each case any measure implementing the Prospectus Directive in a relevant member state and each person who initially acquires any New Ordinary Shares or to whom any offer is made under the Capital Raising will be deemed to have represented, warranted and agreed to and with the Company and the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters that it is a "qualified investor" within the meaning of the law in the relevant member state implementing Article 2(1)(e) of the Prospectus Directive and such person who initially acquires New Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to within the meaning of the law in the relevant member state implementing Article 2(1)(e) of the Prospectus Directive.

For the purpose of the expression an "offer of any New Ordinary Shares to the public" in relation to any New Ordinary Shares in any relevant member state means the communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the New Ordinary Shares to be offered, so as to enable an investor to decide to subscribe or purchase any New Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

9. **Notice to DIFC Investors**

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the Dubai Financial Services Authority. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this Prospectus nor taken steps to verify the information set out herein and has no responsibility for the Prospectus. The New Ordinary Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the New Ordinary Shares should conduct their own due diligence. If you do not understand the contents of this Prospectus you should consult an authorised financial adviser.

10. **Notice to Swiss Investors**

This Prospectus does not constitute a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations or a listing prospectus according to Article 32 of the Listing Rules of the SWX Swiss Exchange. The New Ordinary Shares will not be listed on the SWX Swiss Exchange and, therefore, the Prospectus does not comply with the disclosure standards of the Listing Rules of the SWX Swiss Exchange. Accordingly, the New Ordinary Shares may not be offered to the public in or from Switzerland, but only to a selected and limited group of investors, which do not subscribe for the New Ordinary Shares with a view to distribution to the public. The investors will be individually approached by the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters from time to time. This Prospectus is personal to each offeree and does not constitute an offer to any other person. The Prospectus may only be used by those persons to whom it has been handed out in connection with the offer described herein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of the Company. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

11. **Notice to all investors**

Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information contained in this Prospectus for any purpose other than considering an investment in the New Ordinary Shares is prohibited. By accepting delivery of this Prospectus, each offeree of the New Ordinary Shares agrees to the foregoing.

The distribution of this Prospectus and/or the Application Form and/or the Excess Application Facility Application Form and/or the transfer of the New Ordinary Shares into jurisdictions other than the United Kingdom or the Netherlands may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction. In particular, subject to certain exceptions, such documents should not be distributed, forwarded to or transmitted in or into the United States or any of the Excluded Territories. The New Ordinary Shares are not transferable, except in accordance with, and the distribution of this Prospectus is subject to, the restrictions set out in Part III: "Terms and Conditions of the Open Offer" of this Prospectus.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters. Subject to FSMA, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, neither the delivery of this Prospectus nor any acquisition or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus or that the information in this Prospectus is correct at any time after this date. No statement in this Prospectus is intended as a profit forecast.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. Neither the Company nor the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters nor any of their respective representatives, is making any representation to any offeree or purchaser of the New Ordinary Shares regarding the legality of an investment in the New Ordinary Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. You should consult with an appropriate professional for specific advice as to the legal, tax, business, financial and related aspects of a purchase of the New Ordinary Shares, the Application Form and the Excess Application Facility Application Form rendered on the basis of your situation. In making an investment decision, each investor must rely on its own examination, analysis and enquiry of the Company and the terms of the Capital Raising, including the merits and risks involved.

Persons acquiring New Ordinary Shares also acknowledge that: (i) they have not relied on the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters or any person affiliated with the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision, and (ii) they have relied only on the information contained in this Prospectus, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the New Ordinary Shares (other than as contained in this

Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters.

The New Ordinary Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

References to time in this Prospectus are to London time unless otherwise noted, and references to postcodes are references to postcodes in London. References to dates and times in this Prospectus should be read as being subject to adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates but Qualifying Shareholders may not receive any further written communication.

The Company is not engaging any financial intermediaries for any resale of New Ordinary Shares or final placement of New Ordinary Shares after publication of this Prospectus.

12. **Enforcement of civil liabilities**

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a company incorporated as an exempted company with limited liability under the laws of the Cayman Islands. The rights of holders of Existing Ordinary Shares are governed by Cayman Islands law and by the Company's Memorandum and Articles of Association. These rights may differ from the rights of shareholders in certain UK and non-UK corporations.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and the Company's executive officers. The majority of the Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and the Company's executive officers within the Overseas Shareholder's country of residence. In addition, it may not be possible to enforce against the Directors and the Company's executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Directors or the Company's executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or the Company's executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

13. **Incorporation by reference**

Certain information in relation to the Group has been incorporated by reference into this Prospectus. Please see Part XIV: "Information Incorporated by Reference" of this Prospectus.

14. **No incorporation of website information**

The content of the Group's websites do not form part of this Prospectus.

15. **Definitions**

Certain terms used in this Prospectus, including all capitalised terms and technical and other terms, are defined and explained in Part XV: "Definitions" of this Prospectus.

WHERE TO FIND HELP

Part II: "Some Questions and Answers about the Capital Raising" of this Prospectus answers some of the questions most often asked by Shareholders about capital raisings. If you have further questions, please telephone the Shareholder Helpline on the numbers set out below. This helpline is available from 8:30 a.m. to 5:30 p.m. (London time) on any Business Day.

Shareholder Helpline
0870 707 1828 (from within the United Kingdom)
or
+44 (0)870 707 1828 (from outside the United Kingdom)

Calls to the 0870 707 1828 number are charged at 8 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the +44 (0)870 707 1828 number from outside the United Kingdom are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Please note that, for legal reasons, the Shareholder Helpline will only be able to provide information contained in this Prospectus and information relating to your shareholding and will be unable to give advice on the merits of the Capital Raising or to provide legal, financial, tax or investment advice.

DIRECTORS, SECRETARY AND ADVISERS

The Directors on the board of directors of the Company (the "Board") are as follows as at the date of this Prospectus:

Name	Position
Sir Howard Davies . .	Chairman, Non-Executive Director and Nomination Committee Chairman
Clive Bannister	Group Chief Executive Officer
James McConville . . .	Group Finance Director
Alastair Lyons	Senior Independent Non-Executive Director and Audit Committee Chairman
Ian Ashken	Non-Executive Director
René-Pierre Azria . . .	Non-Executive Director
David Barnes	Independent Non-Executive Director
Charles Clarke	Independent Non-Executive Director
Ian Cormack	Independent Non-Executive Director and Remuneration Committee Chairman
Tom Cross Brown . . .	Independent Non-Executive Director and Investment Committee Chairman
Manjit Dale	Non-Executive Director
Isabel Hudson	Independent Non-Executive Director
Hugh Osmond	Non-Executive Director
David Woods	Independent Non-Executive Director and Risk Committee Chairman

Company Secretary	Gerald Watson
Registered office of the Company	c/o Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Principal place of business of the Company	1st Floor, 32 Commercial Street St. Helier Jersey JE2 3RU Channel Islands
Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Underwriters	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom J.P. Morgan Securities plc. (which conducts its UK investment banking business as J.P. Morgan Cazenove) 25 Bank Street London E14 5JP United Kingdom
English and US legal advisers to the Company	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS United Kingdom
Cayman Islands legal advisers to the Company	Walkers 190 Elgin Avenue George Town Grand Cayman KY1-9001 Cayman Islands

Jersey legal advisers to the Company	Walkers Walker House 28-34 Hill Street St. Helier Jersey JE4 8PN
English and US legal advisers to the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and the Joint Underwriters	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ United Kingdom
Reporting Accountants	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom
Auditors	Ernst & Young Accountants LLP Wassenaarseweg 80 2596 CZ The Hague The Netherlands
Registrar	Computershare Investor Services (Cayman) Limited Windward 1 Regatta Office Park P. O. Box 897 Grand Cayman Cayman Islands KY1-1103
Depositary	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ United Kingdom

PART I

BACKGROUND AND INFORMATION ON THE CAPITAL RAISING

1. Background to and reasons for the Capital Raising

As a closed life fund consolidator, the Group has high visibility on its cash flows over the long term and as the largest specialist closed life fund consolidator in the UK, the Directors believe the Group has the scale and expertise to create value through the integration and financial management of closed life funds.

The Issue Price of 500 pence per New Ordinary Share represents a 15.4 per cent. discount to the Closing Price of 591.0 pence per Ordinary Share on 29 January 2013 (being the last Dealing Day before the announcement of the Capital Raising) and a discount of 58.7 pence (10.5 per cent.) to VWAP of 558.7 pence. The level of discount reflects the price, determined following discussions with the Company, at which the Och-Ziff Funds have agreed to participate in the Capital Raising on the terms described below. The Och-Ziff Funds are affiliated investment funds of Och-Ziff. Och-Ziff is one of the largest institutional alternative asset managers in the world.

Given that the Issue Price represents a discount of more than 10 per cent. to the Closing Price of 591.0 pence per Ordinary Share on 29 January 2013 (being the last Dealing Day before the announcement of the Capital Raising), the Company is required, under the Listing Rules, to seek approval of Shareholders by way of an Ordinary Resolution for the issue of the New Ordinary Shares at that price pursuant to the First Placing and, if the Special Resolution is passed, the Second Placing and the Open Offer, as well as any Ordinary Shares which may be issued to Qualifying Lender/Seller Shareholders in connection with the Capital Raising as a result of their contractual pre-emption rights under the relevant Relationship Agreement otherwise than pursuant to the Excess Application Facility within the Open Offer ("Additional Relationship Agreement Shares"). Accordingly, the EGM will consider, amongst other things, the approval of the Issue Price.

The Directors believe that the Capital Raising, and the associated partial refinancing and amendment of the Group's Impala Facility, will align the Group's debt repayments more closely to the Group's expected cash flows, allow for increased dividend payments, strengthen the Group's balance sheet and bring the Group greater strategic flexibility. In particular, the Group expects to benefit from:

- The prepayment of £450 million of the Impala Facility, which is expected to be made within two business days following completion of the Capital Raising, reducing the total principal amount outstanding under the Group's two main credit facilities from £2,369 million as at 30 June 2012 to £1,856 million, which also takes into account the £62.5 million repayment made by the Group in the last quarter of 2012.
- The dividend conditions in the Impala Facility being amended to give the Company capacity to (i) declare £125 million of dividends in respect of the financial year ending 31 December 2013, and (ii) pay dividends and make other distributions up to £120 million during the 2013 calendar year. The capacity to declare dividends with respect to financial years after the year ending 31 December 2013 and to pay dividends in calendar years after the year ending 31 December 2013 will increase by £10 million per year. The amendments to the Impala Facility provide the flexibility to increase dividend declarations and payments beyond this level, subject to the Group making additional debt repayments in excess of the target amortisation.
- Assuming (i) payment to the Company of the net proceeds from the Capital Raising of £232 million, after deduction of commissions, fees and expenses incurred in relation to the Capital Raising and (ii) payment of the £450 million debt prepayment within two business days following completion of the Capital Raising (which is to be funded in part by the net proceeds of the Capital Raising and in part by the Group's existing cash resources) and the payment of arrangement and structuring fees in connection with the Impala Facility Amendment and Restatement Agreement, which are estimated to be approximately £21 million, but not taking into account the £62.5 million repayment of the Impala Facility made by the Group in the last quarter of 2012 or any other transactions or results between 30 June 2012 and the date of this Prospectus:
    - the Directors believe that the Group's PLHL ICA surplus would reduce by £0.2 billion, which reflects the impact of using existing cash resources held in the Holding Companies of approximately £239 million from the PLHL sub-group to part fund such prepayment;
    - the Group's IGD surplus would reduce by £0.2 billion. The Group's IGD assessment is made at the PLHL level;

- gearing would reduce from 46 per cent. to 42 per cent. as at 30 June 2012, calculated on the basis of the Existing Gearing Definition;
- gearing would reduce from 56 per cent. to 50 per cent. as at 30 June 2012, calculated on the basis of the New Gearing Definition; and
- Holding Companies cash and cash equivalents would reduce by £239 million as a result of using existing cash resources held in the PLHL sub-group to part fund the partial prepayment of the Impala Facility referred to above.

- Extension of the maturity of the Impala Facility from 2016 to 31 December 2017 (subject to extension to 30 June 2019 at the option of the Impala Borrowers), with mandatory amortisations of £30 million semi-annually over the remaining life of the Impala Facility (the Existing Impala Facility Agreement currently contains a schedule of significant bullet repayments payable in 2014, 2015 and 2016). For further details of the amended contractual scheduled repayments for the Group's credit facilities, see Part XIII: "Additional Information—Material Contracts—Credit Facilities—Repayment Schedule for the Group's Credit Facilities".
- Following the re-terming and partial prepayment of the Impala Facility, the Directors believe that the reduction in the level of the Group's leverage could assist the Group in accessing the debt capital markets in the medium term prior to the maturity date of the amended Impala Facility at a rate of interest which is commercially attractive to the Group. Accessing the debt capital markets (which does not require Shareholder approval) is one method by which the Group may refinance the Impala Facility before its maturity. In accessing the debt capital markets, the Group would benefit from diversified sources of debt finance, potentially less restrictive covenants and potentially longer term maturities, as compared with the Group's existing credit facilities.
- Group MCEV per share as at 30 June 2012 would reduce from £12.23 to £10.34 on a pro forma basis, which reflects the increase in the number of issued Ordinary Shares following the Capital Raising. This is partially offset by the impact of the net increase to MCEV as a result of the net proceeds of the Capital Raising less the impact of the arrangement and structuring fees in connection with the Impala Facility Amendment and Restatement Agreement and the expected reduction in tax attributes available to the Group to relieve tax on emerging surpluses from the Group's operating businesses following the prepayment.

For further details of the Group's gearing calculation, See Part VIII: "Operating and Financial Review of the Company—Recent Developments, Current Trading And Outlook—Gearing—New Definition" and Part X: "Unaudited Pro Forma Financial Information".

The Directors do not believe there is a requirement for the Group to refinance the Pearl Facility and there is no current intention to do so.

On 4 October 2012, the Company paid an interim dividend of 21 pence per share. Subject to market conditions and trading performance and the factors discussed below, the Board currently intends to recommend a 26.7 pence per share final 2012 dividend, which would represent a 27 per cent. increase in the 2012 final dividend compared with the 2011 final dividend. The Board believes this is a sustainable level at which to rebase the dividend going forward as the business executes its stated strategy.

All future dividends paid by the Company will depend upon, among other things, market conditions and the Group's financial position, trading performance and outlook, as well as the Board's assessment of the Group's operating plans and its progress in achieving its stated gearing target. In the absence of acquisitions in the medium term, the Group may consider reducing dividends at some point, taking account of, amongst other things, the run off nature of the Group's business and its financial condition at that point. In recommending future dividends, the Board will also consider any future outperformance of the Group's business. The Board believes that, subject to the Group remaining on track to achieve its financial targets, Shareholders will be able to participate in any future outperformance of the business. There is no requirement for the Company to declare and pay any dividends and no assurance is given that the Company will declare and pay any dividends and no assurance can be given that any dividends paid will be in line with any previous dividends paid by the Company. The Board intends to re-assess its dividend policy on a regular basis in light of each of the factors described above.

The Directors believe that following the Capital Raising and associated refinancing, the Group will be well positioned to embark on the next stage of its journey to deliver long term growth and shareholder value as the UK's largest specialist consolidator of closed life assurance funds. The Directors believe that the UK closed life fund consolidation opportunity is supported by existing and anticipated market dynamics, which

are expected to generate a supply of potentially attractive acquisition targets over the medium term. The Directors believe that the Group is well placed to present solutions for a range of sellers of life insurance businesses due to the Group's flexible approach to acquisitions, in particular its flexibility to acquire either life companies, funds or portfolios of business, and the Group's appetite for all product types across the with profit, non profit and unit linked spectrum.

The Group will assess potential acquisitions in light of the financial condition of the Group. Any acquisition would only be undertaken if it resulted in a sustainable level of gearing for the combined Group of appreciably below 40 per cent. (around the mid-point of the 35 per cent. to 40 per cent. range) consistent with the strategy of lowering the Group's gearing to attain an appropriate credit rating and obtaining regulatory approval. Gearing is measured on the basis of the New Gearing Definition.

2. Structure, terms and conditions of the Capital Raising

2.1 Structure of the Capital Raising

The Company proposes to raise gross proceeds of approximately £250 million through the Capital Raising by the issue of New Ordinary Shares at the Issue Price of 500 pence per New Ordinary Share, a discount of 91.0 pence (15.4 per cent.) to the Closing Price on 29 January 2013 (the last Dealing Day prior to the announcement of the Capital Raising) and a discount of 58.7 pence (10.5 per cent.) to VWAP of 558.7 pence.

The Capital Raising comprises a First Placing, a Second Placing and an Open Offer, each as described below:

- First Placing of 7,800,000 New Ordinary Shares (representing approximately 4.5 per cent. of the Company's entire issued share capital at the date of this Prospectus) to the Placees at the Issue Price. The conditions to the First Placing are set out in "Principal terms of the First Placing" below. The size of the First Placing has been determined by the Company by reference both to the number of New Ordinary Shares that the Company is able to issue on a non-pre-emptive basis in reliance on the Existing Shareholder Authority granted by the Shareholders at the Company's AGM held on 3 May 2012 and to the number of New Ordinary Shares that the Company is able to issue in order to comply with certain guidance issued by the Association of British Insurers which states that a company should not issue ordinary shares through a disapplication of pre-emption rights in excess of 7.5 per cent. of that company's issued ordinary share capital in any rolling three year period, taking into account all Ordinary Shares issued for cash during that period, without prior shareholder approval (which, in the case of the Company, requires a Special Resolution). The Company expects to raise gross proceeds of approximately £39 million through the First Placing.
- Second Placing of 8,200,000 New Ordinary Shares (representing approximately 4.7 per cent. of the Company's entire issued share capital at the date of this Prospectus) to the Placees at the Issue Price. The conditions to the Second Placing are set out in "Principal terms of the Second Placing" below. The Company proposes to raise gross proceeds of approximately £41 million through the Second Placing.
- Open Offer of 34,000,000 New Ordinary Shares (representing approximately 19.5 per cent. of the Company's entire issued share capital at the date of this Prospectus) at the Issue Price to Qualifying Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) pro rata to their holdings of Existing Ordinary Shares on the Record Date. The Open Offer is fully underwritten by the Joint Underwriters. The Joint Underwriters shall, subject to the terms and conditions set out in the Underwriting and Sponsors' Agreement, subscribe, at the Issue Price, for such number of Open Offer Shares that are not subscribed for by Qualifying Shareholders in the Open Offer or subscribed for by Qualifying Lender/Seller Shareholders pursuant to the Excess Application Facility (such number of Open Offer Shares not so subscribed being referred to as the Open Offer Placement Shares), as described below. The conditions to the Open Offer are set out in "Principal terms of the Open Offer" below. The Company proposes to raise gross proceeds of approximately £170 million through the Open Offer.

The net proceeds receivable by the Company from the Capital Raising (expected to be approximately £232 million) will be used, alongside existing cash resources held in the Holding Companies, to prepay £450 million of the Impala Facility, which payment is expected to be made within two business days following completion of the Capital Raising. In addition, in connection with the Impala Facility Amendment and Restatement Agreement, the Group will pay, using existing cash resources held in the Holding Companies, arrangement and structuring fees, which are estimated to be approximately £21 million.

The Company has been notified by the Joint Underwriters that each of the Joint Underwriters and each of the Swap Counterparties has entered into a Swap Commitment Agreement with each of the Och-Ziff Funds. Pursuant to each Swap Commitment Agreement, a Total Return Swap will be entered into between each of the Swap Counterparties and each of the Och-Ziff Funds on or prior to the date of Admission of the Open Offer Shares. The Total Return Swaps will provide that they become effective as of the date of Admission of the Open Offer Shares. The Total Return Swaps enable the Joint Underwriters (through the Swap Counterparties) to pass to the Och-Ziff Funds economic exposure to the Open Offer Placement Shares. Such Open Offer Placement Shares represent the entire number of Ordinary Shares for which the Joint Underwriters are required to subscribe. The Total Return Swaps will not give the Och-Ziff Funds any legal or beneficial ownership of the Open Offer Placement Shares, nor any rights to vote the Open Offer Placement Shares nor any rights to procure the exercise of voting rights in respect of the Open Offer Placement Shares. See "—Total Return Swaps" below.

The Company has been notified by the Joint Underwriters that each of the TDR Capital Entities, the Sun Capital Entities and certain Shareholders, on the one hand and the Joint Underwriters on the other hand, has entered into an Irrevocable Commitment Undertaking in favour of the Joint Underwriters. Pursuant to the Irrevocable Commitment Undertakings, (i) certain of the TDR Capital Entities have irrevocably and unconditionally agreed to apply to subscribe for an aggregate of 4,400,000 Open Offer Shares pursuant to their respective Open Offer Entitlements in the Open Offer, (ii) certain of the Sun Capital Entities have irrevocably and unconditionally agreed to apply to subscribe for an aggregate of 4,349,381 Open Offer Shares pursuant to their respective Open Offer Entitlements in the Open Offer and (iii) certain Shareholders have irrevocably and unconditionally agreed to apply to subscribe for an aggregate of 5,879,928 Open Offer Shares pursuant to their respective Open Offer Entitlements in the Open Offer (which number also includes the number of Open Offer Shares for which the Directors intend to subscribe). See "—Irrevocable Commitment Undertakings and Irrevocable Voting Undertakings" below.

Each of the TDR Capital Entities, the Sun Capital Voting Entities and certain other Shareholders has executed a binding Irrevocable Voting Undertaking dated 30 January 2013 in favour of the Company. Pursuant to the Irrevocable Voting Undertakings, the Irrevocable Voting Shareholders have irrevocably and unconditionally agreed to vote in favour of the Resolutions to be put to the EGM. The aggregate of the number of Ordinary Shares the subject of the Irrevocable Voting Undertakings and the number of Ordinary Shares in respect of which the Directors intend to vote in favour of the proposed Resolutions at the EGM is 109,092,628 Ordinary Shares (representing approximately 62.5 per cent. of the Company's entire issued share capital at the date of this Prospectus).

Each of the TDR Capital Entities and Sun Capital Entities has irrevocably and unconditionally agreed, in a Lock-up Deed executed in favour of the Company, not to sell, transfer or otherwise dispose of their respective holdings of Ordinary Shares that they legally or beneficially held on the date of this Prospectus for a period of six months from the date of this Prospectus.

The Company has, in the Subscription Agreement, agreed to pay the Och-Ziff Funds a structuring fee of £5 million in consideration of their assistance in becoming part of the arrangements for the re-terming of the Impala Facility.

In structuring the Capital Raising, the Directors have had regard, among other things, to the importance of attracting a new institutional investor into the Company by means of the First Placing and the Second Placing, current market conditions, the level of the Company's share price and the importance of allowing Shareholders to participate in the Capital Raising by means of the Open Offer. The level of discount reflects the price at which the Placees have agreed to commit to subscribe for the Placed Shares pursuant to the First Placing and the Second Placing.

After considering all these factors, the Directors have concluded that the First Placing, the Second Placing and the Open Offer at the Issue Price is the most suitable option available to the Company and its Shareholders. The Open Offer component of the fundraising provides an opportunity for all Qualifying Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) to participate by subscribing for Open Offer Shares pro rata to their holdings of Existing Ordinary Shares on the Record Date.

Application will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the FSA and to London Stock Exchange for the New Ordinary Shares to be admitted to trading on the main market of the London Stock Exchange. Subject to certain conditions being satisfied, including the passing of the Ordinary Resolution and (in relation to the

issuance of the Second Placed Shares and the Open Offer Shares only) the Special Resolution at the EGM, it is expected that the First Placed Shares, and if applicable, the Second Placed Shares and the Open Offer Shares will be issued on 21 February 2013 and that Admission of the First Placed Shares and, if applicable, the Second Placed Shares and the Open Offer Shares will become effective, and that unconditional dealings in the New Ordinary Shares will commence, on 21 February 2013.

All New Ordinary Shares and any Relationship Agreement Ordinary Shares will, when issued and fully paid, be identical to, and rank in full with, the Existing Ordinary Shares for all dividends and other distributions declared, made or paid, if any, by reference to a record date after the date of their issue and will rank pari passu in all respects with the Existing Ordinary Shares as at their date of issue. No temporary documents of title will be issued in respect of the New Ordinary Shares or any Additional Relationship Agreement Shares.

The Capital Raising was originated by Sun Capital Partners and structured with their substantial assistance.

2.2 Principal terms of the First Placing

The Company will issue 7,800,000 New Ordinary Shares at the Issue Price pursuant to the First Placing to the Placees. The First Placed Shares to be issued in the First Placing are expected to be issued to the Placees on 21 February 2013. The First Placed Shares do not form part of the Open Offer and are not subject to any clawback mechanism. The First Placing is not conditional on completion of the other components of the Capital Raising, but is conditional on the conditions set out below.

The First Placing is being made in reliance on the Existing Shareholder Authority granted by the Shareholders at the Company's AGM held on 3 May 2012. The size of the First Placing has been determined by the Company by reference both to the number of New Ordinary Shares that the Company is able to issue on a non-pre-emptive basis in reliance on the Existing Shareholder Authority granted by the Shareholders at the Company's AGM held on 3 May 2012 and to the number of New Ordinary Shares that the Company is able to issue in order to comply with certain guidance issued by the Association of British Insurers which states that a company should not issue ordinary shares through a disapplication of pre-emption rights in excess of 7.5 per cent. of that company's issued ordinary share capital in any rolling three year period, taking into account all Ordinary Shares issued for cash during that period, without prior shareholder approval (which, in the case of the Company, requires a Special Resolution).

The Company has entered into a Subscription Agreement with the Placees in connection with the First Placing and the Second Placing. Under the Subscription Agreement, the Placees have undertaken to subscribe for the First Placed Shares on 21 February 2013 at the Issue Price. The First Placing is conditional on:

- the passing of the Ordinary Resolution by the Shareholders at the EGM;
- the Admission of the First Placed Shares occurring by no later than 8:00 a.m. (London time) on 21 February 2013 or such later time or date (not later than 28 February 2013) as the parties to the Subscription Agreement may agree;
- the Underwriting and Sponsors' Agreement and the Swap Commitment Agreements, the Lock-Up Deeds and the Irrevocable Commitment Undertakings having been executed by all parties thereto and not having been amended or terminated (other than, in each case, a termination as a result of the Special Resolution not having been passed by Shareholders at the EGM);
- the Impala Facility Amendment and Restatement Agreement being in full force and effect and not having been amended or terminated at Admission (notwithstanding that the amendments to be made to the Existing Impala Facility Agreement by the Impala Facility Amendment and Restatement Agreement shall only become effective upon the satisfaction of the Amendment Conditions Precedent);
- at Admission, the only conditions to the amendments to be made to the Existing Impala Facility Agreement by the Impala Facility Amendment and Restatement Agreement being (i) the delivery by the Impala Borrowers to the Impala Facility Agent of a certificate confirming that the Company has raised at least £250 million of gross proceeds from the Capital Raising and that the net proceeds (after deducting the costs, expenses, fees and commissions that are permitted to be deducted pursuant to the terms of the Impala Facility Amendment and Restatement Agreement) have been either (A) contributed by the Company to one or more of the Impala Borrowers or (B) applied in prepayment of amounts outstanding under the Existing Impala Facility Agreement, and (ii) the payment by the Impala Borrowers of the fees, costs and expenses required to be paid by the Impala Borrowers pursuant to the terms of the Impala Facility Amendment and Restatement Agreement;

- there being no termination rights contained in the Impala Facility Amendment and Restatement Agreement that would give the lenders a right to terminate the Impala Facility Amendment and Restatement Agreement, save that, upon the occurrence of the 21 March 2013 long-stop date (and unless the Majority Lenders under the Existing Impala Facility Agreement otherwise agree), the Impala Facility Amendment and Restatement Agreement will automatically lapse if the conditions to the amendment and restatement have not been satisfied; and
- customary documentary and other conditions precedent, comprising the publication of the required regulatory announcement giving details of the Capital Raising and the formal approval of the Circular by the FSA. The Circular is required to be approved by the FSA pursuant to the Company's obligations under the Listing Rules.

It will be determined whether all the conditions to the First Placing have been satisfied prior to Admission of the First Placed Shares (save for Admission itself), which is expected to take place on 21 February 2013.

2.3 Principal terms of the Second Placing

The Company is proposing to issue 8,200,000 New Ordinary Shares at the Issue Price pursuant to the Second Placing to the Places. The Second Placed Shares are expected to be issued on 21 February 2013. The Second Placed Shares do not form part of the Open Offer and are not subject to any clawback mechanism.

As described above, the Company has entered into a Subscription Agreement with the Placees in connection with the First Placing and the Second Placing. Under the Subscription Agreement, the Placees have undertaken to subscribe for the Second Placed Shares at the Issue Price. The Second Placing is conditional on:

- the passing of the Ordinary Resolution and the Special Resolution by Shareholders at the EGM;
- the Admission of the Second Placed Shares occurring by no later than 8:00 a.m. (London time) on 21 February 2013 or such later time or date (not later than 28 February 2013) as the parties to the Subscription Agreement may agree;
- the First Placing and Open Offer having become unconditional (save in respect of Admission);
- the Total Return Swaps having been executed by all parties thereto and not having been amended or terminated prior to Admission; and
- customary documentary and administrative conditions precedent comprising the publication of the required regulatory announcement giving details of the Capital Raising, the Underwriting and Sponsors' Agreement and the Irrevocable Commitment Undertakings having been executed by all parties thereto and not having been amended or terminated and the formal approval of this Prospectus by the AFM and the formal approval of the Circular by the FSA.

Therefore, the Second Placing will not proceed unless the First Placing and the Open Offer become unconditional in all respects.

It will be determined whether all the conditions to the Second Placing have been satisfied prior to Admission of the Second Placed Shares (save for Admission itself), which is expected to take place on 21 February 2013.

In consideration of their agreements under the Subscription Agreement, and subject to their obligations under the Subscription Agreement having become unconditional and the Subscription Agreement not having been terminated, the Company has agreed to pay the Placees an equity commitment fee of £2 million and reimbursement of transaction expenses of £1 million.

2.4 Principal terms of the Open Offer

The Company is proposing to offer 34,000,000 New Ordinary Shares at the Issue Price pursuant to the Open Offer. The Open Offer is fully underwritten by the Joint Underwriters pursuant to, and subject to the terms of, the Underwriting and Sponsors' Agreement.

Under the terms of the Open Offer, Qualifying Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) will be given the opportunity to apply for the Open Offer Shares at the Issue Price, pro rata to their holdings of Existing Ordinary Shares on the Record Date, on the basis of:

0.194745 Open Offer Shares for every 1 Existing Ordinary Share

The Open Offer Shares are expected to be issued on 21 February 2013.

The Open Offer is conditional on:

- the passing of the Ordinary Resolution and the Special Resolution by Shareholders at the EGM;
- the Admission of the Open Offer Shares occurring by no later than 8:00 a.m. (London time) on 21 February 2013 or such later time or date (not later than 28 February 2013) as the parties to the Underwriting and Sponsors' Agreement may agree;
- the First Placing and the Second Placing having become unconditional (save in respect of Admission);
- the Subscription Agreement and the Underwriting and Sponsors' Agreement having become unconditional in all respects (save in respect of Admission) and not having been terminated in accordance with their respective terms; and
- customary documentary and administrative conditions precedent comprising the publication of the required regulatory announcement giving details of the Capital Raising, the Subscription Agreement, the Swap Commitment Agreements and the Irrevocable Commitment Undertakings having been executed by all parties thereto and not having been amended or terminated and the formal approval of this Prospectus by the AFM and the formal approval of the Circular by the FSA.

Therefore, the Open Offer will not proceed unless the First Placing and the Second Placing become unconditional in all respects.

It will be determined whether all the conditions to the Open Offer have been satisfied prior to Admission of the Open Offer Shares (save for Admission itself), which is expected to take place on 21 February 2013.

Since the Record Date for Open Offer Entitlements is prior to the issuance of the First Placed Shares and the Second Placed Shares, the Placees do not have any Open Offer Entitlements in respect of the Open Offer.

Fractions of Open Offer Shares will not be allotted to Qualifying Shareholdings in the Open Offer and fractional entitlements under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares. As a result of the foregoing, this means that Qualifying Shareholders holding fewer than 6 Existing Ordinary Shares on the Record Date will not therefore receive any Open Offer Shares pursuant to their Open Offer Entitlement. Holdings of Existing Ordinary Shares in certificated and uncertificated form, holdings under different designations and holdings in different countries will each be treated as separate holdings for the purpose of calculating entitlements under the Open Offer and the rounding of fractional shares.

Qualifying Shareholders (other than, subject to certain exceptions, Shareholders with a registered address in, or who are resident or located in (as applicable), the United States or any Excluded Territory) may apply for any whole number of Open Offer Shares up to their maximum entitlement, which, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Open Offer Entitlements as shown in Box B on their Application Form, or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements standing to the credit of their stock accounts in CREST, which is their Maximum Open Offer Entitlement.

Other than in respect of certain Lender/Seller Shareholders, there is no excess application facility in connection with the Open Offer. Therefore, Qualifying Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) can only apply for Offer Shares up to their Open Offer Entitlements. No application in excess of a Qualifying Shareholder's Open Offer Entitlement will be met and Qualifying Shareholders so applying, and whose application is otherwise valid in all respects, will be deemed to have applied for their Maximum Open Offer Entitlement (and any monies received in excess of the amount due will be returned to any Qualifying Non-CREST Shareholder without interest as soon as practicable by way of cheque at such applicant's sole risk). There is an Excess Application Facility in respect of certain Lender/Seller Shareholders, as described in "—Excess Application Facility for certain Lender/Seller Shareholders" below.

Application Forms are expected to be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) on 31 January 2013 and Qualifying CREST Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) are expected to receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements at 8:00 a.m. (London time) on 1 February 2013.

Application has been made for the Open Offer Shares to be admitted to CREST. It is expected that the Open Offer Entitlements will be admitted to CREST at 8:00 a.m. (London time) on 1 February 2013. The Open Offer Entitlements will also be enabled for settlement in CREST at 8:00 a.m. (London time) on 1 February 2013. Applications through the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim.

Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim. Qualifying Non-CREST Shareholders should note that their Application Form is not a negotiable document and cannot be traded.

If Admission of the Open Offer Shares does not take place on or before 8:00 a.m. (London time) on 21 February 2013 (or such later time and/or date as the parties to the Underwriting and Sponsors' Agreement may agree), the Open Offer will lapse, any Open Offer Entitlements admitted to CREST will thereafter be disabled and application monies under the Open Offer will be refunded to the applicants, by cheque (at the applicant's risk) in the case of Qualifying Non-CREST Shareholders and by way of a CREST payment in the case of Qualifying CREST Shareholders, without interest as soon as practicable thereafter.

Any Qualifying Shareholder who has sold or transferred all or part of his or her registered holding(s) of Ordinary Shares prior to 8:00 a.m. (London time) on 30 January 2013 is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares may be a benefit which may be claimed from him or her by the purchasers under the rules of the London Stock Exchange.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part III: "Terms and Conditions of the Open Offer" of this Prospectus and, where relevant, on the applicable Application Form.

2.5 Underwriting of the Open Offer

The Company has entered into an Underwriting and Sponsors' Agreement dated 30 January 2013 with the Joint Underwriters in connection with the Open Offer.

The Open Offer is fully underwritten by the Joint Underwriters pursuant to, and subject to the terms of, the Underwriting and Sponsors' Agreement. Deutsche Bank and J.P. Morgan Cazenove have been appointed as Joint Sponsors in relation to the applications for Admission and as Joint Underwriters, Joint Global Coordinators and Joint Bookrunners in relation to the Open Offer.

The Joint Underwriters have agreed, subject to their respective obligations under the Underwriting and Sponsors' Agreement having become unconditional and the Underwriting and Sponsors' Agreement not having been terminated, to subscribe, subject to the terms and conditions set out in the Underwriting and Sponsors' Agreement, at the Issue Price, for such number of Open Offer Shares that are not subscribed for by Qualifying Shareholders in the Open Offer or subscribed for by Qualifying Lender/Seller Shareholders pursuant to the Excess Application Facility (such number of Open Offer Shares not so subscribed being referred to as the Open Offer Placement Shares).

In consideration of their agreements under the Underwriting and Sponsors' Agreement, and subject to their respective obligations under the Underwriting and Sponsors' Agreement having become unconditional and the Underwriting and Sponsors' Agreement not having been terminated, the Company has agreed to pay the Joint Underwriters a commission of 1.75 per cent. of the Issue Price multiplied by the number of Open Offer Shares and to pay certain expenses. The Company has acknowledged in the Underwriting and Sponsors' Agreement that the Joint Underwriters (or their affiliates) are entitled, in their absolute discretion, to pay to the Och-Ziff Funds, certain of the TDR Capital Entities, certain of the Sun Capital Entities, any of their respective affiliates or any other Shareholder of the Company, a portion of the commission (by way of a fee or otherwise) that the Company pays to the Joint Underwriters

pursuant to the Underwriting and Sponsors' Agreement. The Company has been notified by the Joint Underwriters that the Joint Underwriters will (i) retain for the own account of the Joint Underwriters an aggregate commission of 0.75 per cent. of the Issue Price multiplied by the number of Open Offer Shares, (ii) pay to the Irrevocably Committed Shareholders, whose Irrevocable Commitment Undertakings provide for the payment of a fee, a fee of 1.0 per cent. of the Issue Price multiplied by the number of Ordinary Shares which are the subject of the Irrevocable Commitment Undertakings and (iii) pay to the Och-Ziff Funds an exposure fee of 1.0 per cent. of the Issue Price multiplied by the number of Open Offer Shares less the number of Open Offer Shares which are the subject of the Irrevocable Commitment Undertakings that provide for the payment of a fee to the relevant Irrevocably Committed Shareholder.

The Company has also agreed to pay, or to reimburse to the Joint Underwriters (in such capacity and also in their capacity as Joint Sponsors, Joint Global Coordinators and Joint Bookrunners) all costs, charges and expenses in connection with Admission of the Open Offer Shares and the transactions contemplated by the Underwriting and Sponsors' Agreement as well as all applicable taxes on all amounts paid to the Joint Underwriters.

See Part XIII: "Additional Information—Material Contracts—Underwriting and Sponsors' Agreement".

2.6 Total Return Swaps

The Company has been notified by the Joint Underwriters that each of the Joint Underwriters and each of the Swap Counterparties has entered into a Swap Commitment Agreement with each of the Och-Ziff Funds. Pursuant to each Swap Commitment Agreement, a Total Return Swap will be entered into between each of the Swap Counterparties and each of the Och-Ziff Funds on or prior to the date of Admission of the Open Offer Shares. The Total Return Swaps will provide that they become effective as of the date of Admission of the Open Offer Shares. The Total Return Swaps enable the Joint Underwriters (through the Swap Counterparties) to pass to the Och-Ziff Funds economic exposure to the Open Offer Placement Shares. Such Open Offer Placement Shares represent the entire number of Ordinary Shares for which the Joint Underwriters are required to subscribe.

Accordingly, the Joint Underwriters have effectively transferred to the Och-Ziff Funds their economic exposure in respect of the Open Offer Placement Shares for which they have agreed to subscribe, upon completion of the Open Offer. The Och-Ziff Funds have represented to the Joint Underwriters that they are acquiring the economic exposure in respect of such New Ordinary Shares for investment purposes and not with a view to distribution.

In accordance with standard market practice, the Total Return Swaps will give the Och-Ziff Funds economic exposure to the Open Offer Placement Shares, but will not give the Och-Ziff Funds any legal or beneficial ownership of the Open Offer Placement Shares, nor any rights to vote the Open Offer Placement Shares nor any rights to procure the exercise of voting rights in respect of the Open Offer Placement Shares. The Swap Counterparties will have legal and beneficial ownership of the Open Offer Placement Shares which are the subject of the Total Return Swaps.

2.7 Irrevocable Commitment Undertakings and Irrevocable Voting Undertakings

The Company has been notified by the Joint Underwriters that each of the TDR Capital Entities, the Sun Capital Entities and certain Shareholders, on the one hand and the Joint Underwriters on the other hand, has entered into an Irrevocable Commitment Undertaking in favour of the Joint Underwriters. Pursuant to the Irrevocable Commitment Undertakings, (i) certain of the TDR Capital Entities have irrevocably and unconditionally agreed to apply to subscribe for an aggregate of 4,400,000 Open Offer Shares pursuant to their respective Open Offer Entitlements in the Open Offer, (ii) certain of the Sun Capital Entities have irrevocably and unconditionally agreed to apply to subscribe for an aggregate of 4,349,381 Open Offer Shares pursuant to their respective Open Offer Entitlements in the Open Offer and (iii) certain Shareholders have irrevocably and unconditionally agreed to apply to subscribe for an aggregate of 5,879,928 Open Offer Shares pursuant to their respective Open Offer Entitlements in the Open Offer (which number also includes the number of Open Offer Shares for which the Directors intend to subscribe).

The Company is not party to the Irrevocable Commitment Undertakings and has no rights or liabilities under them, and the Company cannot procure that the Joint Underwriters enforce the Irrevocable Commitment Undertakings. The Company is not paying any fees, expenses or commissions to the Irrevocably Committed Shareholders in connection with the Irrevocable Commitment Undertakings. The

Company has acknowledged in the Underwriting and Sponsors' Agreement that the Joint Underwriters (or their affiliates) are entitled, in their absolute discretion, to pay to the Och-Ziff Funds, certain of the TDR Capital Entities, certain of the Sun Capital Entities, any of their respective affiliates or any other Shareholder of the Company, a portion of the commission (by way of a fee or otherwise) that the Company pays to the Joint Underwriters pursuant to the Underwriting and Sponsors' Agreement. See Part XIII: "Additional Information—Material Contracts—Underwriting and Sponsors' Agreement".

The Company has been notified by the TDR Capital Entities and the Sun Capital Entities that, as at 28 January 2013, being the latest practicable date prior to publication of this Prospectus, the TDR Capital Entities and the Sun Capital Entities hold 17.3 per cent. and 13.0 per cent., respectively, of the Company's existing issued share capital. Assuming that each of the TDR Capital Entities and the Sun Capital Entities comply with their respective Irrevocable Commitment Undertakings, this would result in the TDR Capital Entities and the Sun Capital Entities holding 15.4 per cent. and 12.0 per cent., respectively, of the Fully Enlarged Issued Share Capital.

Each of the TDR Capital Entities, the Sun Capital Voting Entities and certain other Shareholders has executed a binding Irrevocable Voting Undertaking dated 30 January 2013 in favour of the Company. Pursuant to the Irrevocable Voting Undertakings, the Irrevocable Voting Shareholders have irrevocably and unconditionally agreed to vote in favour of the Resolutions to be put to the EGM. The aggregate of the number of Ordinary Shares the subject of the Irrevocable Voting Undertakings and the number of Ordinary Shares in respect of which the Directors intend to vote in favour of the proposed Resolutions at the EGM is 109,092,628 Ordinary Shares (representing approximately 62.5 per cent. of the Company's entire issued share capital at the date of this Prospectus).

2.8 Excess Application Facility for certain Lender/Seller Shareholders

Under the Lender Relationship Agreement and the Sellers' Relationship Agreement, the Company agreed to provide certain pre-emptive rights to the Lender Shareholders and Seller Shareholders respectively. See Part XIII: "Additional Information—Material Contracts—Lender Relationship Agreement" and Part XIII: "Additional Information—Material Contracts—Sellers' Relationship Agreement" for further information.

The Excess Application Facility is the arrangement pursuant to which certain Lender/Seller Shareholders may apply for additional Open Offer Shares in excess of their Open Offer Entitlement in accordance with the terms and conditions of the Open Offer.

The Excess Application Facility is being made available to those Lender/Seller Shareholders who have the benefit of contractual pre-emption rights in respect of the issuance of the Placed Shares pursuant to the Lender Relationship Agreement or the Sellers' Relationship Agreement and who have not disapplied their contractual pre-emption rights under the relevant Relationship Agreement prior to the date of this Prospectus, who are referred to as Qualifying Lender/Seller Shareholders.

The number of Excess Shares for which a Qualifying Lender/Seller Shareholder is entitled to apply under the Excess Application Facility (which is referred to in this Prospectus as such Qualifying Lender/Seller Shareholder's Excess Application Facility Entitlement) is equal to the Maximum Non-Pre-Emptive Issuance Amount multiplied by such Qualifying Lender/Seller Shareholder's Percentage Holding, where:

(i) the "Maximum Non-Pre-Emptive Issuance Amount" is 16,176,866 Ordinary Shares. The Maximum Non-Pre-Emptive Issuance Amount is the number of Ordinary Shares equal to the sum of (a) the First Placed Shares and the Second Placed Shares (which equals 16,000,000 Placed Shares) and (b) the aggregate of the maximum number of Excess Shares to which each Qualifying Lender/Seller Shareholder is entitled to subscribe pursuant to its contractual pre-emption rights under the relevant Relationship Agreement as a result of the proposed issuance of the Placed Shares on a non-pre-emptive basis;

(ii) the "Percentage Holding" of a Qualifying Lender/Seller Shareholder is the number of Ordinary Shares held by such Qualifying Lender/Seller Shareholder immediately prior to the issuance of the First Placed Shares and the Second Placed Shares, divided by the Total Ordinary Shares and expressed as a percentage; and

(iii) the "Total Ordinary Shares" is the number of Ordinary Shares equal to the sum of (a) the total number of issued Ordinary Shares immediately prior to the issuance of the First Placed Shares and the Second Placed Shares and (b) the number of Ordinary Shares which may be issued pursuant to (i) the Amended Contingent Fee Agreement, (ii) the Amended Contingent Subscription Agreements

(but, for the purposes of this calculation of the number of Total Ordinary Shares, the number of Ordinary Shares which may be issued pursuant to the Amended Contingent Subscription Agreement is deemed to be limited to a maximum of one million Ordinary Shares) and (iii) the Amended Contingent Consideration Agreement (as at the date of this Prospectus, the sum of (i), (ii) and (iii) equals 3,600,000 Ordinary Shares, as described in Part XIII: "Additional Information—Material Contracts—Contingent Rights Agreements"). Therefore, as at the date of this Prospectus, the Total Ordinary Shares is 178,187,148 Ordinary Shares.

Qualifying Lender/Seller Shareholders will receive a separate communication with information on what steps they need to take in order to apply for Open Offer Shares under the Excess Application Facility. The Excess Application Facility Entitlement of a Qualifying Lender/Seller Shareholder will be specified on the Excess Application Facility Application Form which will be sent to each Qualifying Lender/Seller Shareholder.

The aggregate number of Excess Shares for which all Qualifying Lender/Seller Shareholders are entitled to apply is 176,866 Excess Shares, which represents approximately 0.1 per cent. of the Company's entire issued share capital at the date of this Prospectus.

Under the Excess Application Facility, any Offer Shares not subscribed for by Qualifying Shareholders will be available for subscription by Qualifying Lender/Seller Shareholders. The balance of any Open Offer Shares not subscribed for by Qualifying Lender/Seller Shareholders under the Excess Application Facility will constitute Open Offer Placement Shares for which the Joint Underwriters are required to subscribe, upon completion of the Open Offer under the terms of the Underwriting and Sponsors' Agreement.

The Company cannot guarantee that any application for Excess Shares under the Excess Application Facility will be satisfied as this will depend in part on the extent to which Qualifying Shareholders apply for less than their own Open Offer Entitlements and the extent to which other Qualifying Lender/Seller Shareholders apply for their entitlements under the Excess Application Facility. The Company may satisfy valid applications for Excess Shares by applicants in whole or in part but reserves the right not to satisfy any excess above any Open Offer Entitlement. The Board may scale back applications made in excess of Open Offer Entitlements on such basis as it reasonably considers to be appropriate.

The Company may satisfy the contractual pre-emption rights of any Qualifying Lender/Seller Shareholder pursuant to the relevant Relationship Agreement otherwise than pursuant to the Excess Application Facility within the Open Offer, including by way of issuing Additional Relationship Agreement Shares outside the Capital Raising. The Company currently expects only to issue any Additional Relationship Agreement Shares in the event that the number of Ordinary Shares which Qualifying Lender/Seller Shareholders seek to subscribe for under the Excess Application Facility exceeds the number of Ordinary Shares available for subscription under the Excess Application Facility.

As referred to above, under the Sellers' Relationship Agreement, the Company has provided pre-emptive rights to the SRA Sellers and the Restructuring Selling Shareholders and under, the Lender Relationship Agreement, the Company has provided pre-emptive rights to the Lenders under the Lender Relationship Agreement. As at the date of this Prospectus, Lender/Seller Shareholders holding an aggregate of 62,644,235 Ordinary Shares have agreed with the Company to waive their contractual pre-emption rights under the relevant Relationship Agreement in respect of the issue of the Placed Shares. Therefore, such Lender/Seller Shareholders do not have any entitlements under the Excess Application Facility. As at the date of this Prospectus, the maximum number of Excess Shares to which Qualifying Lender/Seller Shareholders are entitled to apply for under the Excess Application Facility is 176,866 Ordinary Shares, which represents 0.1 per cent. of the Company's existing issued share capital at the date of this Prospectus.

The Company will, upon passing of the Capital Raising Resolutions and the Second Placing and the Open Offer becoming unconditional, have the authority to issue a sufficient number of Ordinary Shares (whether pursuant to the Excess Application Facility or otherwise) in order to satisfy the maximum entitlement of each Qualifying Lender/Seller Shareholder to subscribe for Ordinary Shares pursuant to their contractual pre-emption rights under the relevant Relationship Agreement which arise as a result of the issuance of the First Placed Shares and the Second Placed Shares.

In circumstances where the Ordinary Resolution is passed but the Special Resolution is not passed and only the First Placing proceeds, the Company has, pursuant to the Existing Shareholder Authority, the authority to issue a sufficient number of Ordinary Shares in order to satisfy the maximum entitlement of each Qualifying Lender/Seller Shareholder to subscribe for Ordinary Shares pursuant to their contractual

pre-emption rights under the relevant Relationship Agreement which arise as a result of the issuance of the First Placed Shares.

2.9 Lock-Up Undertakings

Each of the TDR Capital Entities and Sun Capital Entities has irrevocably and unconditionally agreed, in a Lock-up Deed executed in favour of the Company not to sell, transfer or otherwise dispose of their respective holdings of Ordinary Shares that they legally or beneficially held on the date of this Prospectus for a period of six months from the date of this Prospectus. The Lock-up Deeds contain certain exceptions in respect of sales, transfers or other dispositions to relatives, holding companies, subsidiaries, other members of the same group of companies, affiliates and connected persons.

2.10 Effect of the Capital Raising

If the First Placing is completed, the First Placed Shares will represent approximately 4.5 per cent. of the Company's existing issued share capital at the date of this Prospectus and approximately 4.3 per cent. of the First Enlarged Issued Share Capital. Upon the issue of the First Placed Shares, all Shareholders will experience an immediate dilution of approximately 4.3 per cent. of their interests in the Company as a result of the First Placing.

If, in addition to the First Placing, the Second Placing and the Open Offer are completed, the First Placed Shares, the Second Placed Shares and the Open Offer Shares will represent in aggregate approximately 28.6 per cent. of the Company's existing issued share capital at the date of this Prospectus and approximately 22.3 per cent. of the Fully Enlarged Issued Share Capital. Upon the issue of the First Placed Shares, the Second Placed Shares and the Open Offer Shares, Qualifying Shareholders who take up their full entitlements in respect of the Open Offer will experience an immediate further dilution of approximately 3.0 per cent. of their interests in the Company. However, upon the issue of the First Placed Shares, the Second Placed Shares and the Open Offer Shares, Shareholders who do not (or are not eligible to) take up any of their entitlements in respect of the Open Offer will experience an immediate further and greater dilution of approximately 18.8 per cent. of their interests in the Company.

Qualifying Shareholders should note that the Open Offer is not a rights issue. In the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market on behalf of, or placed for the benefit of, Qualifying Shareholders who are not eligible to, or do not, apply under the Open Offer.

3. Use of Proceeds

The net proceeds receivable by the Company from the Capital Raising (expected to be approximately £232 million) will be used, alongside existing cash resources held in the Holding Companies, to prepay £450 million of the Impala Facility, which payment is expected to be made within two business days following completion of the Capital Raising. In addition, in connection with the Impala Facility Amendment and Restatement Agreement, the Group will pay, using existing cash resources held in the Holding Companies, arrangement and structuring fees, which are estimated to be approximately £21 million.

4. Financial effects of the Capital Raising

Certain unaudited pro forma financial information of the Group, prepared for illustrative purposes only, is included in Part X of this Prospectus. Such unaudited pro forma financial information illustrates the effect on the consolidated financial position of the Group of (i) the payment to the Company of the net proceeds from the Capital Raising, of £232 million, after deduction of commissions, fees and expenses incurred in relation to the Capital Raising and (ii) the prepayment of £450 million of the Impala Facility and the payment of arrangement and structuring fees in connection with the Impala Facility Amendment and Restatement Agreement, which are estimated to be approximately £21 million, as if each took place on 30 June 2012, which is the date of the Company's last published balance sheet. The unaudited pro forma financial information has not been adjusted to reflect the £62.5 million prepayment of the Impala Facility made by the Group in the last quarter of 2012 or any other transactions or results between 30 June 2012 and the date of this Prospectus.

The financial effects of the expected Capital Raising and the expected £450 million debt prepayment of the Impala Facility, assuming all such transactions took place on 30 June 2012 and based on the Group's published financial information as at such date, are expected to include:

- assuming (i) payment to the Company of the net proceeds from the Capital Raising, of £232 million, after deduction of commissions, fees and expenses incurred in relation to the Capital Raising and (ii) payment of the £450 million debt prepayment expected to be made within two business days following completion of the Capital Raising (which is to be funded in part by the net proceeds of the Capital Raising and in part by the Group's existing cash resources) and the payment of arrangement and structuring fees in connection with the Impala Facility Amendment and Restatement Agreement, which are estimated to be approximately £21 million (but not taking into account the £62.5 million repayment of the Impala Facility made by the Group in the last quarter of 2012 or any other transactions or results between 30 June 2012 and the date of this Prospectus):
  - (a) the Directors believe that the Group's PLHL ICA surplus would reduce by £0.2 billion, which reflects the impact of using existing cash resources held in the Holding Companies of approximately £239 million from the PLHL sub-group to part fund such prepayment;
  - (b) the Group's IGD surplus would reduce by £0.2 billion. The Group's IGD assessment is made at the PLHL level;
  - (c) calculated on the basis of the Existing Gearing Definition, the Group's gearing would reduce from 46 per cent. to 42 per cent. as at 30 June 2012;
  - (d) calculated on the basis of the New Gearing Definition, the Group's gearing would reduce from 56 per cent. to 50 per cent. as at 30 June 2012; and
  - (e) Holding Companies cash and cash equivalents would reduce by £239 million as a result of using existing cash resources held in the PLHL sub-group to part fund the partial prepayment of the Impala Facility referred to above; and
- following the transactions, Group MCEV per share as at 30 June 2012 would reduce from £12.23 to £10.34 on a pro forma basis. This reflects the increase in the number of issued Ordinary Shares following the Capital Raising. This is partially offset by the impact of the net increase to MCEV as a result of the net proceeds of the Capital Raising less the impact of the arrangement and structuring fees in connection with the Impala Facility Amendment and Restatement Agreement and the expected reduction in tax attributes available to the Group to relieve tax on emerging surpluses from the Group's operating businesses following the prepayment.

For further details of the Group's gearing calculations, see Part VIII: "Operating and Financial Review of the Company—Recent Developments, Current Trading And Outlook—Gearing" and see Part X: "Unaudited Pro Forma Financial Information" for certain components of the gearing calculations on a pro forma basis.

5. Directors' Intentions

The Board is of the opinion that the Capital Raising and the Capital Raising Resolutions are in the best interests of the Company and the Shareholders taken as a whole. Accordingly, the Board has, in the Circular, unanimously recommended that Shareholders vote in favour of the Capital Raising Resolutions to be put to the EGM, as the Directors intend to do, or procure, in respect of their own beneficial holdings of Ordinary Shares. As at 28 January 2013, being the latest practicable date prior to publication of this Prospectus, the Directors beneficially own an aggregate of 12,382,105 Ordinary Shares, representing approximately 7.1 per cent. of the Company's current issued share capital at the date of this Prospectus.

Each of the Directors intends to take up his or her Open Offer Entitlement in full, which in aggregate amount to 2,411,349 Open Offer Shares under the Open Offer.

6. Dividends and Dividend Policy

On 15 April 2010, the Company paid a dividend for the 2009 financial year in an amount equal to €0.17 per Ordinary Share, representing €0.50 per Ordinary Share pro rated from the date of completion of the acquisition of the Original Pearl Business to the year end. The Company's aggregate dividend for 2011 and 2010 of 42 pence per share annually was allocated equally as one-half interim dividend and one-half final dividend, with the Company paying an interim and final dividend of 21 pence per share in each year.

On 4 October 2012, the Company paid an interim dividend of 21 pence per share. Subject to market conditions and trading performance and the factors discussed below, the Board currently intends to recommend a 26.7 pence per share final 2012 dividend, which would represent a 27 per cent. increase in the 2012 final dividend cent compared with the 2011 final dividend. The Board believes this is a sustainable level at which to rebase the dividend going forward as the business executes its stated strategy.

All future dividends paid by the Company will depend upon, among other things, market conditions and the Group's financial position, trading performance and outlook, as well as the Board's assessment of the Group's operating plans and its progress in achieving its stated gearing target. In the absence of acquisitions in the medium term, the Group may consider reducing dividends at some point, taking account of, amongst other things, the run off nature of the Group's business and its financial condition at that point. In recommending future dividends, the Board will also consider any future outperformance of the Group's business. The Board believes that, subject to the Group remaining on track to achieve its financial targets, Shareholders will be able to participate in any future outperformance of the business. There is no requirement for the Company to declare and pay any dividends and no assurance is given that the Company will declare and pay any dividends and no assurance can be given that any dividends paid will be in line with any previous dividends paid by the Company. The Board intends to re-assess its dividend policy on a regular basis in light of each of the factors described above. See "Risk Factors—Risks Related to the Group—The Group's Holding Companies are dependent upon distributions from subsidiaries to cover operating expenses, debt interest and repayments, pension scheme contributions and dividend payments. In times of severe market turbulence, the Group may not have sufficient liquid assets to meet its payment obligations or may suffer a loss in value".

In addition, the Pearl Facility Agreement and the Existing Impala Facility Agreement, currently and as amended by the Impala Facility Amendment and Restatement Agreement upon it becoming effective, contain restrictions on the upstreaming of cash by the Pearl Borrowers and the Impala Borrowers. These restrictions are based primarily on the need to comply with financial covenants and surplus cash provisions in those facilities, which could affect the ability of the Company to declare and pay dividends.

In addition to the considerations discussed above, in arriving at its dividend recommendations, the Board is bound by the conditions contained in the Group's credit agreements, which directly and indirectly restrict the distribution of cash by the Group. The Company's aggregate dividend for 2011 and 2010 reflected the maximum dividend payment which the Company was able to make in each of those financial years as a result of the restrictions on the payment of dividends from certain of the Group's subsidiaries to the Company under the Pearl Facility Agreement and the Existing Impala Facility Agreement. However, once effective, the amendments made by the Impala Facility Amendment and Restatement Agreement, which amends and restates the Existing Impala Facility Agreement, will not, provided that there are no repayment arrears, place any upper limit on the dividends that can be paid by the Impala Borrowers, subject to the following: (a) at such time as the Incremental Impala Dividend Amount exceeds £250 million and the In-Out Adjustment Date occurs, the Impala Dividends paid in any subsequent Relevant Period shall not be permitted to exceed £38 million (and there shall be a limit on Impala Dividends payable in the remainder of the Relevant Period in which the In-Out Adjustment Date has occurred calculated as a pro rata amount of £38 million to the extent that such period is less than 12 months) (as described in more detail in paragraph 8.4(b)(viii) ("Amendments to the Impala Facility") of Part XIII: "Additional Information" of this Prospectus); and (b) the Impala Borrowers shall be required to make incremental matching prepayments of the Impala Facility as the level of payments to the Company from the Impala silo increases, as described in more detail in paragraph 8.4(b)(viii) "Amendments the Impala Facility" of Part XIII "Additional Information" of this Prospectus.

At the Company AGM held on 13 May 2011, Shareholders passed an ordinary resolution which authorised the establishment of a scrip dividend programme by the Company, under which the Company may, at the election of the Board of Directors, offer a scrip dividend alternative to all Shareholders in respect of a relevant dividend which is declared and/or paid by the Company on or before 13 May 2016. No scrip dividend option was offered in relation to the most recent interim dividend paid by the Company on 4 October 2012. The Board does not intend to offer a scrip dividend alternative for the foreseeable future.

For further information on dividends paid, see Note 9 in the condensed consolidated interim financial statements of the Company for the half year ended 30 June 2012 and Note 14 in the consolidated financial statements of the Company for the financial year ended 31 December 2009, 2010 and 2011, respectively, each of which are incorporated by reference into this Prospectus. See Part IX: "Historical and Selected Financial Information of the Group".

7. EGM and the Capital Raising Resolutions

The passing of the Ordinary Resolution is a condition to the First Placing, the Second Placing and the Open Offer. The passing of the Special Resolution is a condition to the Second Placing and the Open Offer. No element of the Capital Raising will take place if the Ordinary Resolution is not passed at the EGM. In addition, if the First Placing is not completed, then the Second Placing and the Open Offer will not be completed. However, it is possible for the First Placing to be completed without the Second Placing and the Open Offer also being completed. The Second Placing and the Open Offer are inter-conditional.

The proposed Capital Raising Resolutions are set out in Part II: "Notice of Extraordinary General Meeting" of the Circular and are described below. The purpose of the Capital Raising Resolutions is as follows:

- Given that the Issue Price represents a discount of more than 10 per cent. to the Closing Price of 591.0 pence per Ordinary Share on 29 January 2013 (being the last Dealing Day before the announcement of the Capital Raising), the Company is required, under the Listing Rules, to seek approval of its Shareholders by way of an Ordinary Resolution for the issue of the New Ordinary Shares at that price pursuant to the First Placing and, if the Special Resolution is passed, the Second Placing and the Open Offer, as well as any Additional Relationship Agreement Shares (otherwise than pursuant to the Excess Application Facility within the Open Offer).
- The purpose of the Ordinary Resolution is also to grant the Directors authority to allot and issue New Ordinary Shares in connection with the Second Placing and the Open Offer. The proposed Ordinary Resolution is required because the Existing Shareholder Authority granted by Shareholders at the Company's AGM held on 3 May 2012 does not allow for the issuance of a sufficient number of New Ordinary Shares and Additional Relationship Agreement Shares as would be issued pursuant to and in connection with the proposed Second Placing and the Open Offer.
- The purpose of the Special Resolution is to grant the Directors authority to allot and issue equity securities on a non-pre-emptive basis in connection with the Second Placing. The proposed Special Resolution is required because the Articles of Association of the Company contain a restriction which provides that the Company shall not allot any equity securities for cash without first having offered them to Shareholders holding Ordinary Shares on a pro rata basis to the number of Ordinary Shares held by such Shareholders unless such rights are disapplied by a special resolution of Shareholders. The proposed Second Placing is a placing on a non-pre-emptive basis. The Special Resolution is required because the Existing Shareholder Authority granted by Shareholders at the Company's AGM held on 3 May 2012 to issue equity securities on a non-pre-emptive basis does not allow for the issuance of a sufficient number of New Ordinary Shares as would be issued in the Second Placing. The Special Resolution grants authority for the issuance of 8,200,000 Ordinary Shares to be issued in the Second Placing.

The Capital Raising Resolutions will be considered at the extraordinary general meeting of the Company to be held at 1:00 p.m. (London time) on 19 February 2013 in the Company's offices at 1st Floor, 32 Commercial Street, St Helier, Jersey JE2 3RU.

The Ordinary Resolution requires a majority of votes cast to be in favour of the resolutions in order for the resolutions to be passed. The Special Resolution requires at least 75 per cent. of the votes cast to be in favour of the resolution in order for the resolution to be passed. The Capital Raising Resolutions are to be voted on separately by Shareholders. Therefore, the Ordinary Resolution could be passed by Shareholders even if the Special Resolution is not passed by Shareholders, and vice versa. However, the Second Placing and the Open Offer are conditional on the passing of the Capital Raising Resolutions, whereas the First Placing is conditional on the passing of the Ordinary Resolution and not the passing of the Special Resolution.

The Ordinary Resolution proposes to resolve that, pursuant to Article 14 of the Articles of Association, the Board be generally and unconditionally authorised to allot and issue equity securities pursuant to and in connection with the Second Placing and the Open Offer. This authority would relate to Ordinary Shares representing approximately 24.2 per cent. of the issued ordinary share capital of the Company as at 28 January 2013 (being the last practicable date prior to publication of the Circular). This authority shall be for a period expiring on 31 May 2013.

In addition, the Ordinary Resolution also proposes to resolve that, pursuant to Article 14 of the Articles of Association, the Board be generally and unconditionally authorised to allot and issue the New Ordinary

Shares, together with any Additional Relationship Agreement Shares which may be issued to Qualifying Lender/Seller Shareholders, on the terms described in the Circular at an issue price of 500 pence per New Ordinary Share. The Issue Price represents a 91.0 pence (15.4 per cent.) discount to the Closing Price of 591.0 pence per Ordinary Share on 29 January 2013 (being the last Dealing Day before the announcement of the Capital Raising) and a discount of 58.7 pence (10.5 per cent.) to the average of the volume weighted average price of the Ordinary Shares for the 30 Dealing Day period ending on 29 January 2013 (the last Dealing Day prior to the announcement of the Capital Raising) which is 558.7 pence.

The Special Resolution proposes to resolve that, pursuant to Article 16 of the Articles of Association, the Board be generally and unconditionally authorised to allot and issue equity securities for cash without first being required to offer such equity securities to existing holders of equity securities in proportion to their existing holdings in an aggregate nominal amount of up to €820 (representing 8,200,000 Ordinary Shares) pursuant to the Second Placing. This authority would relate to Ordinary Shares representing approximately 4.7 per cent. of the issued ordinary share capital of the Company as at 28 January 2013 (being the last practicable date prior to publication of the Circular). This authority shall be for a period expiring on 31 May 2013.

The First Placing is being made in reliance on the Existing Shareholder Authority granted by the Shareholders at the Company's AGM held on 3 May 2012. The First Placing is conditional on the passing of the Ordinary Resolution.

Any Ordinary Shares which the Company may issue to Qualifying Lender/Seller Shareholders otherwise than pursuant to the Excess Application Facility within the Open Offer and which are issued in satisfaction of pre-emption rights under the Relationship Agreements as a result of the issuance of the Placed Shares are referred to in this Prospectus as Additional Relationship Agreement Shares. Any Additional Relationship Agreement Shares which are issued by the Company in satisfaction of their contractual pre-emption rights under the relevant Relationship Agreement as a result of the issuance of the Placed Shares would be issued to the relevant Qualifying Lender/Seller Shareholder at the Issue Price. Any Additional Relationship Agreement Shares which may be issued by the Company from time to time do not form part of the Capital Raising and the offer and issue of such Additional Relationship Agreement Shares would not be pursuant to this Prospectus. Any Additional Relationship Agreement Shares which may be issued by the Company from time to time would be issued by the Company pursuant to the existing disapplication of pre-emption rights in the Existing Shareholder Authority and not pursuant to the Special Resolution to be considered by Shareholders at the EGM. The Company would conduct any offering, issuance and listing of Additional Relationship Agreement Shares in reliance on an exemption from the requirement to produce a prospectus pursuant to the Prospectus Directive. The Company reserves the right at its sole discretion to issue any Additional Relationship Agreement Shares on the date that the New Ordinary Shares are issued or at a later date. The Company currently expects that it would use the proceeds from any issuances of Additional Relationship Agreement Shares for general corporate purposes.

As at the date of this Prospectus, no Ordinary Shares are held in treasury.

The authorities in the Ordinary Resolution apply in substitution of all previous authorities pursuant to Article 14 of the Articles of Association except for the Existing Shareholder Authority granted by ordinary resolution 3 passed by the Shareholders at the Company's AGM held on 3 May 2012 which shall continue to apply and be in addition to the authority granted by such Ordinary Resolution. The authorities in the Special Resolution apply in substitution of all previous authorities pursuant to Article 16 of the Articles of Association except for the Existing Shareholder Authority granted by special resolution 4 passed by the Shareholders at the Company's AGM held on 3 May 2012 which shall continue to apply and be in addition to the authority granted by such Special Resolution. However (i) if the First Placing has not become unconditional by 28 February 2013 or if the First Placing has been terminated in accordance with its terms, the Ordinary Resolution shall cease to have effect and (ii) if the Second Placing or the Open Offer have not become unconditional by 28 February 2013 or if the Second Placing and the Open Offer have been terminated in accordance with their respective terms, the Special Resolution shall cease to have effect.

If each of the Ordinary Resolution and the Special Resolution is passed and the First Placing, the Second Placing and the Open Offer are effected, the Directors intend to (i) exercise the Shareholder authorities granted pursuant to the Ordinary Resolution in relation to the issue of the New Ordinary Shares pursuant to the Second Placing and the Open Offer and (ii) exercise the Shareholder authorities granted pursuant to the Special Resolution in relation to the issue of the New Ordinary Shares pursuant to the Second Placing.

In the Circular, the Directors have set forth their belief that the proposed Capital Raising Resolutions to be considered at the EGM as set out in the Notice of the Extraordinary General Meeting are in the best interests of the Company and its Shareholders taken as a whole. Accordingly, the Directors have, in the Circular, unanimously recommended that Shareholders vote in favour of the Capital Raising Resolutions to be put to the EGM, as they intend to do, or procure, in respect of their own beneficial holdings held at the time of the EGM. As at 28 January 2013, being the latest practicable date prior to publication of this Prospectus, the Directors collectively beneficially own approximately 7.1 per cent. of the Company's current issued share capital at the date of this Prospectus.

Each of the TDR Capital Entities, the Sun Capital Voting Entities and certain other Shareholders has entered into an Irrevocable Voting Undertaking dated 30 January 2013 in favour of the Company. Pursuant to the Irrevocable Voting Undertakings, the Irrevocable Voting Shareholders have irrevocably and unconditionally agreed to vote in favour of the Resolutions to be put to the EGM. The aggregate of the number of Ordinary Shares the subject of the Irrevocable Voting Undertakings and the number of Ordinary Shares in respect of which the Directors intend to vote in favour of the proposed Resolutions at the EGM is 109,092,628 Ordinary Shares (representing approximately 62.5 per cent. of the Company's entire issued share capital at the date of this Prospectus).

8. Consequences of the Capital Raising Resolutions not being passed

The First Placing is conditional on, among other things, the approval of the Ordinary Resolution by Shareholders at the EGM. The Second Placing and the Open Offer are conditional on, amongst other things, the approval of the Ordinary Resolution and the Special Resolution by Shareholders at the EGM and are inter-conditional between themselves. In addition, the amendments made to the Existing Impala Facility Agreement are conditional on the Amendment Conditions Precedent as described in Part XIII: "Additional Information—Material Contracts—Credit Facilities—Impala Facility".

The Ordinary Resolution requires a majority of votes cast to be in favour of the resolution in order for the resolution to be passed. The Special Resolution requires at least 75 per cent. of the votes cast to be in favour of the resolution in order for the resolution to be passed.

The Second Placing and the Open Offer can only proceed if both the Ordinary Resolution and the Special Resolution are passed. If neither the Ordinary Resolution nor the Special Resolution are approved by the Shareholders at the EGM, no component of the Capital Raising will proceed and, in addition, the Existing Impala Facility Agreement will continue in force without the amendments made by the Impala Facility Amendment and Restatement Agreement. However, if the Ordinary Resolution is passed by the Shareholders at the EGM but the Special Resolution is not, then the First Placing will be completed (subject to satisfaction of the conditions of the First Placing).

The net proceeds receivable by the Company from the Capital Raising (expected to be approximately £232 million) will be used, alongside existing cash resources held in the Holding Companies, to make the £450 million prepayment of the Impala Facility, which payment is expected to be made within two business days following completion of the Capital Raising. In addition, in connection with the Impala Facility Amendment and Restatement Agreement, the Group will pay using existing cash resources held in the Holding Companies arrangement and structuring fees, which are estimated to be approximately £21 million. The Directors believe that following completion of the Capital Raising, and the associated partial refinancing of the Group's Impala Facility, the Group would be well positioned to embark on the next stage of its journey to deliver long term growth and shareholder value as the UK's largest specialist consolidator of closed life assurance funds.

If the Capital Raising is not effected, then the Existing Impala Facility Agreement will continue in force without the amendments made by the Impala Facility Amendment and Restatement Agreement. If the amendments to the Impala Facility are not effected, then the Group will not be obliged to make the £450 million prepayment of the Impala Facility. Under the Existing Impala Facility Agreement, the Group is required to make semi-annual repayments under Impala Facility A of £62.5 million from 30 April 2013 to 31 October 2014, with the balance of Impala Facility A repayable on the maturity date of 30 November 2014. The Group is also required to repay Impala Facility B and Impala Facility C on 30 November 2015 and 30 November 2016, respectively, each of which, as at the date of this Prospectus, had a principal amount outstanding of £492.5 million. In the event that the amendments made by the Impala Facility Amendment and Restatement Agreement are not effected, the Company would continue discussions with the Group's lenders regarding a re-terming of the Impala Facility. In the opinion of the Company, the working capital available to the Group is sufficient for the Group's present requirements, that is for the next 12 months following the date of this Prospectus.

PART II

SOME QUESTIONS AND ANSWERS ABOUT THE CAPITAL RAISING

The questions and answers set out in this Part II: "Some Questions and Answers about the Capital Raising" are intended to be in general terms only and, as such, you should read Part III: "Terms and Conditions of the Open Offer" of this Prospectus for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under the FSMA if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

This Part II: "Some Questions and Answers about the Capital Raising" deals with general questions relating to the Capital Raising and more specific questions relating principally to persons resident in the United Kingdom who hold their Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 ("Overseas Shareholders") of Part III: "Terms and Conditions of the Open Offer" of this Prospectus and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlements. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part III: "Terms and Conditions of the Open Offer" of this Prospectus for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call the Shareholder Helpline on 0870 707 1828 (from inside the United Kingdom) (calls to this number are charged at 8 pence per plus network extras), or +44 (0)870 707 1828 (from outside the United Kingdom). Please note the Shareholder Helpline will be open between 9:00 a.m. to 5:00 p.m. (London time) on any Business Day. Calls to the helpline from outside the United Kingdom will be charged at applicable international rates. Please note that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this Prospectus and information relating to your shareholding and is unable to give advice on the merits of the Capital Raising or to provide legal, business, financial, tax or investment advice. Calls may be recorded and monitored for security and training purposes.

1. What is a placing?

A placing is where specific investors agree to subscribe for placed shares. A placing is a way for companies to raise money, while providing a company with an opportunity to invite new institutional investors to subscribe for new shares in the company. A placing can be unconditional or conditional on the occurrence of certain events.

2. What is the Company's First Placing and Second Placing and am I eligible to participate?

The Company proposes to issue 7,800,000 First Placed Shares at a price of 500 pence per First Placed Share and 8,200,000 Second Placed Shares at a price of 500 pence per Second Placed Share. Only the Placees are able to participate in the First Placing and the Second Placing. The Placees are certain affiliated investment funds of Och-Ziff.

3. What is an open offer?

An open offer is a way for companies to raise money. Companies usually do this by giving their existing shareholders a right to subscribe for further shares at a fixed price in proportion to their existing shareholdings.

4. What is the Company's Open Offer?

This Open Offer is an invitation by the Company to Qualifying Shareholders (other than, subject to certain exceptions, where you are a Shareholder with a registered address in, or are resident or located in (as applicable), the United States or an Excluded Territory) to apply to subscribe for an aggregate of 34,000,000 Open Offer Shares at a price of 500 pence per Open Offer Share. If you hold Ordinary Shares on the Record Date or have a *bona fide* market claim (other than, subject to certain exceptions, where you are a Shareholder with a registered address in, or are resident or located in (as applicable), the United States or an Excluded Territory) you will be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 0.194745 Open Offer Shares for every 1 Existing Ordinary Share held by Qualifying Shareholders on the Record Date. Other than in respect of certain Lender/Seller

Shareholders, there is no excess application facility in connection with the Open Offer. Therefore, Qualifying Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) can only apply for Offer Shares up to their Open Offer Entitlements. There is an Excess Application Facility in respect of certain Lender/Seller Shareholders, as described in "—Excess Application Facility for certain Lender/Seller Shareholders".

Open Offer Shares are being offered to Qualifying Shareholders (other than, subject to certain exceptions, Shareholders with a registered address in, or who are resident or located in (as applicable), the United States or any Excluded Territory) in the Open Offer at a discount to the share price on 29 January 2013 (being the last Dealing Day before the details of the Capital Raising were announced). The Issue Price of 500 pence per New Ordinary Share represents a 15.4 per cent. discount to the Closing Price of 591.0 per Ordinary Share on 29 January 2013 (the last Dealing Day before the details of the Capital Raising were announced). The Issue Price of 500 pence per New Ordinary Share represents a discount of 58.7 pence (10.5 per cent.) to the average of the volume weighted average price of the Ordinary Shares for the 30 Dealing Day period ending on 29 January 2013 (the last Dealing Day prior to the announcement of the Capital Raising) (which is known as VWAP) which is 558.7 pence.

Valid applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Open Offer Entitlement.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor the Open Offer Entitlements can themselves be traded.

5. **I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?**

CREST members should follow the instructions set out in Part III: "Terms and Conditions of the Open Offer" of this Prospectus. Persons who hold Depositary Interests in respect of and representing Existing Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Existing Ordinary Shares of the number of Open Offer Shares which they are entitled to take up or apply for under their Open Offer Entitlements, and should contact them if they do not receive this information.

6. **I hold my Existing Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?**

If you receive an Application Form and, subject to certain exceptions, are not an Excluded Territory Shareholder, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 8:00 a.m. (London time) on 30 January 2013 (the time when the Existing Ordinary Shares are expected to be marked "ex-entitlement" by the London Stock Exchange).

7. **I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?**

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, are not an Excluded Territory Shareholder, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held on the Record Date;
- how many Open Offer Shares are comprised in your Open Offer Entitlement; and
- how much you need to pay if you want to take up your right to acquire all your entitlement to the Open Offer Shares.

Subject to certain exceptions, if you are an Excluded Territory Shareholder you will not be sent an Application Form.

If you would like to apply for any of or all of the Open Offer Shares comprised in your Open Offer Entitlement, you should complete the Application Form in accordance with the instructions printed on it and the information provided in this Prospectus. Completed Application Forms should be posted, along with a cheque or banker's draft drawn in the appropriate form, in any accompanying pre-paid envelope or returned by post to Computershare Investor Services PLC at Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal office hours only), to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, so as to be received by no later than 11:00 a.m. (London

time) on 15 February 2013, after which time Application Forms will not be valid. Please allow at least four Business Days for delivery if sent by first-class post from within the United Kingdom. Although, should there be any postal delays or disruptions as a result of industrial strife, you should act promptly and you may need to make alternative delivery arrangements if you wish to participate in the Open Offer.

8. **I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?**

8.1 If you want to take up all of your Open Offer Entitlement

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is sign the Application Form (ensuring that all joint holders sign (if applicable)) and send the Application Form, together with your cheque or banker's draft for the amount (as indicated in Box C of your Application Form), payable to Computershare re Phoenix and crossed "A/C payee only", in any accompanying pre-paid envelope by post to Computershare Investor Services PLC at Corporate Actions Projects, Bristol, BS99 6AH, by no later than 11:00 a.m. (London time) on 15 February 2013, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be made in accordance with the instructions contained in Question 16 below.

8.2 If you do not want to take up your Open Offer Entitlement

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are sold, as would happen under a rights issue. You cannot sell your Application Form or your Open Offer Entitlement to anyone else.

If you do not take up your Open Offer Entitlement, then following the issue of the Open Offer Shares pursuant to the Open Offer and the issue of New Ordinary Shares pursuant to the First Placing and the Second Placing, your interest in the Company will be diluted by approximately 22.3 per cent.

8.3 If you want to take up some but not all of your Open Offer Entitlement

If you want to take up some but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Box D of your Application Form; for example, if you are entitled to take up 100 shares but you only want to take up 50 shares, then you should write "50" in Box D. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, "50") by 500 pence, which is the price in pence of each Open Offer Share (giving you an amount of £250 in this example). You should write this amount in Box E, rounding down to the nearest whole pence and this should be the amount your cheque or banker's draft is made out for. You should then sign the Application Form (ensuring that all joint holders sign (if applicable)) and return the completed Application Form, together with a cheque or banker's draft for the relevant amount, in any accompanying pre-paid envelope, by post to Computershare Investor Services PLC at Corporate Actions Projects, Bristol, BS99 6AH, by no later than 11:00 a.m. (London time) on 15 February 2013, after which time Application Forms will not be valid.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 28 February 2013.

9. **I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?**

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Depositary Interests in respect of and representing Existing Ordinary Shares in uncertificated form on 28 January 2013 and who have converted them to certificated form;

- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before 8:00 a.m. (London time) on 1 February 2013 but were not registered as the holders of those shares at the close of business on 28 January 2013; and
- certain Overseas Shareholders who, subject to certain exceptions, are not Excluded Territory Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Shareholder Helpline on 0870 707 1828 (from inside the United Kingdom) (calls to this number are charged at 8 pence per minute plus network extras) or +44 (0)870 707 1828 (from outside the United Kingdom) between 9:00 a.m. and 5:00 p.m. (London time) on any Business Day. Calls to the helpline from outside the United Kingdom will be charged at applicable international rates. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this Prospectus and information relating to your shareholding and will be unable to give advice on the merits of the Open Offer or to provide legal, business, accounting, tax, investment or other professional advice. Calls may be recorded and monitored for security and training purposes.

10. **I am a Qualifying Shareholder, do I have to apply for all the Open Offer Shares I am entitled to apply for?**

You can take up any number of the Open Offer Shares allocated to you under your Open Offer Entitlement. Your Maximum Open Offer Entitlement is shown on your Application Form. Any applications by a Qualifying Shareholder (other than, subject to certain exceptions, Excluded Territory Shareholders) for a number of Open Offer Shares which is equal to or less than that person's Open Offer Entitlement will be satisfied, subject to the Open Offer becoming unconditional. If you decide not to take up all of the Open Offer Shares comprised in your Open Offer Entitlement, then your proportion of the ownership and voting interest in the Company will be reduced.

No application in excess of your Offer Entitlement will be met and if you so apply, and your application is otherwise valid in all respects, you will be deemed to have applied for your Maximum Open Offer Entitlement (and any monies received in excess of the amount due will be returned to you without interest as soon as practicable by way of cheque at your sole risk).

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only), they will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim. Open Offer Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who are not entitled to or do not apply to take up their Open Offer Entitlement will have no rights under the Open Offer or receive any proceeds from it.

11. **What if I change my mind?**

If you are a Qualifying Non-CREST Shareholder, once you have sent your Application Form and payment to the Registrar, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied, except in the very limited circumstances which are set out in Part III: "Terms and Conditions of the Open Offer" of this Prospectus.

If you are a Qualifying CREST Shareholder, once your USE Instruction has settled, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied, except in the very limited circumstances which are set out in Part III: "Terms and Conditions of the Open Offer" of this Prospectus.

12. **What if the number of Open Offer Shares to which I am entitled is not a whole number: Am I entitled to fractions of Open Offer Shares?**

If the number is not a whole number, you will not receive a fraction of an Open Offer Share and your entitlement under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares. As a result of the foregoing, this means that Qualifying Shareholders holding fewer than 6 Existing

Ordinary Shares on the Record Date will not therefore receive any Open Offer Shares pursuant to their Open Offer Entitlement.

13. **I hold my Existing Ordinary Shares in certificated form. What should I do if I want to spend more or less than the amount set out in Box C of the Application Form?**

You cannot spend more than the sum of the amount set out in Box C. If you want to spend less than the amount set out in Box C, you should divide the amount you want to spend by 500 pence (being the price, in pence, of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares you should apply for. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £100 you should divide £100 by 500 pence. You should round that down to the nearest whole number, to give you the number of shares you want to take up. Write that number in Box D. To then get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for by 500 pence and then fill in that amount rounded down to the nearest whole pence in Box E and on your cheque or banker's draft accordingly.

14. **What if I hold options and awards under the Employee Share Schemes?**

The Board intends to make such adjustments to the number of shares subject to share options and awards and the exercise price (if any) of such options as may be appropriate to take account of the Capital Raising in accordance with the rules of the Employee Share Schemes and guidance from HMRC (subject, where appropriate, to auditor confirmation and HMRC approval). The Remuneration Committee intends to make such adjustments to the performance conditions which apply to outstanding awards under the LTIP as may be appropriate. Participants in the Employee Share Schemes will be contacted separately with further information on how their share options and/or awards will be affected by the Capital Raising. Participants in the SIP will be eligible to participate in the Open Offer by informing the trustee which administers the SIP. Participants in the SIP will receive a separate communication with information on what steps they may take.

15. **I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?**

If you hold shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 8:00 a.m. (London time) on 30 January 2013, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares on or after 8:00 a.m. (London time) on 30 January 2013, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

16. **I hold my Existing Ordinary Shares in certificated form. How do I pay?**

Completed Application Forms should be returned with a cheque or banker's draft drawn in the appropriate form. Cheques should be drawn on the personal account to which you have sole or joint title to such funds. All payments must be in pounds sterling and made by cheque or banker's draft made payable to Computershare re Phoenix and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant name at the building society or bank by stamping and endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct Computershare Investor Services PLC to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

17. **I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?**

You should send your completed Application Form together with payment in any accompanying pre-paid envelope, by post to Computershare Investor Services PLC at Corporate Actions Projects, Bristol, BS99 6AH, together with the monies in the appropriate form. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery. Although, should there be any postal delays or disruptions as a result of industrial strife, you should act promptly and you may need to make alternative delivery arrangements if you wish to participate in the Open Offer.

If you do not want to take up or apply for Open Offer Shares then you need take no further action.

18. **I hold my Existing Shares in certificated form. When do I have to decide if I want to apply for Open Offer Shares?**

Computershare Investor Services PLC must receive the Application Form by no later than 11:00 a.m. (London time) on 15 February 2013, after which time Application Forms will not be valid. If an Application Form is being sent by first-class post in the United Kingdom, Qualifying Shareholders are recommended to allow at least four Business Days for delivery. Although, should there be any postal delays or disruptions as a result of industrial strife, you should act promptly and you may need to make alternative delivery arrangements if you wish to participate in the Open Offer.

19. **I hold my Existing Ordinary Shares in certificated form and I have applied for New Ordinary Shares. When will I receive my new share certificate?**

It is expected that Computershare Investor Services PLC will post all new share certificates by 28 February 2013.

20. **I hold my Existing Ordinary Shares in uncertificated form in CREST and I have applied for New Ordinary Shares. When will New Ordinary Shares be credited to my CREST account?**

New Ordinary Shares are expected to be credited to CREST stock accounts on or around 21 February 2013.

21. **How do I transfer my entitlements into the CREST system?**

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (on page 4 of the Application Form), and ensure it is delivered to the CREST Courier and Sorting Service in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this.

22. **Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?**

If you are not eligible to, or decide not to apply for, any of the Open Offer Shares to which you are otherwise entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced.

23. **Will the Capital Raising affect dividends on the Ordinary Shares?**

The New Ordinary Shares and any Additional Relationship Agreement Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

24. **Will I be taxed if I take up my entitlements?**

Certain information on taxation with regard to the Open Offer is set out in Part XII: "Taxation" of this Prospectus. This information is intended as a general guide only and Shareholders who are in any doubt as to their tax position are strongly recommended to consult an appropriate professional adviser immediately.

25. **What should I do if I live outside the United Kingdom?**

Your ability to apply to subscribe for Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or

other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses in, or who are resident or located in (as applicable), the United States or an Excluded Territory are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 ("Overseas Shareholders") of Part III: "Terms and Conditions of the Open Offer" of this Prospectus.

26. **Further assistance**

Should you require further assistance, please call the Shareholder Helpline on 0870 707 1828 (from inside the United Kingdom) (calls to this number are charged at 8 pence per minute plus network extras), or +44 (0)870 707 1828 (from outside the United Kingdom) (calls to the helpline from outside the United Kingdom will be charged at applicable international rates), which is available between the hours of 9:00 a.m. to 5:00 p.m. (London time) on any Business Day. Please note that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this Prospectus and information relating to your shareholding and is unable to give advice on the merits of the Open Offer or to provide legal, business, accounting, tax, investment or other professional advice. Calls may be recorded and monitored for security and training purposes.

PART III

TERMS AND CONDITIONS OF THE OPEN OFFER

1. Introduction

The Company is proposing the Capital Raising to raise gross proceeds of approximately £250 million through the issue of 50,000,000 New Ordinary Shares at an Issue Price of 500 pence per New Ordinary Share, at a discount of 15.4 per cent. to the closing market price on 29 January 2013 (the last Dealing Day prior to the announcement of the Capital Raising) and a discount of 58.7 pence (10.5 per cent.) to VWAP of 558.7 pence. The Capital Raising comprises the First Placing, the Second Placing and the Open Offer.

Upon completion of the First Placing, the First Placed Shares will represent approximately 4.5 per cent. of the Company's existing issued share capital at the date of this Prospectus and approximately 4.3 per cent. of the First Enlarged Issued Share Capital. Following the issue of the First Placed Shares, all Shareholders will experience an immediate dilution of approximately 4.3 per cent. of their interests in the Company as a result of the First Placing. Upon completion of the Second Placing and the Open Offer, the Second Placed Shares and the Open Offer Shares will represent in aggregate approximately 23.1 per cent. of the Company's existing issued share capital at the date of this Prospectus (but taking into account the issuance of the First Placed Shares) and approximately 18.8 per cent. of the Fully Enlarged Issued Share Capital.

The Open Offer is an opportunity for Qualifying Shareholders other than, subject to certain exceptions, Shareholders with registered address in, or who are resident or located in (as applicable) the United States or any Excluded Territory to apply for, in aggregate, 34,000,000 Open Offer Shares pro rata to their current holdings at the Issue Price of 500 pence per New Ordinary Share in accordance with the terms of the Open Offer. The New Ordinary Shares and any Additional Relationship Agreement Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares for all dividends and other distributions declared, made or paid, if any, by reference to a record date after the date of their issue and will rank pari passu in all respects with the Existing Ordinary Shares as at their date of issue.

The Open Offer is fully underwritten by the Joint Underwriters pursuant to, and subject to the terms of the Underwriting and Sponsors' Agreement.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is 6:00 p.m. (London time) on 28 January 2013. Open Offer Entitlements attach only to Existing Ordinary Shares held by Qualifying Shareholders as at the Record Date and not to New Ordinary Shares. Application Forms are expected to be posted to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) on or around 31 January 2013 and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 8:00 a.m. (London time) on 1 February 2013. Excess Application Facility Application Forms are expected to be posted to Qualifying Lender/Seller Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) on or around 31 January 2013. The latest time and date for receipt of completed Application Forms and Excess Application Facility Application Forms and payment in full for Open Offer Shares or Excess Shares (as applicable) under the Open Offer and settlement of relevant CREST instructions (as applicable) is expected to be 11:00 a.m. (London time) on 15 February 2013, with Admission of the Open Offer Shares and commencement of dealings in Open Offer Shares expected to take place at 8:00 a.m. (London time) on 21 February 2013.

The Open Offer Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, after the date of their issue. The New Ordinary Shares and the Existing Ordinary Shares are in registered form and can be held in certificated or uncertificated form via CREST. The Depositary Interests in respect of and representing Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for Depositary Interests in respect of and representing the New Ordinary Shares. All New Ordinary Shares, when issued and fully paid, may be held and transferred in CREST by means of Depositary Interests in respect of and representing New Ordinary Shares.

This Prospectus and, for Qualifying Non-CREST Shareholders only, the Application Form, contains the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 4 ("Procedure for application and payment") of this Part III: "Terms and Conditions of the Open Offer", which gives details of the procedure for application and payment for the Open Offer Shares. This Prospectus and, for Qualifying Lender/Seller Shareholders only, the Excess Application Facility Application Form, contains the formal terms and conditions of the Excess Application Facility. Your attention is drawn to paragraph 4 ("Procedure for application and payment") of this Part III: "Terms and Conditions of the Open Offer",

which gives details of the procedure for application and payment for the Open Offer Shares. The attention of Overseas Shareholders is drawn to paragraph 6 ("Overseas Shareholders") of this Part III: "Terms and Conditions of the Open Offer" below.

Application will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the FSA and to London Stock Exchange for the New Ordinary Shares to be admitted to trading on the main market of the London Stock Exchange.

Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Ordinary Shares prior to 8:00 a.m. (London time) on 30 January 2013 is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

Subject, in the case of (iii) and (iv) below, to the conditions referred to above being satisfied (as described in more detail in paragraph 8.17 ("Subscription Agreement") of Part XIII: "Additional Information" of this Prospectus) and save as provided in paragraph 6 ("Overseas Shareholders") of this Part III: "Terms and Conditions of the Open Offer"(in respect of Overseas Shareholders), it is intended that:

(i) Application Forms in respect of the Open Offer Shares will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) at their own risk on 31 January 2013;

(ii) Excess Application Facility Application Forms in respect of the Excess Shares will be despatched to Qualifying Lender/Seller Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) at their own risk on 31 January 2013;

(iii) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) with such Shareholders' entitlements to the Open Offer Entitlement with effect from 8:00 a.m. (London time) on 1 February 2013;

(iv) the Open Offer Shares will be credited to the stock accounts in CREST of relevant Qualifying CREST Shareholders who validly apply for Open Offer Shares as soon as practicable after 8:00 a.m. (London time) on 21 February 2013; and

(v) share certificates for the Open Offer Shares to be held in certificated form will be despatched to relevant Qualifying Non-CREST Shareholders, who validly take up their rights by no later than 28 February 2013 at their own risk.

2. The Open Offer

Subject to the terms and conditions set out in this Part III: "Terms and Conditions of the Open Offer"(and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders (other than, subject to certain exceptions, Shareholders with a registered address in, or who are resident or located in (as applicable), the United States or an Excluded Territory) are being given the opportunity to apply for any number of Open Offer Shares at the Issue Price (payable in full on application) up to a maximum of their pro rata entitlement which shall be calculated on the basis of:

0.194745 Open Offer Shares for every 1 Existing Ordinary Share

registered in the name of each Qualifying Shareholder on the Record Date and so in proportion for any other number of Existing Ordinary Shares then registered.

Other than in respect of certain Lender/Seller Shareholders, there is no excess application facility in connection with the Open Offer. Therefore, Qualifying Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) can only apply for Offer Shares up to their Open Offer Entitlements. There is an Excess Application Facility in respect of certain Lender/Seller Shareholders, as described in Part I: "Background and Information on the Capital Raising—Excess Application Facility for certain Lender/Seller Shareholders".

Fractions of Open Offer Shares will not be allotted to Qualifying Shareholdings in the Open Offer and fractional entitlements under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares. As a result of the foregoing, this means that Qualifying Shareholders holding fewer than 6

Existing Ordinary Shares on the Record Date will not therefore receive any Open Offer Shares pursuant to their Open Offer Entitlement.

The Open Offer Shares will be issued as fully paid and will rank pari passu in all respects with the Existing Shares.

The Open Offer Shares are not being made available in whole or in part to the public except under the Open Offer.

Qualifying Shareholders may apply to subscribe for less than their Open Offer Entitlement should they so wish.

Valid applications by Qualifying Shareholders will be satisfied in full up to the maximum amount of their individual Open Offer Entitlement.

Holdings of Existing Ordinary Shares in certificated and uncertificated form, holdings under different designations and holdings in different countries will each be treated as separate holdings for the purpose of calculating entitlements under the Open Offer and the rounding of fractional shares.

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box A) and also shows the maximum number of Open Offer Shares for which you are entitled to apply if you apply for your Open Offer Entitlement in full (in Box B).

Qualifying CREST Shareholders (other than, subject to certain exceptions, Excluded Territory Shareholders) will have their Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 4.2 ("If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer") of this Part III: "Terms and Conditions of the Open Offer" and also to the CREST Manual for further information on the relevant CREST procedures.

Qualifying Shareholders (other than, subject to certain exceptions, Shareholders with a registered address in, or who are resident or located in (as applicable), the United States or any Excluded Territory) may apply for any number of Open Offer Shares up to the maximum to which they are entitled under the Open Offer.

No application in excess of a person's Open Offer Entitlement will be met and any person so applying, and whose application is otherwise valid in all respects, will be deemed to have applied for the maximum number of Open Offer Shares as specified on the Application Form (or, in the case of Qualifying CREST Shareholders, for the Open Offer Entitlement standing to the credit of their stock account in CREST), or as otherwise notified to him or her, as applicable (and any monies received in excess of the amount due will be returned to any Qualifying Non-CREST Shareholder without interest as soon as practicable by way of cheque at such applicant's sole risk).

Any Qualifying Shareholder who validly completes and returns an Application Form or requests registration of the Open Offer Shares comprised therein, or who is a CREST member or CREST sponsored member who makes or is treated as making a valid acceptance in accordance with the procedures set out in this Part III: "Terms and Conditions of the Open Offer" will be deemed to make the representations and warranties contained in paragraph 6.5 ("Further representations and warranties") of this Part III: "Terms and Conditions of the Open Offer".

The attention of Overseas Shareholders or any person (including, without limitation, a custodian, nominee or trustee) who has a contractual or other legal obligation to forward this Prospectus or the Application Form into a jurisdiction other than the United Kingdom or the Netherlands is drawn to paragraph 6 ("Overseas Shareholders") of this Part III: "Terms and Conditions of the Open Offer". The Open Offer will not be made into certain territories. Subject to the provisions of paragraph 6, Excluded Territory Shareholders are not being sent this Prospectus and will not be sent an Application Form or have their CREST accounts credited with Open Offer Entitlements.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Accordingly, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. A Qualifying Shareholder that takes up its Open Offer Entitlement in full will be diluted by 7.1 per cent. as a result of the First Placing and the Second Placing. A Qualifying Shareholder that does not take up any Open Offer Shares under the Open Offer will experience a more substantial dilution of 22.3 per cent. as result of the First Placing, the Second Placing and the Open Offer. Qualifying

CREST Shareholders should note that, although the Open Offer Entitlements will be credited to CREST and be enabled for settlement, applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who are not eligible to, or do not apply to, take up Open Offer Shares will have no rights under the Open Offer nor receive any proceeds from it. The Open Offer Shares will be subscribed for under the Open Offer for the benefit of the Company.

Application will be made for the Open Offer Entitlements to be credited to Qualifying CREST Shareholders' CREST accounts. The Open Offer Entitlements are expected to be credited to CREST accounts on 1 February 2013.

The Depositary Interests in respect of and representing Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for Depositary Interests in respect of and representing the New Ordinary Shares. All New Ordinary Shares, when issued and fully paid, may be held and transferred in CREST by means of Depositary Interests in respect of and representing New Ordinary Shares.

As described under Part I: "Background and Information on the Capital Raising—Excess Application Facility for certain Lender/Seller Shareholders", the Excess Application Facility is available to Qualifying Lender/Seller Shareholders. Qualifying Lender/Seller Shareholders will receive a separate communication with information on what steps they need to take in order to apply for Open Offer Shares in under the Excess Application Facility.

3. Conditions and further terms of the Open Offer

The Open Offer is conditional on:

- the passing of the Ordinary Resolution and the Special Resolution by Shareholders at the EGM;
- the Admission of the Open Offer Shares occurring by no later than 8:00 a.m. (London time) on 21 February 2013 or such later time or date (not later than 28 February 2013) as the parties to the Underwriting and Sponsors' Agreement may agree;
- the First Placing and the Second Placing having become unconditional (save in respect of Admission);
- the Subscription Agreement and the Underwriting and Sponsors' Agreement having become unconditional in all respects (save in respect of Admission) and not having been terminated in accordance with their respective terms; and
- customary documentary and administrative conditions precedent, comprising the publication of the required regulatory announcement giving details of the Capital Raising, the Subscription Agreement, the Swap Commitment Agreements and the Irrevocable Commitment Undertakings having been executed by all parties thereto and not having been amended or terminated and the formal approval of this Prospectus by the AFM and the formal approval of the Circular by the FSA.

Therefore, the Open Offer will not proceed unless the First Placing and the Second Placing become unconditional in all respects.

It will be determined whether all the conditions to the Open Offer have been satisfied prior to Admission of the Open Offer Shares (save for Admission itself), which is expected to take place on 21 February 2013.

Accordingly, if the conditions to the Open Offer are not satisfied or waived (where capable of waiver) prior to Admission of the Open Offer Shares, the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In these circumstances, application monies received by the Registrar in respect of the Open Offer will be returned (at the applicant's sole risk), without payment of interest, as soon as reasonably practicable thereafter.

No temporary documents of title will be issued in respect of the New Ordinary Shares to be issued in the Capital Raising. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form by 28 February 2013. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST by 8:00 a.m. (London time) on 21 February 2013.

All monies received by the Registrar in respect of Open Offer Shares will be placed on deposit in a non-interest bearing account by the Registrar.

If for any reason it becomes necessary to adjust the expected timetable as set out in this Prospectus, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

4. **Procedure for application and payment**

If you are in any doubt as to the action you should take, or the contents of this Prospectus, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser who is authorised under the FSMA if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether, at the relevant time, such Qualifying Shareholder has received an Application Form in respect of his or her entitlement under the Open Offer, or has had Open Offer Entitlements credited to his or her CREST stock account in respect of such entitlement. Qualifying Lender/Seller Shareholders will receive an Excess Application Facility Application Form in respect of his or her entitlement under the Excess Application Facility and no entitlements will be credited to any CREST stock account.

Qualifying Shareholders and Qualifying Lender/Seller Shareholders who hold their Existing Ordinary Shares in certificated form on the Record Date and take up New Ordinary Shares under the Open Offer will be allotted Open Offer Shares in certificated form. Qualifying Shareholders and Qualifying Lender/Seller Shareholders who hold part of their Existing Ordinary Shares in uncertificated form and take up New Ordinary Shares under the Open Offer will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders (but not Qualifying Lender/Seller Shareholders) to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.2.7 ("Crest procedures and timings") of this Part III: "Terms and Conditions of the Open Offer". Holdings of Existing Ordinary Shares in certificated and uncertificated form, holdings under different designations and holdings in different countries will each be treated as separate holdings for the purpose of calculating entitlements under the Open Offer and the rounding of fractional shares.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders and Qualifying Lender/Seller Shareholders who do not want to apply or are not eligible to for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

If you are a Qualifying Shareholder or a Qualifying Lender/Seller Shareholder and you have any enquiries in relation to the Open Offer or the procedure for acceptance or payment you should call the Shareholder Helpline on 0870 707 1828 (from within the United Kingdom) or +44 (0)870 707 1828 (from outside the United Kingdom) between 8:30 a.m. and 5:30 p.m. (London time) on any Business Day. If you are a Qualifying CREST Shareholder and you have any questions regarding the CREST procedures, please telephone the CREST Service Desk on 08459 645 648 (from within the United Kingdom) and +44 20 7849 0199 (if you are calling from outside the United Kingdom). The CREST Service Desk is available from 5:00 a.m. to 8:00 p.m. (London time) on any Business Day. Calls to the CREST Service Desk or the Shareholder Helpline from outside the United Kingdom are charged at the applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. The Shareholder Helpline will only be able to provide information contained in this Prospectus and information relating to your shareholding and will not be able to provide advice on the merits of the Open Offer nor give any legal, financial, tax or investment advice.

4.1 If you have an Application Form in respect of your entitlement under the Open Offer

4.1.1 General

Subject as provided in paragraph 6 ("Overseas Shareholders") of this Part III: "Terms and Conditions of the Open Offer" in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box A. It also shows the maximum number of Open Offer Shares for which they are entitled to apply under the Open Offer as shown by the total number of Open Offer Shares set out in Box B. Box C shows how much they would need to pay if they wish to take up their Open Offer Entitlement in full. Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim (see paragraph 4.1.2 below).

The instructions and other terms set out in the Application Form part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

Qualifying Lender/Seller Shareholders will also receive an Excess Application Facility Application Form. The Excess Application Facility Application Form shows the maximum number of Excess Shares for which such Qualifying Lender/Seller Shareholder is entitled to apply in Box A. Box B shows how much such Qualifying Lender/Seller Shareholder would need to pay if such Qualifying Lender/Seller Shareholder wishes to take up the maximum number of Excess Shares for which it is entitled to apply under the Excess Application Facility. Qualifying Lender/Seller Shareholders may apply for less than such maximum entitlement to Excess Shares should they wish to do so. The entitlement to apply for Excess Shares under the Excess Application Facility is personal to such Qualifying Lender/Seller Shareholder and may not be transferred or assigned.

4.1.2 Bona fide market claims

Applications to subscribe for Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares will be marked "ex" the entitlement to participate in the Open Offer. Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 3:00 p.m. on 13 February 2013. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his or her holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer, should consult his or her broker or other professional adviser as soon as possible, as the invitation to subscribe for Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Non-CREST Shareholders who have sold or otherwise transferred all of their registered holdings should, if the market claim is to be settled outside CREST, complete Box F on the Application Form and immediately send it (together with this Prospectus) to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee in accordance with the instructions set out in the Application Form. Qualifying Non-CREST Shareholders who have sold or otherwise transferred only some of the Ordinary Shares shown in Box A on the Application Form prior to 8:00 a.m. (London time) on 30 January 2013, should contact the stockbroker, bank or other agent through whom the sale or transfer was effected to arrange for split Application Forms to be obtained. The Application Form should not, however be forwarded to or transmitted in or into the United States or any Excluded Territory. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in any accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedure set out in paragraphs 4.2.2 and 4.2.7 below.

4.1.3 Application procedures

Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Shareholders with a registered address in or who are resident or located in (as applicable), the United States or an Excluded Territory) wishing to apply to subscribe for all or any of the Open Offer Shares in respect of their Open Offer Entitlement should complete the Application Form in accordance with the instructions printed on it.

Qualifying Lender/Seller Shareholders wishing to apply to subscribe for all or any of the Excess Shares to which they are entitled pursuant to the Excess Application Facility should complete the Excess Application Facility Application Form in accordance with the instructions printed on it.

Completed Application Forms and Excess Application Facility Application Forms, together with a cheque or banker's draft for the full amount should be posted in the reply-paid envelope to the Registrar (who will also act as Receiving Agent in relation to the Open Offer) at Computershare Investor Services PLC at Corporate Actions Projects, Bristol, BS99 6AH, so as to arrive as soon as possible and in any event so as to be received by the Registrars by no later than 11:00 a.m. (London time) on 14 February 2013, after which time Application Forms and Excess Application Facility Application Forms will not be valid (subject to certain exceptions described below). You can only use the reply-paid envelope that will be enclosed with the Application Form within the United Kingdom. Application Forms and Excess Application Facility Application Forms delivered by hand will not be checked and no receipt will be provided. Qualifying Non-CREST Shareholders and Qualifying Lender/Seller Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If an Application Form and Excess Application Facility Application Form is being sent by first-class post in the United Kingdom, Qualifying Shareholders and Qualifying Lender/Seller Shareholders are recommended to allow at least four Business Days for delivery. Should there be any postal delays or disruptions as a result of industrial strife, you should act promptly and you may need to make alternative delivery arrangements if you wish to participate in the Open Offer.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to Computershare re Phoenix and crossed "**A/C Payee Only**". Cheques should be drawn on the personal account to which you have sole or joint title to such funds. Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner and must be for the full amount payable on application. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping and endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Registrar to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If cheques or banker's drafts are presented for payment before all of the conditions of the Capital Raising are fulfilled, the application monies will be kept in a separate non-interest bearing bank account. If the Capital Raising does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as reasonably practicable following the lapse of the Capital Raising.

The Company reserves the right (but shall not be obliged to) treat an Application Form or an Excess Application Facility Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- Application Forms and Excess Application Facility Application Forms received after 11:00 a.m. (London time) on 15 February 2013 but not later than 11:00 a.m. (London time) on the Dealing Day next following 15 February 2013; or
- applications in respect of which remittances are received before 11:00 a.m. (London time) on 15 February 2013 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form (but not Excess Application Facility Application Forms) in due course but, in any event, within two Dealing Days.

Multiple applications will not be accepted without the prior approval of the Company. All documents and remittances sent by post or to an applicant (or as the applicant may direct) will be sent at the applicant's

own risk. If Open Offer Shares have already been allotted to a Qualifying Non-Crest Shareholder or Qualifying Lender/Seller Shareholder and such Qualifying Non-Crest Shareholder's or Qualifying Lender/Seller Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-Crest Shareholder's or Qualifying Lender/Seller Shareholder's application is subsequently otherwise deemed to be invalid, the Registrar shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-Crest Shareholder's or Qualifying Lender/Seller Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Registrar, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Underwriters or the Company, nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-Crest Shareholder or Qualifying Lender/Seller Shareholder as a result.

4.1.4 Effect of application

By completing and delivering an Application Form or an Excess Application Facility Application Form, the applicant:

- represents and warrants to the Company and the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters that he or she has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his or her rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for New Ordinary Shares or acting on behalf of any such person on a non-discretionary basis;
- agrees with the Company and the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters that all applications under the Open Offer and any contracts resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales;
- confirms to the Company and the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters that in making the application he or she is not relying on any information or representation in relation to the Company other than that contained in (or incorporated by reference in) this Prospectus, and the applicant accordingly agrees that no person responsible solely or jointly for this Prospectus or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this Prospectus, he or she will be deemed to have had notice of all information in relation to the Company contained in this Prospectus (including information incorporated by reference);
- confirms to the Company and the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters that no person has been authorised to give any information or to make any representation concerning the Company or the New Ordinary Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners or the Joint Underwriters;
- represents and warrants to the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters that he or she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he or she received such Open Offer Entitlements by virtue of a *bona fide* market claim or, in relation to applications by Qualifying Lender/Seller Shareholders, that he or she is a Qualifying Lender/Seller Shareholder originally entitled to the Excess Shares applied for pursuant to the Excess Application Facility;
- represents and warrants to the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters that if he or she has received some or all of his or her Open Offer Entitlements from a person other than the Company he or she is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim, provided that this representation and warranty is not made by Qualifying Lender/Seller Shareholders;
- requests that the New Ordinary Shares, to which he or she will become entitled, be issued to him or her on the terms set out in this Prospectus and the Application Form or the Excess Application Facility Application Form, as the case may be;
- represents and warrants to the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters that he or she is not, and nor is he or she applying as nominee

or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and

- confirms that in making the application, he or she is not relying and has not relied on the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners or the Joint Underwriters, any person affiliated with the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners or the Joint Underwriters, Och-Ziff or affiliated investment fund of Och-Ziff in connection with any investigation of the accuracy of any information contained in this Prospectus or his investment decision.

Qualifying Shareholders who complete and deliver an Application Form must also make the representations and warranties set out in paragraph 6.5 ("Further representations and warranties") of this Part III: "Terms and Conditions of the Open Offer". Qualifying Lender/Seller Shareholders who complete and deliver an Excess Application Facility Application Form must also make the representations and warranties set out in paragraph 6.5.1 ("Qualifying Non-CREST Shareholders and Qualifying Lender/Seller Shareholders holding in CREST") of this Part III: "Terms and Conditions of the Open Offer".

All enquiries in connection with the procedure for application and completion of the Application Form or the Excess Application Facility Application Form should be addressed to Computershare Investor Services PLC at Corporate Actions Projects, Bristol, BS99 6AH, or the Shareholder Helpline on 0870 707 1828. Calls to this number are charged at 8 pence per minute plus your service provider's network extras (or if calling from overseas +44 (0)870 707 1828). Calls to the helpline from outside the UK will be charged at applicable international rates. Please note that the Registrar cannot provide financial or legal advice on the merits of the Open Offer or as to whether Qualifying Shareholders should take up their Open Offer Entitlements or Qualifying Lender/Seller Shareholders should take up the Excess Shares to which they are entitled. Calls may be recorded and monitored for security and training purposes.

Qualifying Non-CREST Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form. Qualifying Lender/Seller Shareholders who do not want to take up or apply for Excess Shares under the Excess Application Facility should take no action and should not complete or return the Application Form.

4.2 If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer

4.2.1 General

Subject as provided in paragraph 6 ("Overseas Shareholders") of this Part III: "Terms and Conditions of the Open Offer" in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his or her stock account in CREST of his or her Open Offer Entitlement equal to the maximum number of Open Offer Shares for which he or she is entitled to apply to subscribe for under the Open Offer. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to Depositary Interests in respect of and representing the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited on 1 February 2013, or such later time and/or date as the Company and the Joint Sponsors may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements which should have been credited to his or her stock account in CREST. In these circumstances the expected timetable as set out in this Prospectus will be adjusted as appropriate and the provisions of this Prospectus applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive such Application Forms.

CREST members who wish to apply to subscribe for some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below.

Should you need advice with regard to these procedures, please contact the Registrar on the Shareholder Helpline, telephone number 0870 707 1828. Calls to this number are charged at 8 pence per minute plus your service provider's network extras (or, if you are calling from outside the United Kingdom, +44 (0)870 707 1828). Calls to the Shareholder Helpline from outside the United Kingdom will be charged at applicable international rates. Please note that the Registrar cannot provide financial or legal advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements. If

you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

4.2.2 Bona fide market claims

The Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

4.2.3 USE Instructions

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event ("USE") instruction ("USE Instruction") to Euroclear which, on its settlement, will have the following effect:

(i) the crediting of a stock account of the Registrar under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and

(ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Registrar in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.2.3 (i) above.

4.2.4 Content of USE Instruction in respect of Open Offer Entitlements

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Registrar);
- the ISIN of the Open Offer Entitlement. This is KYG7091M1583;
- the CREST participant ID of the accepting CREST member;
- the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- the participant ID of the Registrar in its capacity as a CREST Receiving Agent. This is 3RA41;
- the member account ID of the Registrar in its capacity as a CREST Receiving Agent. This is PHOENIX;
- the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to above;
- the intended settlement date. This must be on or before 11:00 a.m. (London time) on 15 February 2013;
- the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;
- input with a standard delivery instruction of priority 80; and
- the contact name and telephone numbers in the free format shared notes field.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11:00 a.m. (London time) on 15 February 2013.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last at which a USE Instruction may settle on 15 February 2013 in order to be valid is 11:00 a.m. (London time) on that day.

4.2.5 Deposit of Open Offer Entitlements into, and withdrawal from, CREST

A Qualifying Non-CREST Shareholder's Open Offer Entitlements as shown by the number of Open Offer Shares set out in his Application Form in Box B, may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer Entitlements is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form, and it is the responsibility of the Qualifying Shareholder to ensure that the deposit or withdrawal procedures are implemented in time to take up their Open Offer Entitlements.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST (in accordance with the instructions contained in the Application Form) is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11:00 a.m. (London time) on 15 February 2013.

In particular, having regard to normal processing times in CREST and on the part of the Registrar, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlement in CREST, is 3:00 p.m. (London time) on 12 February 2013 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4:30 p.m. (London time) on 11 February 2013 in either case so as to enable the person subscribing for or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11:00 a.m. (London time) on 15 February 2013.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Registrar by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Do you want to deposit your Open Offer entitlements into CREST" on page 3 of the Application Form, and a declaration to the Company and the Registrar from the relevant CREST member(s) that it/they is/are not in the United States, or resident(s) or located in (as applicable), any Excluded Territory or any jurisdiction in which the application for New Ordinary Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

4.2.6 Validity of application

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11:00 a.m. (London time) on 15 February 2013 will constitute a valid application under the Open Offer.

4.2.7 CREST procedures and timings

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his or her CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11:00 a.m. (London time) on 15 February 2013. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4.2.8 Incorrect or incomplete applications

If a USE Instruction includes a CREST payment for an incorrect sum, the Company, through the Registrar, reserves the right:

- to reject the application in full and refund the payment to the CREST member in question (without interest);
- in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without interest); and
- in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question (without interest).

4.2.9 Effect of valid application

Any CREST member or CREST sponsored member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- represents and warrants to the Company that he or she has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his or her rights, and perform his or her obligations, under any contracts resulting therefrom and that he or she is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Registrar's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- agrees with the Company that all applications and any contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England and Wales;
- confirms to the Company that in making the application he or she is not relying on any information or representation in relation to the Company other than that contained in (or incorporated by reference in) this Prospectus, and the applicant accordingly agrees that no person responsible solely or jointly for this Prospectus or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this Prospectus, he or she will be deemed to have had notice of all the information in relation to the Company contained in this Prospectus (including information incorporated by reference);
- confirms to the Company that no person has been authorised to give any information or to make any representation concerning the Company or the New Ordinary Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company;
- represents and warrants to the Company that he or she is the Qualifying Shareholder originally entitled to the Open Offer Entitlement or that he or she has received such Open Offer Entitlement by virtue of a *bona fide* market claim;
- represents and warrants to the Company that if he or she has received some or all of his Open Offer Entitlement from a person other than the Company, he or she is entitled to apply under the Open Offer in relation to such Open Offer Entitlement by virtue of a *bona fide* market claim;
- requests that the Open Offer Shares to which he or she will become entitled be issued to him or her on the terms set out in this Prospectus, subject to the Articles of the Company;
- represents and warrants to the Company that he or she is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- confirms to the Company that in making the application he or she is not relying and has not relied on the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Underwriters, any

person affiliated with the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners or the Joint Underwriters, Och-Ziff or affiliated investment fund of Och-Ziff in connection with any investigation of the accuracy of any information contained in this Prospectus or his investment decision.

Any CREST member or CREST sponsored member who makes or is treated as making a valid application in accordance with the above procedures must also make the representations and warranties set out in paragraph 6.5 ("Further representations and warranties") of this Part III: "Terms and Conditions of the Open Offer" of this Prospectus.

4.2.10 Company's discretion as to the rejection and validity of applications

The Company may:

- reject any acceptance constituted by a USE instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to under this paragraph 4.2. Where an acceptance is made as described in paragraph 6 ("Overseas Shareholders") of this Part III: "Terms and Conditions of the Open Offer", which is otherwise valid, and the USE instruction concerned fails to settle by 11:00 a.m. (London time) on 15 February 2013 (or by such later time and date as the Company and the Joint Sponsors) may determine), the Company, and the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this paragraph 4.2 of this Part III: "Terms and Conditions of the Open Offer" that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 4.2 of this Part III: "Terms and Conditions of the Open Offer" unless the Company is aware of any reason outside the control of the CREST Member or CREST Sponsor (as appropriate) for the failure to settle;
- treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 4.2 ("If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer") of this Part III: "Terms and Conditions of the Open Offer";
- accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE Instruction and subject to such further terms and conditions as the Company may determine;
- treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Registrar has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE Instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

4.2.11 Lapse of the Open Offer

In the event that the Capital Raising does not become unconditional by 8:00 a.m. (London time) on 21 February 2013 or such later time and date as the parties to the Subscription Agreement may agree, the Capital Raising will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Company.

5. **Money laundering regulations**

5.1 Holders of Application Forms

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form or an Excess Application Facility Application Form is lodged with payment (which requirements are referred to below as the "**verification of identity requirements**"). If the Application Form or Excess Application Facility Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Application Form or Excess Application Facility Application Form.

The Receiving Agent is entitled in its absolute discretion to determine whether the verification of identity requirements applies to any acceptor and whether such requirements have been satisfied. Neither the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Underwriters nor the Receiving Agent will be liable to any person for any loss suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of any such discretion.

If the Receiving Agent determines that the verification of identity requirements apply to an acceptance of an allotment and the verification of identity requirements have not been satisfied (which the Receiving Agent shall in its absolute discretion determine) by 11:00 a.m. (London time) on 15 February 2013, the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the acceptance as invalid or may confirm the allotment of the relevant shares to the acceptor but (notwithstanding any other term of the Open Offer) such shares will not be issued to him or registered in his name until the verification of identity requirements have been satisfied (which the Receiving Agent shall in their absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the acceptor, as the Company may in its absolute discretion allow, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

Return of an Application Form or an Excess Application Facility Application Form with the appropriate remittance will constitute a warranty from the acceptor to each of the Company, the Receiving Agent that the Money Laundering Regulations will not be breached by acceptance of such remittance and an undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in delays in the despatch of share certificates or in crediting CREST accounts.

The verification of identity requirements will not usually apply:

- if the applicant is an organisation required to comply with the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or
- if the acceptor is a company whose securities are listed on a regulated market subject to specified disclosure obligations; or
- if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- the acceptor (not being an acceptor who delivers his application in person) makes payment through an account in the name of such acceptor with a credit institution that is subject to the EU Money Laundering Directive (2005/60/EC) or with a credit institution situated in a non-EEA state that imposes requirements equivalent to those laid down in the EU Money Laundering Directive (2005/60/EC); or

- if the aggregate subscription price for the Open Offer Shares is less than €15,000 (approximately £13,500).

Where verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

(a) if payment is made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques should be made payable to Computershare re Phoenix in respect of an application by a Qualifying Shareholder and crossed "A/C Payee Only". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. However, third party cheques will be subject to the Money Laundering Regulations which would delay Shareholders receiving their Open Offer Shares. The account name should be the same as that shown on the Application Form or the Excess Application Facility Application Form; or

(b) the Application Form or the Excess Application Facility Application Form is lodged by hand by the acceptor in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his name and address from an appropriate third party, for example, a recent bill from a gas, electricity or telephone company or a bank statement, in each case bearing the acceptor's name and address (originals of such documents (not copies) are required; such documents will be returned in due course); or

(c) if the Application Form or the Excess Application Facility Application Form is lodged with payment by an agent which is an organisation required to comply with the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form or the Excess Application Facility Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent. If the agent is not such an organisation, it should contact the Receiving Agent by post at Computershare Investor Services PLC at Corporate Actions Projects, Bristol, BS99 6AH.

In order to confirm the acceptability of any written assurance referred to above or in any other case, the acceptor should contact the Shareholder Helpline on 0870 707 1828 (or +44 (0)870 707 1828 if you are calling from outside the United Kingdom). This helpline is available from 9:00 a.m. to 5:00 p.m. (London time) on any Business Day. Calls to the UK number cost 8 pence per minute in addition to any service provider charges. Calls to the helpline from outside the United Kingdom will be charged at applicable international rates. Please note that the Receiving Agent is unable to give advice on the merits of the Open Offer or to provide legal, financial, tax or investment advice.

5.2 Open Offer Entitlements in CREST

If you hold your Open Offer Entitlement in CREST and apply for Open Offer Shares in respect of all or some of your Open Offer Entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Registrar is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Registrar before sending any USE Instruction or other instruction so that appropriate measures may be taken.

Submission of a USE Instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Registrar as to identity, the Registrar may in its absolute discretion take, or omit to take, such action as it may determine to prevent or

delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE Instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

6. **Overseas Shareholders**

This Prospectus has been approved by the AFM, being the competent authority in the Netherlands, and passported into the United Kingdom under Article 17(1) of the Prospectus Directive. Accordingly, the making of the Open Offer to persons resident or located in, or who have a registered address in (as applicable), countries other than the United Kingdom or the Netherlands may be affected by the law or regulatory requirements of the relevant jurisdiction. The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

6.1 General

The distribution of this Prospectus, the Application Form and the Excess Application Facility Application Form and the making of the Open Offer to persons who have registered addresses in, or who are resident or located or ordinarily resident in, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom and the Netherlands or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom and the Netherlands may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirements or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners or the Joint Underwriters or any other person, to permit a public offering or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares or the Excess Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom and the Netherlands.

Receipt of this Prospectus and/or an Application Form and/or an Excess Application Facility Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this Prospectus and/or the Application Form and/or the Excess Application Facility Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms and Excess Application Facility Application Forms will not be sent to, and Open Offer Entitlements will not be credited to stock accounts in CREST of, Excluded Territory Shareholders, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction. No person receiving a copy of this Prospectus and/or an Application Form and/or an Excess Application Facility Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom or the Netherlands may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or Excess Application Facility Application Form and/or credit of Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or Excess Application Facility Application Form and/or credit of Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this Prospectus and/or the Application Form and/or the Excess Application Facility Application Form must be treated as sent for information only and should not be copied or redistributed.

Subject to paragraphs 6.2 to 6.6 below, any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom or the Netherlands wishing to apply for Open Offer Shares under the Open Offer must satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any

issue, transfer or other taxes due in such territory. **The comments set out in this paragraph 6.1 are intended as a general guide only and any Qualifying Shareholders who are in doubt as to their position should consult their professional advisers without delay.**

None of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners or the Joint Underwriters, nor any of their respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this Prospectus and/or an Application Form and/or an Excess Application Facility Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this Prospectus and/or an Application Form and/or an Excess Application Facility Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company determines that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this Prospectus and/or an Application Form and/or an Excess Application Facility Application Form and/or transfers Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part III: "Terms and Conditions of the Open Offer" and specifically the contents of this paragraph 6.

The Company reserves the right, but shall not be obliged, to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or despatched from the United States or an Excluded Territory or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or in the case of a credit of Open Offer Entitlements to a stock account in CREST, to a CREST member whose registered address would be, in the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom or the Netherlands in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders with registered addresses, or who are resident in or located (as applicable), in the United States or an Excluded Territory or who are nominees, custodians or trustees of such persons, is drawn to paragraphs 6.2 to 6.6 below.

Notwithstanding any other provision of this Prospectus, the Application Form or the Excess Application Facility Application Form, the Company reserves the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or bankers' drafts or where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST.

Due to restrictions under the securities laws of the Excluded Territories, and subject to certain exceptions, Qualifying Shareholders who have registered addresses in, or who are resident or located in (as applicable), the United States or an Excluded Territory will not qualify to participate in the Open Offer.

The Open Offer Shares have not been and will not be registered under the relevant laws of the United States or an Excluded Territory or any state, province or territory thereof and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in or into the United States or an Excluded Territory or to, or for the account or benefit of, any Excluded Territory Shareholder except pursuant to an applicable exemption.

No public offer of Open Offer Shares is being made by virtue of this Prospectus, the Application Forms or the Excess Application Facility Application Forms into offer the United States or an Excluded Territory. Receipt of this Prospectus and/or an Application Form and/or the Excess Application Facility Application Form and/or a credit of an Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be

illegal to make such an invitation or offer and, in those circumstances, this Prospectus and/or the Application Form and/or the Excess Application Facility Application Form must be treated as sent for information only and should not be copied or redistributed.

Despite any other provision of this Prospectus, the Application Forms or the Excess Application Facility Application Forms, the Company reserves the right to permit any Shareholder to take up his entitlements or acquire New Ordinary Shares if the Company (in its absolute discretion) is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Those Shareholders who wish, and are permitted, to take up their entitlements should note that payments must be made as described in paragraphs 4.1 and 4.2 above.

Overseas Shareholders should note that all subscription monies must be in pounds sterling by cheque or banker's draft and should be drawn on a bank in the United Kingdom, made payable to Computershare re Phoenix and crossed "A/C payee only".

6.2 United States

The New Ordinary Shares have not been and will not be registered under the Securities Act or qualified for sale under the laws of any state or other jurisdiction of the United States and, accordingly, may not be offered, sold, resold, taken up, exercised, transferred, delivered or distributed, directly or indirectly, within the United States without registration except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws.

Subject to certain exceptions, the New Ordinary Shares are being offered and sold only outside the United States in offshore transactions in accordance with Regulation S under the Securities Act. Subject to certain exceptions, none of this Prospectus, the Application Form, the Excess Application Facility Application Form and the crediting of Open Offer Entitlements constitutes or will constitute an offer or an invitation to apply for, or an offer or an invitation to acquire or subscribe for, any New Ordinary Shares in the United States. Subject to certain exceptions, neither this Prospectus, nor an Application Form nor an Excess Application Facility Application Form will be sent to, and Open Offer Entitlements will not be credited to, a stock account in CREST of any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms and Excess Application Facility Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons subscribing for New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States. The payment paid in respect of Application Forms and Excess Application Facility Application Forms that do not meet the foregoing criteria will be returned without interest.

Subject to certain exceptions, any person who subscribes for New Ordinary Shares will be deemed to have declared, represented, warranted and agreed, by accepting delivery of this Prospectus, the Application Form or the Excess Application Facility Application Form or by applying for Open Offer Shares in respect of Open Offer Entitlements credited to a stock account in CREST, and delivery of the New Ordinary Shares, to the representations and warranties set out in paragraph 6.5 ("Further Representations and Warranties") of this Part III: "Terms and Conditions of the Open Offer". Please see paragraph 6.5 ("Further Representations and Warranties") of this Part III: "Terms and Conditions of the Open Offer".

Notwithstanding the foregoing, the Open Offer Shares may be offered and sold to, applications for Open Offer Shares may be accepted from, and Open Offer Entitlements may be exercised by, persons in, or by persons acting for accounts in, the United States and that cannot make the representations and warranties referred to above, provided each such person is a QIB who is also a QP, acting on their own account as principal, or for the account of one or more persons who are QIBs and also QPs and for whom they exercise sole investment discretion and/or in transactions exempt from, or not subject to, the registration requirements of the Securities Act, provided such persons satisfy the Company that they are eligible to participate on such basis.

No representation has been, or will be, made by the Company or the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters as to the availability of any exemption under the US Securities Act or any state securities laws for the re-offer, sale, pledge or transfer of the Open Offer Shares by any investor.

Any person in the United States into whose possession this Prospectus comes should inform themselves about and observe any legal restrictions.

The Company reserves the right to treat as invalid any Application Form or Excess Application Facility Application Form, at the Company's discretion, including where the Company believes acceptance of such Application Form or Excess Application Facility Application Form may infringe applicable legal or regulatory requirements. The Company will not be bound to allot or issue any New Ordinary Shares to any person with a registered address in the United States in whose favour an Application Form, an Excess Application Facility Application Form or any New Ordinary Shares may be transferred or renounced. In addition, the Company reserve the right to reject any USE Instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the New Ordinary Shares.

In addition, until 40 days after the commencement of the Capital Raising, an offer, sale or transfer of the New Ordinary Shares within the United States by a dealer (whether or not participating in the First Placing, the Second Placing or the Open Offer) may violate the registration requirements of the Securities Act.

6.3 Excluded Territories

Due to restrictions under the securities laws of the Excluded Territories, subject to certain exceptions, Shareholders who have registered addresses in, or who are resident or located in (as applicable), an Excluded Territory will not qualify to participate in the Open Offer and will not be sent an Application Form or an Excess Application Facility Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Excluded Territories or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Excluded Territories or to, or for the account or benefit of, any person with a registered address in, or who is resident or located in (as applicable), an Excluded Territory, except pursuant to an applicable exemption.

Subject to certain exceptions, no offer of Open Offer Shares is being made by virtue of this Prospectus, the Application Forms or the Excess Application Facility Application Forms being distributed or the crediting of Open Offer Entitlements to CREST accounts of Shareholders who have registered addresses in, or who are resident or located in (as applicable) the United States or any Excluded Territories.

6.4 Other overseas territories

Qualifying Shareholders in jurisdictions other than the United States and the Excluded Territories may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this Prospectus and, if relevant, the Application Form or the Excess Application Facility Application Form.

Qualifying Shareholders who have registered addresses in, or who are resident or located in (as applicable), countries other than the United Kingdom or the Netherlands should consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any New Ordinary Shares in respect of the Open Offer.

6.5 Further representations and warranties

6.5.1 Qualifying Non-CREST Shareholders and Qualifying Lender/Seller Shareholders holding in CREST

Any person completing and returning an Application Form or an Excess Application Facility Application Form or requesting registration of the Open Offer Shares comprised therein makes the representations and warranties set out below to the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Underwriters and the Registrar, except where proof (in particular, in the form set out in paragraph 6.2 ("United States") of this Part III: "Terms and Conditions of the Open Offer") has been provided to the Company's satisfaction (in its absolute discretion) that such person's completion of an Application Form or Excess Application Facility Application Form or request for registration of the Open Offer Shares comprised therein will not result in the contravention of any applicable legal or regulatory requirements in any jurisdiction.

In the absence of such proof, the representations and warranties referred to above are that:

(i) such person is not located or resident within the United States or any Excluded Territory;

(ii) such person is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Open Offer Shares;

(iii) such person is not acquiring Open Offer Shares for the account of any person who is located in the United States, unless:

(a) the instruction to acquire originates from a person outside the United States; and

(b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and either (y) has investment discretion over such account or (z) is an investment manager or investment company that, in the case of each of (y) and (z), is acquiring the Open Offer Shares in an "offshore transaction" within the meaning of Regulation S; and

(iv) such person is not acquiring the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any Open Offer Shares into the United States, any Excluded Territory or any other jurisdiction referred to in (ii) above.

The Company and/or the Registrar may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form or the allotment of Excess Shares comprised in an Excess Application Facility Application Form if it (a) appears to the Company or its agents to have been executed, effected or despatched from the United States or any Excluded Territory or in a manner that may involve breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (b) provides an address in the United States or any Excluded Territory for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the United Kingdom or the Netherlands in which it would be unlawful to deliver such share certificates); or (c) purports to exclude the representations and warranties required by this paragraph 6.5.1.

6.5.2 Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III: "Terms and Conditions of the Open Offer" makes the representations and warranties set out below to the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Underwriters and the Registrar, except where proof (in particular, in the form set out in paragraph 6.2 ("United States") of this Part III: "Terms and Conditions of the Open Offer") has been provided to the Company's satisfaction (in its absolute discretion) that such person's acceptance will not result in the contravention of any applicable legal or regulatory requirements in any jurisdiction.

In the absence of such proof, the representations and warranties referred to above are that:

(i) such person is not located or resident within the United States or any Excluded Territory;

(ii) such person is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Open Offer Shares;

(iii) such person is not acquiring Open Offer Shares for the account of any person who is located in the United States, unless:

(a) the instruction to acquire originates from a person outside the United States; and

(b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and either (y) has investment discretion over such account or (z) is an investment manager or investment company that, in the case of each of (y) and (z), is acquiring the Open Offer Shares in an "offshore transaction" within the meaning of Regulation S; and

(iv) such person is not acquiring the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any Open Offer Shares into the United States, any Excluded Territory or any other jurisdiction referred to in (ii) above.

The Company reserves the right to reject any USE Instruction sent from the United States or any of the Excluded Territories or by a CREST Member who is acting on a non-discretionary basis for the account or benefit of a person located within the United States or an Excluded Territory or any other jurisdiction

where it is unlawful to make or accept an offer to subscribe for Open Offer Shares in respect of the Open Offer.

6.6 Waiver

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific persons or on a general basis by the Company, in its absolute discretion (but subject to the provisions of the Subscription Agreement) in consultation with the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to the Shareholders shall include references to the person or persons executing an Application Form or an Excess Application Facility Application Form and, in the event of more than one person executing an Application Form or an Excess Application Facility Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

7. **Withdrawal rights**

Persons wishing to exercise or direct the exercise of statutory withdrawal rights pursuant to section 5:23(6) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and section 87Q(4) of the FSMA after the issue by the Company of a prospectus supplementing this Prospectus must do so by lodging a written notice of withdrawal (which shall not include a notice sent by facsimile or other form of electronic communication) within two Business Days commencing on the Business Day after the date on which the supplementary prospectus is published. The withdrawal notice must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member. The notice of withdrawal must be deposited by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, or by post to Computershare Investor Services PLC at Corporate Actions Projects, Bristol, BS99 6AH, (please call the Shareholder Helpline on 0870 707 1828, calls to this number are charged at 8 pence per minute plus your service provider's network extras, other telephone provider costs may vary (or, if you are calling from outside the United Kingdom, +44 (0)870 707 1828) for further details) in each case so as to be received within the period of two Business Days after the date on which the supplementary prospectus was published. The notice of withdrawal will be deemed to be received upon posting to or deposit with the Registrar. Notice of withdrawal given by any other means or which is deposited with the Registrar after expiry of such period will not constitute a valid withdrawal, provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant person for the Open Offer Shares applied for in full and the allotment of such Open Offer Shares to such person becoming unconditional save to the extent required by statute. In such event, Shareholders are advised to seek independent legal advice.

8. **Admission, settlement and dealings**

The result of the Open Offer is expected to be announced on 18 February 2013.

Application will be made to the FSA in its capacity as the UK Listing Authority for the Open Offer Shares to be admitted to the premium listing segment of the Official List of the FSA and to London Stock Exchange for the Open Offer Shares to be admitted to trading on the main market of the London Stock Exchange. It is expected that Admission of the Open Offer Shares will become effective and that dealings in the Open Offer Shares, fully paid, will commence at 8:00 a.m. (London time) on 21 February 2013.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11:00 a.m. (London time) on 15 February 2013 (the latest date for applications under the Open Offer). If the condition(s) to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. On 21 February 2013, the Registrar will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission of the Open Offer Shares (expected to be 21 February 2013). The stock accounts to be credited will be accounts under

the same CREST participant IDs and CREST member account IDs in respect of which the USE Instruction was given.

Notwithstanding any other provision of this Prospectus, the Company reserves the right in consultation with the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with an Open Offer Entitlement, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

For Qualifying Non-CREST Shareholders and Qualifying Lender/Seller Shareholders who have applied by using an Application Form or an Excess Application Facility Application Form, as the case may be, share certificates in respect of the New Ordinary Shares validly taken up are expected to be despatched by post by 28 February 2013. No temporary documents of title will be issued in respect of the New Ordinary Shares to be issued in the Capital Raising. Pending the issue of definitive certificates, transfers of New Ordinary Shares will be certified against the UK share register of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 4.1 ("If you have an Application Form in respect of your entitlement under the Open Offer") of this Part III: "Terms and Conditions of the Open Offer" and their respective Application Form.

9. Times and dates

The Company shall, in agreement with the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Underwriters, and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this Prospectus and in such circumstances the Company shall comply with all applicable laws and regulations relating thereto and shall make an announcement on a Regulatory Information Service, but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full for Open Offer Shares under the Open Offer specified in this Prospectus, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

10. Taxation

Certain statements regarding United Kingdom, Cayman Islands and Jersey taxation in respect of the New Ordinary Shares and the Open Offer are set out in Part XII: "Taxation" of this Prospectus. Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer are strongly recommended to immediately consult a suitable professional adviser.

11. Further information

Your attention is drawn to the further information set out in this Prospectus and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms or Excess Application Facility Application Forms, to the terms, conditions and other information printed on any accompanying Application Form or Excess Application Facility Application Form.

12. Governing law

The terms and conditions of the Open Offer as set out in this Part III: "Terms and Conditions of the Open Offer" and, where applicable, the Application Form or the Excess Application Facility Application Form shall be governed by, and construed in accordance with, English law (including, without limitation, any non-contractual obligations arising out of or in connection with the Open Offer and, where appropriate, the Application Form or the Excess Application Facility Application Form). The New Ordinary Shares will be created and issued pursuant to the Companies Law and shall be subject to the rights as set out in the Memorandum and Articles of Association.

13. **Jurisdiction**

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this Prospectus, the Application Form or the Excess Application Facility Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this Prospectus, the Application Form or the Excess Application Facility Application Form. By taking up Open Offer Shares by way of their Open Offer Entitlement in accordance with the instructions set out in this Prospectus and, where applicable, the Application Form or the Excess Application Facility Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART IV

DESCRIPTION OF THE GROUP

1. Business Overview

The Group is a closed life assurance fund consolidator that specialises in the management and acquisition of closed life and pension funds and operates primarily in the UK, with total Group assets under management of £71.6 billion and approximately 6 million policyholders as at 30 June 2012. Measured by total assets, the Group is the UK's largest specialist consolidator of closed life assurance funds. The Group does not write any new policies (other than increments to existing policies and annuities for current policyholders when their policies mature) and is therefore focused on the efficient "run off" of the Group's policies, seeking to maximise economies of scale and generating capital efficiencies through internal fund mergers and other operational improvements. The Group has two business segments: life assurance (including its management services operations)—referred to as Phoenix Life; and asset management—referred to as Ignis Asset Management.

The Group has four operating life companies which hold policyholder assets, referred to herein as the "Phoenix Life Companies":

- Phoenix Life Limited;
- Phoenix Life Assurance Limited (formerly Pearl Assurance Limited) ("Phoenix Life Assurance");
- National Provident Life Limited ("National Provident Life"); and
- Scottish Mutual International Limited ("Scottish Mutual International").

Opal Re, a direct subsidiary of the Company, is a Bermudan reassurance company that reinsures risk for certain of the Group's life companies.

The Group's two principal management service companies, Pearl Group Services Limited ("PGS") and Pearl Group Management Services Limited ("PGMS"), aim to provide all administrative services required by the Group's life companies (or manage the provision of such services through outsourcing arrangements), including policy administration, information technology, finance and facility management services.

Ignis Asset Management is the Group's asset management business, providing asset management and asset and liability management services to the Group's life companies as well as to a third party client base of retail and institutional investors in the UK and overseas. Ignis Asset Management had £70.3 billion of assets under management, administration and oversight as at 30 June 2012, including £61.3 billion of assets of the Group's life companies and Holding Companies and £9.0 billion of third party assets as at 30 June 2012. Ignis Asset Management includes the entities of Ignis Asset Management Limited, Ignis Investment Services Limited and Ignis Fund Managers Limited. For more information, see "—Structure of the Group" of this Part IV.

As at 30 June 2012, the Group had MCEV of £2,135 million.

2. History

Phoenix Group Holdings (defined above as the "Company"), previously named Liberty International Acquisition Company and then Liberty Acquisition Holdings (International) Company and then Pearl Group, is a company incorporated on 2 January 2008 under the laws of the Cayman Islands as an exempted company with limited liability, under registration number 202172. The Company was formed as a non-operating special purpose acquisition company by Berggruen Acquisition Holdings II Ltd and Marlin Equities IV, LLC to acquire one or more operating businesses with principal activities outside North America. Berggruen Acquisition Holdings II Ltd. of 9-11 Grosvenor Gardens, London SW1W 0BD, United Kingdom, and Marlin Equities IV, LLC of 555 Theodore Fremd Avenue, Suite B-302, Rye, New York 10058, United States, do not have any functions in the Group other than being Shareholders or former Shareholders.

Units of the Company, comprising both Ordinary Shares and Public Warrants, were initially admitted for trading on Euronext Amsterdam on 6 February 2008. The Ordinary Shares and Public Warrants began to trade separately on 14 March 2008 following which the units ceased to exist as a separate security and were no longer listed.

On 2 September 2009, the Company acquired the entire issued share capital of (i) the Pearl Borrowers, which were established at the time of the acquisition of Phoenix Life Assurance Limited (then called Pearl Assurance Limited), London Life Limited ("London Life"), National Provident Life and NPI Limited ("NIP") (collectively, the "Original Pearl Life Companies") and their respective affiliates by, amongst others, TDR Capital Nominees Limited and its various related entities ("TDR Capital") and certain principals of Sun Capital Partners ("Sun Capital"), (ii) TC1 and TC2, which were established at the time of the acquisition of the Resolution Group by the Original Pearl Business and (iii) Opal Re (the "Restructuring"). LCA, LCB, TC1, TC2 and Opal Re, together, are defined as the "Acquired OPB Companies". The Acquired OPB Companies, together with their respective subsidiaries, are defined as the "Original Pearl Business".

The Original Pearl Business was established in April 2005 in connection with the £1.1 billion acquisition from HHG plc of the Pearl Life Companies and their affiliates by, amongst others, TDR Capital and Sun Capital. In May 2008, the Original Pearl Business acquired the Resolution Group for £5 billion and simultaneously sold on certain assets and companies held by Resolution (the "On-Sold Resolution Assets") to The Royal London Mutual Insurance Society Limited ("Royal London") for £1.3 billion.

The Ordinary Shares of the Company were admitted to the Official List of the FSA and to trading on the London Stock Exchange on 17 November 2009. The Company achieved a Premium Listing on the London Stock Exchange and admitted its Public Warrants to the Official List of the FSA and to trading to the London Stock Exchange on 5 July 2010. The Group achieved inclusion into the FTSE 250 index on 20 September 2010. The Company's Ordinary Shares and Public Warrants were delisted from Euronext Amsterdam on 17 November 2010.

3. Strengths and Strategy of the Group

3.1 Strengths

The Directors believe that the Group's key strengths are as follows:

3.1.1 As the Group's funds are closed to new business, the Group has high visibility of its cash flows over the long-term due to the predictable nature of the Group's funds.

The Group's closed life funds provide predictable fund maturity and liability profiles, generating expected long-term cash flows supporting distributions to Shareholders and payment of outstanding debt obligations. The Directors believe that the Group's expected long-term cash flows provide strong cover for interest payments. As closed life funds have no new business function, the Group does not incur the costs of running sales and marketing or customer acquisition divisions and does not need to hold capital to support the writing of new policies. Instead, the largest part of the costs of the Group's closed life funds are recurring expenses. In addition, the Group, being a closed life fund business, is to a large extent not subject to operational risks relating to the mis-selling and administration of new policies.

The Group's cash flows are generated from the interest earned on capital, policyholder charges and management fees earned on assets under management (to the extent that they exceed expenses). Although the impact of the Group's participation in investment returns is not predictable, investment risks are mainly borne by policyholders in accordance with the terms of the relevant policies. In addition, as the Group's life companies' policies run-off, excess capital supporting these liabilities can be released from the life companies to their shareholders, the Group's Holding Companies. The predictable stream of profits from the run-off of the closed life funds provides some certainty of tax relief on debt interest. During 2011, £810 million of cash was distributed from the operating companies to the Group's Holding Companies and £690 million of cash was distributed from the operating companies to the Group's Holding Companies in 2012.

3.1.2 The Group is the largest specialist closed life fund consolidator in the UK, with a simplified and scalable business model, allowing it to benefit from economies of scale, diversification benefits and the ability to save costs both internally and through outsourcing arrangements.

With £71.6 billion of Group assets under management and approximately 6 million policyholders as at 30 June 2012, the Group is the largest UK specialist closed life fund consolidator. The Directors believe that this scale, together with its track record and expertise in creating value through integration and financial management, including through realising synergies from previous acquisitions and its focus on improving outcomes for policyholders of closed life funds, positions the Group as a leading consolidator of

closed life funds in the future and a market leader in UK closed life fund run-off, resulting in a significant value creation opportunity.

The Directors believe the Group's business model provides additional value and scalability, by using outsourced service providers to match its cost base to the run-off profile of the policies held within the Group's closed life funds, as the charges of outsourced services providers are generally based on a variable, per policy cost structure.

The Group seeks to manage the level of costs and required capital by combining life funds, allowing for greater diversification of risks.

The Group also seeks to ensure that policyholder and Shareholder interests are closely aligned.

3.1.3 There is significant opportunity to grow embedded value and accelerate cash flows through the continued implementation of 'The Phoenix Way'.

'The Phoenix Way' characterises an approach and infrastructure for the efficient and effective structuring, integration and management of closed life funds and the investments they hold. By applying a consistent framework across the Group, the Directors believe 'The Phoenix Way' reduces risk, complexity and cost; improves investment performance; enhances customer service through efficient cooperation with our outsourced partners; increases MCEV and releases capital to shareholders. An example of 'The Phoenix Way' involves the consolidation of a disparate collection of actuarial valuation models onto a single platform, the Actuarial Systems Transformation programme, with the aim to reduce operational risk (and associated capital) of actuarial modelling, improve the quality and frequency of capital monitoring and improve cost efficiency by simplification and standardisation of actuarial processes. The Actuarial Systems Transformation programme is an essential part of managing the Group's life businesses under the Solvency II regime.

As a result of management actions taken in 2011, the Group generated an incremental £165 million of MCEV and accelerated £359 million of cash flows from the operating companies to the Group's Holding Companies. In addition, during the first half of 2012, as a result of management actions, the Group generated an incremental £107 million of MCEV and accelerated £32 million of cash flows from the operating companies to the Group's Holding Companies. These actions included the transfer of the business of NPI Limited to Phoenix Life Limited and the harmonisation of methodologies and policies across the Group.

The Directors believe that there are opportunities to further increase both embedded value and cash flows to the Group's Holding Companies through additional actions. Further actions that can create value include the reduction of operational risk and the de-risking of investment strategy. The Directors believe that value should be capable of being created through such financial management. The Company continues to target an annual average target of £100 million of enhancements to MCEV through management actions over the period 2011 to 2014, representing an aggregate of £400 million in such four year period.

3.1.4 The Group's asset and liability management capability helps to protect and enhance policyholder and Shareholder returns.

The Group aims to manage its assets and liabilities to ensure a prudent approach to risk. The asset and liability management capability of the Group provides the Group with the ability to use capital efficiently whilst having more control over management of investment and market risk for both policyholders and shareholders. This includes the matching of asset and liability cash flows to reduce capital requirements. In particular, the release of capital through the elimination of unrewarded risk can enable the achievement of higher risk adjusted returns.

3.1.5 The dedicated focus of Ignis Asset Management offers the Group competitive investment management performance on the Group's life company assets as well as generating fees from its retail and institutional asset management operations.

The Directors believe that the dedicated expertise that has been put in place within Ignis Asset Management enables the Group to manage its assets to seek competitive investment management performance.

In addition, the Directors believe that Ignis Asset Management has a sufficiently diverse range of investment capabilities to respond to changing investor preferences and to take advantage of changing market conditions. Ignis Asset Management generates its fees from a wide range of underlying asset classes, including cash, government debt securities, property, equities and corporate debt, reducing their exposure to decreases in market values of specific asset classes. Ignis Asset Management also has an established presence in the third party asset management market in both the UK retail and institutional channels and internationally, with £1.7 billion of net inflows in 2011 and £2.9 billion of net inflows in the nine months ended 30 September 2012, of which approximately £1.5 billion are assets related to the annuity transfer transaction with Guardian Assurance which is described in Part VIII: "Operating and Financial Review of the Company—Recent Developments, Current Trading and Outlook—Transfer of annuity in-payment liabilities to Guardian Assurance.

3.2 Strategy

The Group's mission is to improve returns for its policyholders and Ignis Asset Management customers and deliver value for Shareholders. The Group intends to achieve this by realising its vision of being the saver-friendly, "industry solution" for the safe, innovative and profitable management of closed life funds and a leading asset management business.

The Group's areas of strategic focus are:

3.2.1 Manage capital

Risk management is a key component of the Group's strategic agenda. The effective management of the Group's risks and the efficient allocation of capital against them is critical in allowing the Group to achieve its strategic and operational objectives. This includes ensuring there are robust capital policies within the Group's life companies.

The Directors believe that the Group is well positioned to adapt to new requirements arising from Solvency II regulatory changes. Simplifying the Group's capital structure brings greater flexibility and is a fundamental enabler of the strategic growth ambitions of the Group. For further details, see Part VIII: "Operating and Financial Review of the Company—Liquidity and Capital Resources.

3.2.2 Drive value

The Group drives value in many ways. There are a number of management actions undertaken by the Group such as fund mergers and de-risking which can accelerate cash or increase the Group's MCEV.

Management of costs is also an important aspect of the Group's value creation. Part of 'The Phoenix Way' involves improving the efficiency of operational management through the standardisation and streamlining of key processes across the Group which will in turn reduce costs, improve performance and maximise value.

3.2.3 Improve customer outcomes

The Group has three key areas of focus in relation to our customers:

- Value—the Group aims to manage customer outcomes to their maximum benefit;
- Service—customers want to be treated fairly, with empathy and respect in a timely fashion; and
- Security—customers expect their investment to be secure in a well managed company.

3.2.4 Engage people

Building its reputation as an employer of choice, the Group specifically targets, recruits and develops top quality people. The Group invests in its people whose talent, enthusiasm and support makes its strategy and objectives achievable.

3.3 Acquisition strategy

The Directors believe that the UK closed life fund consolidation opportunity is supported by existing and anticipated market dynamics, which are expected to generate a supply of potentially attractive acquisition targets over the medium term. These dynamics include the potential impact of a changing regulatory framework for financial services companies including the Solvency II and Basel 3 regulations. In addition,

the Directors believe that the opportunity is supported by ongoing capital pressure within the sector, the trend of recycling and refocusing capital from mature to growth markets, the decline in new with profit business, changing customer demands and regulatory change driving consolidation in the mutual sector. The Directors believe that this opportunity is also supported by the migration of products to alternative structures, the cost challenge posed by a fragmented sector and the run-off of closed life funds and the exit of international participants.

The Directors believe that the market dynamics driving the market opportunity will impact life fund operators in different ways. The Directors believe that the Group is well placed to find solutions for a range of sellers of life insurance businesses due to the Group's flexible approach to acquisitions, in particular its flexibility to acquire either life companies, funds or portfolios of business, and the Group's appetite for all product types across the with profit, non profit and unit linked spectrum.

The Group will assess potential acquisitions in light of the financial condition of the Group. Any acquisition would only be undertaken if it resulted in a sustainable level of gearing for the combined Group of appreciably below 40 per cent. (around the mid-point of the 35 per cent. to 40 per cent. range) consistent with the strategy of lowering the Group's gearing to attain an appropriate credit rating and obtaining regulatory approval. Gearing is measured on the basis of the New Gearing Definition.

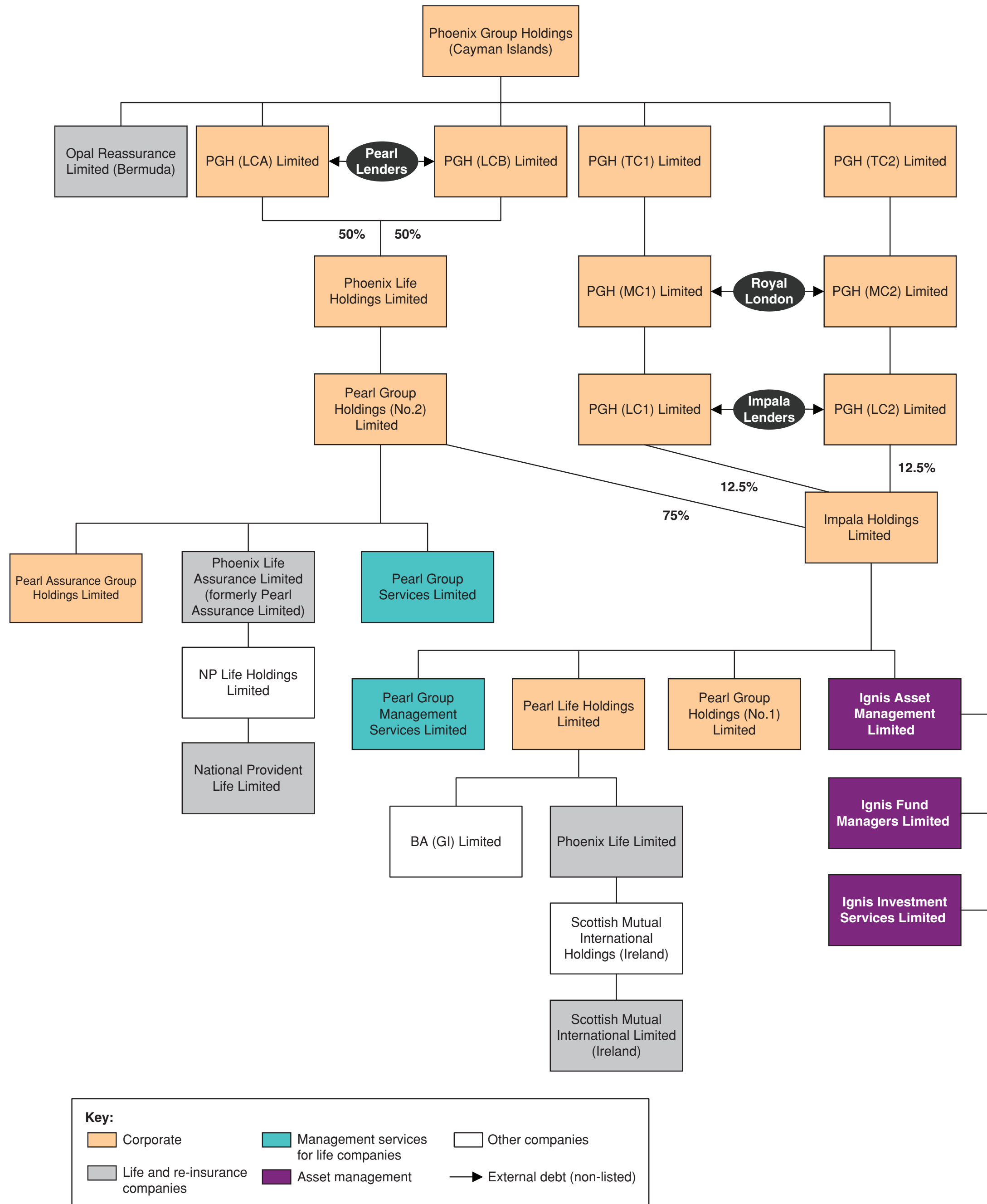
4. Structure of the Group

The Group's operating structure is aligned to the market sectors in which it operates. In this respect, the Group has two business segments: life assurance (including its management services operations)—referred to as Phoenix Life; and an asset management business—referred to as Ignis Asset Management. The Group's UK-based Group functions provide support and co-ordination for the delivery of the Group's strategic initiatives.

The holding company structure between the Company and Phoenix Life Companies includes several holding companies which were established in relation to the acquisitions of the Original Pearl Life Companies and their affiliates in 2005 and the Resolution Group in 2008. Certain of these companies are the borrowers of the Group's external debt that was used to help fund the acquisitions. (For more information on the Group's borrowings, see Part XIII: "Additional Information—Material Contracts—Credit Facilities.")

Phoenix Life Holdings Limited is the ultimate insurance parent undertaking within the EEA for group capital purposes. The IGD calculation and the PLHL ICA are therefore prepared at this level.

The following chart gives an overview of the legal structure of the Group and its principal companies as at the date of this Prospectus.



Notes:

(1) Shareholdings are 100 per cent. unless otherwise indicated.

(2) This chart excludes UK Commercial Property Trust Limited and the investment vehicles managed and/or operated by Ignis Asset Management.

(3) See Part XIII: "Additional Information—Material Contracts—Tier 1 Bonds", Part XIII: "Additional Information—Material Contracts—Mutual Securitisation Bonds" and Part XIII: "Additional Information—Material Contracts—Tier 2 Bonds" in relation to the listed debt securities that have been issued by, or relate to, members of the Group. Intra-Group debt is excluded.

4.1 Phoenix Life

Phoenix Life is responsible for the financial and operational management of the closed insurance fund business of the Group with the support of the management service companies and outsourced service providers.

4.1.1 Insurance business

(i) Life companies

The Group's four operating life companies are regulated entities that hold the Group's policyholder assets. Three of the four life companies are regulated by the FSA and one is regulated by the Central Bank of Ireland. Over time, the Group has reduced the number of its individual life companies through fund mergers to optimise capital allocation and economies of scale. During 2011, the internal reassurance arrangement between Phoenix Life Limited and Phoenix Pensions Limited was recaptured by Phoenix Life Limited, resulting in Phoenix Pensions Limited no longer holding any life assurance business. The transfer of the business of NPI Limited to Phoenix Life Limited became effective on 1 January 2012 following regulatory and court approvals.

On 24 September 2012, the High Court approved a Part VII transfer for the transfer of all of the insurance business of London Life Limited to Pearl Assurance Limited, with an effective date of 1 July 2012. Pearl Assurance Limited was renamed Phoenix Life Assurance Limited on 28 September 2012. See Part VI: "Regulatory Framework Overview—Additional Regulation for Insurance Business—Transfer of insurance business" for a description of a Part VII transfer. Following the transfer becoming effective, London Life Limited has ceased to carry on any insurance business and will in due course be deauthorised.

Although the Group's life companies are closed life fund companies and do not generally write new business, they do accept additional policyholder contributions on in-force policies and allow certain policies, such as pension savings plans, to be reinvested at maturity into annuities held by a Group life company. Writing annuities offers the Group a further opportunity to increase its embedded value through profit margins and incremental investment returns, while also helping to better manage the liquidity position of the Group's individual life companies.

In addition, the Group has some residual exposure to general insurance risks. The Group's remaining general insurance liability exposure amounts to approximately £34 million of claims reserves, net of reinsurance and discounting, as at 31 December 2011. The Group's general insurance liability exposures are held under BA (GI) Limited, a wholly-owned subsidiary of the Company. The Group intends to dispose of its general insurance business in the near future.

(ii) Reinsurance

(a) Overview

The Group's life companies reinsure certain liabilities both to other companies in the Group and to third party reinsurers as part of their ongoing risk and capital management policies, as well as to benefit from operational synergies.

(b) Internal reinsurance

Within the Original Pearl Life Companies, Phoenix Life Assurance acts as the reinsurer for various blocks of pensions annuity business as well as with profit bond business and with profit elements of unitised with profit contracts. Following its demutualisation in 2000, National Provident Life reinsured a significant portion of its unit linked business, including new business, to NPI Limited, whose business was transferred to Phoenix Life Limited effective 1 January 2012. Following the transfer becoming effective, NPI Limited has ceased to carry on any insurance business and will in due course be deauthorised.

The various life funds within Phoenix Life Limited themselves hold a significant amount of intra-fund reinsurance, mostly to achieve financial and operational synergies.

(c) Opal Re

Pearl Assurance Limited (now Phoenix Life Assurance Limited), London Life and NPI Limited ceded the substantial majority of their then in-payment annuity business to Opal Re in 2007. Opal Re is a Bermudan reinsurance company that reinsures risks solely for Group life companies and does not have any third party clients. As at 30 June 2012, the Group's life companies had reinsured a total of approximately £3.2 billion of their annuity liabilities with Opal Re. As a result of the agreement by the Company to transfer approximately £5 billion of annuity in-payment liabilities to Guardian Assurance, the amount of annuity liabilities which the Group's life companies reinsure with Opal Re reduced by £1.5 billion in July 2012.

Opal Re is governed under Bermudan regulations and certain UK Pillar 1 reserving regulations do not apply to it. This allows Opal Re to invest in a more diversified mix of assets than is typical for a UK based

annuity business. Pearl Life Companies look through to the underlying risks of Opal Re and hold capital against such risks under UK Pillar 2 requirements.

(d) External reinsurance

The Group's external reinsurance arrangements are spread across a number of reinsurers. These reinsurance arrangements cover a range of policy risks, including mortality and morbidity, long-term disability, critical illness, general insurance and some investment risk.

On 27 June 2012, the Company announced an agreement to transfer approximately £5 billion of annuity in-payment liabilities to Guardian Assurance. See Part VIII: "Operating and Financial Review of the Company—Recent Developments, Current Trading and Outlook" for a description of this transaction and its impact on the Group's consolidated financial statements, the Group's IGD surplus and the Group's MCEV.

(iii) Management services

(a) Overview

Each of the Phoenix Life Companies is responsible to its policyholders for the administration of its policy portfolio and the provision of policyholder services, such as collection of premiums, the provision of policyholder statements, settlement of claims, the provision of website access and information, and the provision of policyholder information and other related support through contact service centres. If each life company separately provided these services and related infrastructure, this would involve significant costs and create impediments for the life company in managing the efficient run-off of its policies. Much of this incremental cost would be likely to fall to policyholders. In addition to these cost challenges, each life company is required to hold sufficient capital for its operational risks.

To allow the Phoenix Life Companies to benefit from economies of scale, efficient outsource partnerships and an innovative integrated technology infrastructure, Phoenix Life's two UK management service companies, PGS and PGMS, provide, or manage the provision of, policyholder services for the Phoenix Life Companies under management service agreements. PGS and PGMS are similar in the way they operate and are managed as a single unit. By using management service companies, the Phoenix Life Companies benefit from price certainty and a transfer of some operational risks to the management service companies.

As the number of policies held by the Group gradually declines over time, the fixed cost base of the Group's operations as a proportion of policies may increase. The Group's management service companies manage this risk by putting in place long-term arrangements for third party policy administration. By paying a fixed price per policy to the outsourced service providers, the Group minimises the fixed cost element of its operations.

Specialist roles such as finance, actuarial and risk are retained in-house, ensuring the Group retains full control over the core capabilities necessary to manage and integrate closed life funds. The Group's life companies continue to retain ultimate responsibility to their policyholders and aim to achieve improvement in the quality of service delivered to policyholders.

The Directors believe that consolidating policyholder services within Phoenix Life's two management service companies increases certainty for policyholders and enables the Phoenix Life Companies to share the costs of the provision of these services and other corporate overhead costs so that shareholders benefit from efficiency savings, reductions in operational risks and the release of risk capital.

In addition, Phoenix Life also has a management service company incorporated in Ireland, PGMS Ireland, which provides administration services to Scottish Mutual International under a management services agreement which is structured in a similar manner to the management services agreements with PGS and PGMS.

(b) Outsourcing relationships

A key role for PGS, PGMS and PGMS Ireland is the management of relationships with the outsourced service providers on behalf of the Phoenix Life Companies. These outsourced service providers include Capita Business Services Limited, Capita Life & Pensions Regulated Services Limited, Diligenta Limited (a subsidiary of Tata Consultancy Services), HCL Insurance BPO Services Limited, HSBC and Percana International Managed Services Limited.

As Phoenix Life's closed life funds run-off, fees generated from the management of policies generally decrease over time. Therefore, the Group is best served by closely aligning its costs with its policy run-off profile. Any costs that do not therefore decline in line with Phoenix Life's overall declining policy book create potential operating profit challenges. The use of outsourced service providers enables Phoenix Life to shift its cost base from a largely fixed cost base to a variable per-policy basis. The Group's outsourced service providers are also able to offer their services at a competitive price per policy due to their larger economies of scale.

Phoenix Life's outsourced service providers are specialist providers of life and pensions administration services, with the know-how, expertise and business models that put administration at the core of their service offerings. The services provided by outsourced service providers include policy administration, human resources, financial administration and information technology services.

4.2 Ignis Asset Management

Ignis Asset Management is the Group's asset management business. It provides investment management services to the Group's life companies as well as to third party clients, including both retail and institutional investors in the UK and overseas. As at 30 June 2012, Ignis Asset Management was responsible for £70.3 billion of assets under management, including £9.0 billion of third party assets. As at 30 June 2012, Ignis Asset Management managed, administered or oversaw £61.3 billion of assets of the Group's life companies and Holding Companies out of a total of £62.6 billion of assets of the Group's life companies and Holding Companies. With offices in London and Glasgow, and approximately 400 employees as at 30 June 2012, Ignis Asset Management has investment capabilities across multiple asset classes organised into five investment business units.

Ignis Asset Management's vision is to develop into a leading asset management business committed to performance excellence and innovation, where talented people want to work and, most importantly, where clients want to invest their money.

Ignis Asset Management manages the majority of the Group's investments. This is a model which, through agreements between the Phoenix Life Companies and Ignis Asset Management, provides the Group with the specialist life company investment skills it needs while allowing it to retain significant control, flexibility and influence over these activities. Ignis Asset Management has its own distribution division.

Ignis Asset Management manages a number of pooled funds across a range of asset classes. These pooled funds have allowed Ignis Asset Management to simplify its relationship with the Group's life companies by replacing a large number of individually segregated mandates. In addition, Ignis Asset Management is incentivised to maximise investment performance for policyholders through a performance fee structure.

In addition, Ignis Asset Management has investments in a number of boutique investment management firms. The investments in which Ignis Asset Management holds a minority interests are HEXAM Capital Partners LLP, Castle Hill Asset Management LLC and Argonaut Capital Partners LLP. On 11 October 2012, Ignis Asset Management announced that it had renegotiated its joint venture agreement with Cartesian Capital Partners LLP, and Ignis Asset Management has agreed with Cartesian Capital Partners LLP to sell its financial interest in the joint venture to Cartesian Capital Partners LLP. Under the joint venture agreement, Ignis Asset Management provided distribution and operational support to Cartesian Capital Partners LLP and the transfer of these functions to Cartesian Capital Partners LLP is expected to complete during the course of 2013, which will lead to Ignis Asset Management no longer having an interest in this business. This is in line with the strategic objective of Ignis Asset Management to build its own in-house investment management capabilities.

In May 2012, Ignis Asset Management entered into an agreement with HSBC to deliver investment administration and other related back office administration services. As part of this, Phoenix Life will also consolidate certain existing ancillary investment related outsourced services with HSBC. This partnership will allow Ignis Asset Management to focus on its strategic priorities of investment and distribution, provide a standard back office framework and provide a single source of data for Phoenix Life, assisting with reconciliation and consolidation work. As part of this outsourcing arrangement, approximately 140 employees of Ignis Asset Management have been transferred to HSBC.

Ignis Asset Management includes the operations of Ignis Asset Management Limited, Ignis Investment Services Limited and Ignis Fund Managers Limited. (For more information, see "—Structure of the Group" of this Part IV.)

Ignis Investment Services Limited, Ignis Fund Managers Limited and Scottish Mutual Investment Managers Limited are regulated by the FSA.

4.3 Group functions

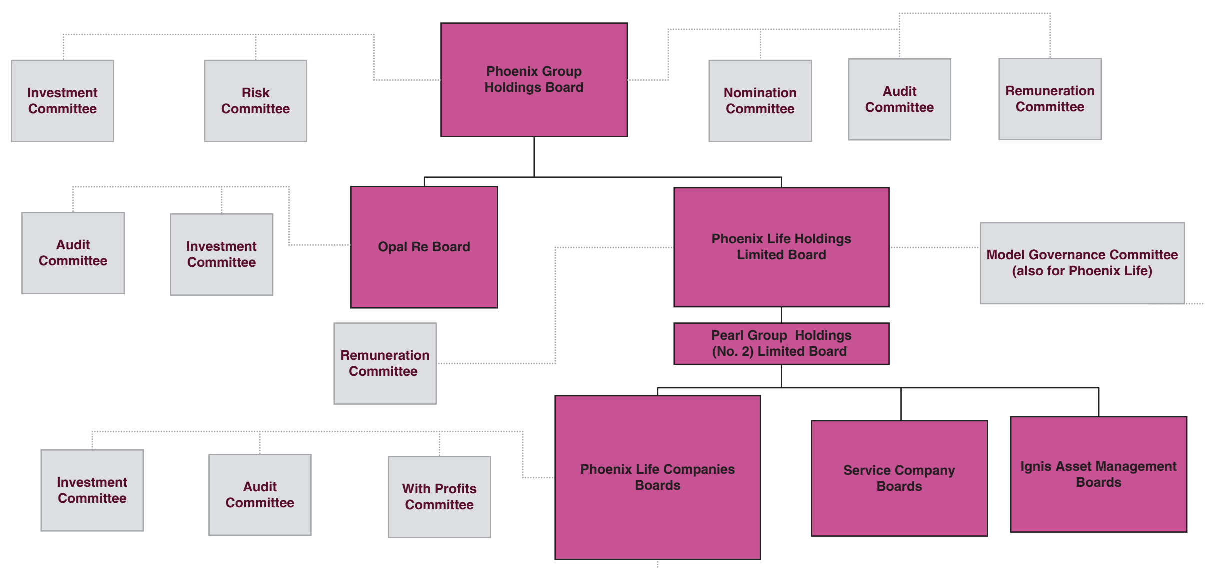
The Group operates centralised functions that provide Group-wide and corporate-level services and manage corporate activity. The Group-level operations include Group Finance, Treasury, Group Tax, Group Actuarial, Group Risk, Legal Services, HR, Corporate Communications, Strategy and Corporate Development, Investor Relations, Company Secretariat and Group Internal Audit.

5. Governance

The Company is a member of the FTSE 250 Index, having achieved a Premium Listing on the London Stock Exchange in July 2010. The Board is committed to high standards of corporate governance and supports the UK Corporate Governance Code which sets standards of good practice for UK listed companies. The UK Corporate Governance Code has applied to the Company from 1 January 2011 and the Company has implemented those new aspects of the UK Corporate Governance Code which were not included in its predecessor, the Combined Code on Corporate Governance. In particular, all Directors of the Company are subject to annual re-election by Shareholders, and evaluation of the Board will be externally facilitated at least every three years.

It is the Board's view that the Company was fully compliant in 2011 with the provisions set down in the UK Corporate Governance Code with the one exception that not all Directors were able to attend the 2011 AGM in accordance with provision E.2.3 of the UK Corporate Governance Code. This did not impact the 2011 AGM as there were no questions posed at the meeting. Compliance with this provision was achieved at the 2012 AGM held on 3 May 2012.

The following diagram depicts the Group's current governance structure:



5.1 The Board

The Board comprises the Non-Executive Chairman, the Group Chief Executive Officer, the Group Finance Director and eleven other Non-Executive Directors (the "Non-Executive Directors"), seven of whom are independent. (For biographical details of all Directors see Part XI: "Directors, Corporate Governance and Employment Matters—Directors—Biographies of the directors"). The Board considers that the following Directors are independent as they do not have any interest or business and other relationship which could, or could be perceived to, interfere materially with their ability to act in the best interests of the Company: David Barnes, Charles Clarke, Ian Cormack, Tom Cross Brown, Isabel Hudson, Alastair Lyons and David Woods. The Board has considered the criteria proposed by the UK Corporate Governance Code in assessing the independence of the Directors.

Non-Executive Directors are appointed for a term of three years (subject to annual re-election at the AGM), and any subsequent terms are considered by the Nomination Committee. For information on the remuneration of the Directors, see Part XI: "Directors, Corporate Governance and Employment

Matters—Directors—Directors' Remuneration" and Part XI: "Directors, Corporate Governance and Employment Matters—Directors—Directors' Service Agreements and Letters of Appointment". All Directors are subject to a vote for re-election at the AGM and all current directors were re-elected at the AGM in May 2012 apart from Sir Howard Davies and James McConville, who were appointed subsequent to the AGM in May 2012.

All the Directors of the Company are FSA Approved Persons in respect of the Company's FSA regulated subsidiaries.

The Board is responsible to the Shareholders for the overall governance and performance of the Group. The Board's role is to provide entrepreneurial leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board has a schedule of matters reserved for its consideration and approval. These matters include:

- Group strategy and business plans;
- major acquisitions, investments and capital expenditure;
- financial reporting and controls;
- dividend policy;
- capital structure;
- the constitution of Board committees;
- appointments to the Board and Board committees;
- senior executive appointments; and
- key Group policies.

Matters which are not reserved for the Board or its committees under their terms of reference, or for Shareholders in general meetings, are delegated to the Executive Management under a schedule of delegated authorities approved by the Board.

Central management and control is in Jersey where the Company's head office is located.

5.2 The Chairman, Group Chief Executive Officer and Senior Independent Non-Executive Director

There is a division of responsibility, approved by the Board, between the Chairman, Sir Howard Davies, who is responsible for the leadership and effective operation of the Board and the Group Chief Executive Officer, Clive Bannister, who is responsible to the Board for the overall management and operation of the Group. The Chairman's other significant commitments are set out in his biographical details in Part XI: "Directors, Corporate Governance and Employment Matters—Directors".

On 1 October 2012, Sir Howard Davies became the Chairman of the Group and is a Non-Executive Director and the Chairman of the Nomination Committee. Sir Howard Davies is the successor to Ron Sandler, who retired from the Board on 30 September 2012.

The Senior Independent Non-Executive Director, appointed by the Board, is Alastair Lyons. His role is to be available to Shareholders whose concerns are not resolved through the normal channels or when such channels are inappropriate. He is also responsible for leading the appraisal of the Chairman's performance by the Non-Executive Directors.

5.3 Effectiveness of the Board

In accordance with the UK Corporate Governance Code, an evaluation of the performance of the Board and that of its committees and individual Directors was undertaken in the latter part of 2011 and was externally facilitated by Egon Zehnder International ('EZI') who are independent of the Company.

The process involved completion by Directors of a questionnaire covering various aspects of Board and Director effectiveness, followed by individual meetings between EZI and each Director, concluding in a Board report which was discussed by the Board in November 2011. The process and report covered the following areas:

- Board structure and composition;
- Board dynamics and relationship;
- Board processes;

- Board committees;
- people and people processes;
- Company strategy and performance;
- capital, risk and tracking board effectiveness; and
- strategic and operational issues.

An action list, with senior executive accountability, was established to address the recommendations from the evaluation. The EZI review concluded as follows:

"Phoenix has a well functioning Board and has made substantial steps to improve the quality of Directors and the level of debate over the past two years. Overall, this Board effectiveness review concurs with Phoenix's own tracking process that most of the previous recommendations have been implemented with a few minor exceptions."

A review of each Director's individual performance took place as part of the evaluation, and the output from this is utilised in revising the training programme for Directors.

The output from the Board and individual Director reviews informed the review of the Board composition and structure undertaken by the Board Nomination Committee in January 2012, leading to all directors' appointments being recommended to Shareholders (and their re-election) at the May 2012 AGM.

A further evaluation of the performance of the Board, its Committees and individual directors was completed internally in November 2012 and discussed at the Board meeting on 29 November 2012. This evaluation was facilitated and led by the Chairman. The Company is assessing the recommendations from this review for action by the Company. There were no matters of materiality arising from the review.

All Directors receive a tailored induction on joining the Board and benefit from an ongoing training programme.

5.4 Operation of the Board

The terms of appointment for the Directors state that they are expected to attend in person regular (at least six per year) and extraordinary Board meetings of the Company and to devote appropriate preparation time ahead of each meeting. The Board met seven times during 2011 and eight times in 2012. The Non-Executive Directors continue to hold meetings with the Chairman without the Executive Directors being present.

Attendance by each of the Directors at Board meetings and at Committee meetings for Committees of which they were a member during 2011 was:

	Board Meetings		Nomination Committee		Audit Committee		Remuneration Committee		Risk Committee		Investment Committee	
	Maximum	Actual	Maximum	Actual	Maximum	Actual	Maximum	Actual	Maximum	Actual	Maximum	Actual
Chairman												
Ron Sandler[(1)]	7	7	4	4	—	—	—	—	—	—	—	—
Executive Directors												
Clive Bannister[(2)]	6	6	—	—	—	—	—	—	—	—	—	—
Jonathan Yates[(3)]	7	7	—	—	—	—	—	—	—	—	—	—
Non-Executive Directors												
Alastair Lyons	7	7	—	—	7	7	—	—	—	—	—	—
Ian Ashken	7	7	—	—	—	—	—	—	—	—	—	—
René-Pierre Azria	7	7	—	—	—	—	—	—	6	5	2	2
David Barnes	7	7	—	—	7	7	8	8	—	—	—	—
Charles Clarke	7	7	—	—	7	7	—	—	—	—	2	2
Ian Cormack	7	7	4	4	—	—	8	8	—	—	—	—
Tom Cross Brown	7	7	4	3	—	—	—	—	6	6	2	2
Manjit Dale	7	6	—	—	—	—	—	—	—	—	2	1
Isabel Hudson	7	7	—	—	—	—	8	8	6	6	—	—
Hugh Osmond	7	7	—	—	—	—	—	—	6	6	2	2
David Woods	7	6	—	—	—	—	—	—	6	5	—	—

Notes:

(1) Ron Sandler retired from the Board on 30 September 2012 and was succeeded by Sir Howard Davies.

(2) Clive Bannister was appointed to the Board on 28 March 2011. Jonathan Moss resigned from the Board on 7 February 2011, having attended one Board meeting during 2011.

(3) Jonathan Yates resigned from the Board on 21 December 2011.

5.5 Board's committees

The Board has delegated specific responsibilities to five standing committees of the Board.

5.5.1 Audit Committee

Alastair Lyons is the Chairman of the Audit Committee. The other members are David Barnes and Charles Clarke. The Audit Committee has recent and relevant financial experience. The composition of the Committee is in accordance with the requirements of the UK Corporate Governance Code that the Audit Committee should consist of at least three independent Non-Executive Directors of whom at least one has recent and relevant financial experience. The Audit Committee met six times in 2012.

The Audit Committee is responsible for making recommendations to the Board on such matters as the appointment of the external auditors and their terms of engagement and for reviewing the performance, objectivity and independence of the external auditors. The Audit Committee is also responsible for assessing the effectiveness of the Group's internal audit function. The Audit Committee receives and reviews the annual report and accounts and other related financial disclosures, the ultimate responsibility for these matters remaining with the Board. It monitors the overall integrity of the financial reporting by the Company and its subsidiaries and reviews compliance with legal and regulatory requirements and the effectiveness of the Group's internal controls. The terms of reference of the Audit Committee state that it shall meet the external auditor at least once a year without management being present.

The Company has adopted a Charter of Statutory Auditor Independence, which requires both the Company and the external auditors to take measures to safeguard the objectivity and independence of the external auditors. These measures include a prohibition regarding non-audit services in respect of specific areas, such as secondments to management positions, or those which could create a conflict or perceived conflict. It also includes details of the procedures for the rotation of the external audit engagement partner.

5.5.2 Nomination Committee

Sir Howard Davies is Chairman of the Nomination Committee. The other members are Ian Cormack and Tom Cross Brown. The composition of the Nomination Committee is in accordance with the requirements of the UK Corporate Governance Code that a majority of its members should be independent Non-Executive Directors. The Nomination Committee is responsible for considering the size, composition and balance of the Board; the retirement and appointment of Directors; succession planning for the Board and senior management; and making recommendations to the Board on these matters. The Nomination Committee met three times in 2012, during which time it was chaired by Ron Sandler, except when it considered the appointment of the Chairman, when it was chaired by the Senior Independent Director, Alastair Lyons in compliance with the UK Corporate Governance Code.

The standard process used by the Committee for Board appointments involves the use of an external search consultancy to source candidates external to the Company (and may, in the case of executive appointments, also consider internal candidates). Detailed assessments of short-listed candidates are undertaken by the search consultancy, followed by interviews with Committee members and other Directors and the sourcing of references before the Committee recommends the appointments to the Board.

5.5.3 Remuneration Committee

Ian Cormack is Chairman of the Remuneration Committee. The other members are David Barnes and Isabel Hudson. The composition of the Remuneration Committee accords with the requirements of the UK Corporate Governance Code that the Remuneration Committee should consist of at least three independent Non-Executive Directors. The Remuneration Committee met seven times in 2012.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's remuneration and compensation plans, policies and practices and for determining, within agreed terms of reference, specific remuneration packages for the Executive Directors. These include pension rights and executive incentive schemes to encourage superior performance. For information on the remuneration of the Directors see Part XI: "Directors, Corporate Governance and Employment Matters—Directors—Directors' Remuneration" and "—Directors' Service Agreements and Letter of Appointment".

FIT Remuneration Consultants provide advice to the Remuneration Committee and are independent of the Company.

5.5.4 Risk Committee

The establishment of a Risk Committee is not a requirement of the UK Corporate Governance Code. However, the Board believes such a Committee is important to ensure the robust oversight of the management of risk within the Group. The composition of the Committee, with a majority of independent Non-Executive Directors, is in accordance with the final recommendations of the report by Sir David Walker titled 'A review of corporate governance in UK banks and other financial industry entities'.

David Woods is Chairman of the Risk Committee. The other members are René-Pierre Azria, Tom Cross Brown, Isabel Hudson and Hugh Osmond. The Risk Committee met seven times in 2012.

The Risk Committee advises the Board on risk appetite and tolerance in setting the future strategy, taking account of the Board's overall degree of risk appetite, the current financial situation of the Company and, drawing on assessment by the Audit Committee, the Company's capacity to manage and control risks within the agreed strategy. It advises the Board on all high- level risk matters. Details of the Risk Management Framework, for which the Risk Committee has oversight, are set forth in "—Risk Management—The Group's Risk Management Framework" below.

5.5.5 Investment Committee

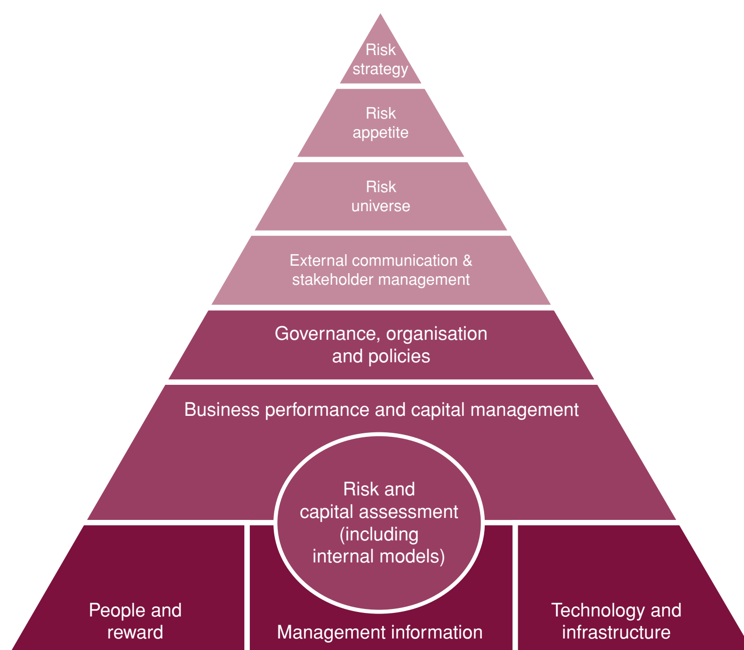
Tom Cross Brown is Chairman of the Investment Committee. The other members are René-Pierre Azria, Charles Clarke, Manjit Dale and Hugh Osmond. The Investment Committee was formed in May 2011 in response to a recommendation from the Board evaluation undertaken at the end of 2010 to provide greater focus on investment strategy and performance. The Committee reviews investment performance and strategic asset allocation across the Group. It held its first two meetings in 2011 and met five times in 2012.

6. Risk Management

Risk management lies at the heart of what the Group does and is a source of value creation, making it a key component of the Group's strategic agenda. The Board seeks to ensure that the Group identifies and manages all risks accordingly, either to create additional value for its stakeholders or to mitigate any potentially adverse effects. See the "Risk Factors" section of this Prospectus for a discussion of certain risks relating to the Group.

6.1 The Group's Risk Management Framework

The Group operates a Risk Management Framework ('RMF') which seeks to establish a coherent and interactive set of arrangements and processes to support the effective management of risk throughout the Group. The components of the framework are described below. The outputs of the RMF provide assurance that risks are being appropriately identified and managed and that an independent assessment of management's approach to risk management is being performed.



During the course of 2012, the Group has continued to strengthen the components of the RMF to ensure that they are aligned with the requirements of Solvency II and external best practice.

6.2 Risk strategy

The Group's risk strategy provides an overarching view of how risk management is incorporated consistently across all levels of the business, from decision-making to strategy implementation. It also sets out how overall risk management within the Group is proportionate to the nature, scale and complexity of the risks faced by the business.

6.3 Risk appetite

The Group's risk appetite framework consists of a set of statements and targets that articulate the level of risk the Group is willing to accept, in pursuit of shareholder value and achievement of the Group's strategic objectives. The statements encapsulate policyholder security, earnings volatility, liquidity and the internal control environment as follows:

- Capital—The Group and each life company will hold sufficient capital to meet regulatory requirements in a number of asset and liability stress scenarios.
- Cash flow—The Group will seek to ensure that it has sufficient cash flow to meet its financial obligations and will continue to do this in a volatile business environment.
- Embedded value—The Group will take action to protect embedded value.
- Regulation—The Group and each life company will, at all times, operate a strong control environment to ensure compliance with all internal policies and applicable laws and regulations, in a commercially effective manner.

The risk appetite framework supports the Group in operating within the boundaries of these statements by seeking to limit the volatility of key parameters, defined with respect to the above statements, under a range of adverse scenarios agreed with the Board. Risk appetite limits are chosen which specify the maximum acceptable likelihood for breaching the agreed limits and assessment against the appetite targets is undertaken through scenario testing. Breaches of appetite are corrected through management actions where appropriate.

6.4 Risk universe

A key element of effective risk management is to ensure that the business has a complete and robust understanding of the risks it faces. Within the Group, these are set out, categorised and defined in the risk universe.

These risks are monitored and reported across the organisation to ensure that they are adequately managed.

6.5 External communication and stakeholder management

The Group has a number of internal and external stakeholders, each of whom has an active interest in the Group's performance, including how it is managing its risks. Significant effort is made to ensure that our stakeholders have appropriate, timely and accurate information to support them in forming views of the Group.

6.6 Governance, organisation and policies

Overall responsibility for approving, establishing and maintaining the RMF rests with the Board. The Board recognises the critical importance of having an efficient and effective RMF and appropriate oversight of its operation. There is a clear organisational structure in place with documented, delegated authorities and responsibilities from the Group Board to the Board of PLHL and the Executive Committee.

The RMF is underpinned by the operation of a three lines of defence model with clearly defined roles and responsibilities for statutory boards and their committees, management oversight committees, Group Risk and Group Internal Audit.

- **First line:** management of risk is delegated from the Board to the Group Chief Executive Officer, Executive Committee members and through to business managers. A series of business unit

management oversight committees operate within the Group. They are responsible for ensuring the risks associated with the business's activities are identified, assessed, controlled, monitored and reported.

- **Second line:** risk oversight is provided by the Group Risk function and business unit risk and compliance functions and the Board Risk Committee, which is responsible for the oversight of risk across the Group. The Board Risk Committee comprises five Non-Executive Directors, three of whom are independent. It is supported by the Chief Risk Officer and met six times during 2011.
- **Third line:** independent verification of the adequacy and effectiveness of the internal controls and risk management is provided by Group Internal Audit, under the oversight of the Board Audit Committee.

6.7 Risk organisation

The Chief Risk Officer manages the Group Risk function and has responsibility for the implementation and oversight of the Group's RMF. The Group Risk function has responsibility for financial and operational risk, risk governance, FSA relationship management and regulatory risk. Risk review functions across the Group manage the RMF in line with the Group's established standards. The risk functions ensure that business unit risk committees are provided with meaningful risk reports and that there is appropriate information to assess and aggregate risks.

6.8 Risk policies

The Group policy framework comprises a set of policies that support the delivery of the Group's strategy by establishing operating principles and expectations for managing the key risks to our business. The policy set contains the minimum control standards that each business unit must adhere to and report compliance through the operation of local processes/procedures. The policies define:

- the individual risks the policy is intended to manage;
- the degree of risk the Group is willing to accept (which is set out in the policy risk appetite statements);
- the minimum controls required in order to manage the risk to an acceptable level; and
- the frequency of the control's operation.

Each policy is the responsibility of a member of the Executive Committee who is charged with overseeing compliance with the policy throughout the Group.

6.9 Business performance and capital management

Business unit plans are assessed to ensure that they do not breach any of the Board's risk appetite statements over the planning horizon. Business performance is routinely monitored at a business unit executive level with consolidated reporting against the annual operating plan approved by the Board and reviewed by the Executive Committee.

The impact of any proposed changes to the Group's operating plan and ongoing compliance with the Group's risk appetite statements are reviewed on a quarterly basis by the Board Risk Committee.

The Group's business units operate capital management processes that meet the Group's Capital Management Policy. Under these processes, capital is allocated across risks where capital is held as a mitigant and, in turn, to individual risk owners who hold risk capital budgets. The amount of risk capital required is reviewed regularly to ensure the risk remains within budget. Any increases in capital allocation required are referred to the relevant business unit for approval to assess whether the increased capital allocation requested is within appetite for that particular risk type or whether further risk mitigation is required.

6.10 Risk and capital assessment

The Group operates a standardised assessment framework for the identification and assessment of the different types of risk it may be exposed to and how much capital should be held in relation to those exposures. This framework is applicable across the Group and establishes a basis, not only for the approach to risk assessment, management and reporting but also for determining and embedding capital management at all levels of the Group.

Risk assessment activity is a continuous process and is performed on the basis of identifying and managing the significant risks to the achievement of the Group's objectives. Stress and scenario tests are used to support the assessment of risk and analysis of their financial impact.

A Group level risk assessment process determines the most significant risks to the Group and the options available for their management.

6.11 Management information

Overall monitoring and reporting against the risk universe is undertaken through business unit management committees through to the relevant business unit executive committee and reported to the Executive Committee, PLHL Board and Group Board via regular risk reporting.

The Board Risk Committee receives a consolidated risk report on a quarterly basis, detailing the risks facing the Group and the overall position against risk appetite limits. The Board Risk Committee is also provided with regular reports on the activities of the Group Risk function.

6.12 People and reward

Effective risk management is central to the Group's culture and its values. Processes are operated that seek to measure both individual and collective performance and discourage incentive mechanisms which could lead to undue risk taking. Training and development programmes are in place to support employees in their understanding of the operation of the RMF and during 2011 and 2012, Group Risk delivered training and awareness sessions across the Group.

6.13 Technology and infrastructure

The Group employs systems to support the assessment and reporting of the risks it faces as a business and to enable management to document its key risks and controls and evidence the assessment of them at a frequency appropriate to the operation of the control.

PART V

INDUSTRY

1. Overview of UK Life Insurance Market

In the UK, approximately 300 companies are authorised to carry out long-term insurance business, such as investments, pensions and protection. Companies that carry out long-term insurance business are referred to in this Prospectus as life companies. The UK long-term life insurance market consists of two sectors:

- the open life fund sector, which comprises life companies that continue to write new business, marketing their products to new policyholders through various distribution channels; and
- the closed life fund sector, which comprises life companies that are closed to new business and are in "run off." These companies continue to accept premiums on existing policies and administer and manage policyholder assets until the underlying policies mature or expire.

Often, within a single insurance group, there may be life companies that continue to accept new customers as well as companies that are closed to new business.

2. Common Types of UK Life Insurance Policies

The range of life insurance products can be categorised along a number of lines. One such classification is by type of policyholder objective. Risk or protection products cover the risks of death, critical illness and disablement; such products transfer certain insurance risks to the insurance provider. Savings and investment products sold by life companies, on the other hand, carry little or no underwriting or insurance risk.

A second distinction which can be drawn is based more explicitly on the characteristics of the investment returns of the different products. We describe these categorisations in more detail below.

2.1 Non profit policies

The value of non profit (or non-participating) life and pensions products is either linked directly to the performance of the underlying assets or is guaranteed by the insurer.

Policies of the former type are typically "unit linked" products where the policyholder bears all of the investment risk. The benefits attributable to the policyholder are determined by reference to the investment performance of a specified pool of assets. The policyholder elects which units in a diversified open-end or closed-end fund to purchase. Unit linked funds include personal and group pension plans and feature regular and single-premium savings. They operate on a similar basis to US mutual funds, with the life company often charging a fee based on the value of the funds.

Alternatively, the return may be guaranteed by the insurer, which as a consequence bears the investment risk. Common examples are protection policies, such as life and disability insurance policies, which pay out lump sums on death or disability, and annuities, which provide a specified income stream over the life of the policyholder. The life company's shareholder fund generally is entitled to retain 100 per cent. of the incremental investment returns from such funds.

2.2 With profit policies

A with profit, or participating, policy is one where the policyholder participates in the profits of the life insurance company. The insurer aims to distribute part of its profit to the with profit policyholders in the form of bonuses. The value of such distributions is based on, among other things, the performance of the underlying pool of assets. Policy payouts are generally subject to a minimum guarantee and are "smoothed" to lessen the impact of changes in the underlying value of the assets in the short term. With profit funds may be either endowments or deferred annuities. Endowments may be single or regular premium policies with minimum guaranteed sums on death or maturity, while deferred annuities are accumulation vehicles for pensions with beneficial tax treatment. All with profit policies are entitled to potential incremental bonuses throughout the life of the policy as well as a terminal, or final, bonus. The terminal bonus represents the policyholder's final share of the assets of the fund. Any available surplus held in a with profit fund may only be used to meet the requirements of the fund itself or be distributed in defined proportions to the fund's policyholders and the life company's shareholders. For example, the traditional with profit fund provides for a 90:10 policyholder/shareholder split, entitling the life company's shareholder fund to a 10 per cent. share of the profits in any bonus declared. This policyholder/shareholder

split enables the life company to transfer most of the investment risk of the with profit fund to policyholders.

In recent years, the UK life sector has undergone a series of significant changes which have led to a general decline in the popularity and profitability of with profit products. In particular:

- declining investment returns, increased volatility across all asset classes and an extended period of low-interest rates have resulted in a general reduction in bonus rates and an increased use of market value adjustments across the industry;
- increasing demand for non-profit savings and investment products at the expense of with profit policies, driven partly by pension reforms; and
- increased regulatory scrutiny and subsequent changes to the regulatory framework, including enhanced capital requirements, has made with profit products more capital intensive and operationally expensive for life insurers to sell.

3. Closed Life Funds

3.1 Reasons for fund closures

Life companies may close to new business for a number of reasons, including:

- insufficient capital strength to support taking on new policies;
- poor levels of profitability on new business; and
- strategic decision to stop writing certain types of new business, such as with profit policies.

In writing new business, life companies incur significant marketing expenses and commission payments at the time new policies are sold. Life companies generally recover these up-front costs and earn profits through margins embedded in the premiums charged to policyholders (particularly for protection and annuity products) and through other charges and asset management fees (for with profit and unit linked products). However, the pay-back periods for the up-front costs are often up to and sometimes in excess of ten years. In addition, life companies are required to set up substantial reserves at the time new business is written and to continue to hold significant levels of capital in order to be able to meet future policyholder liabilities.

The capital position of life companies may be negatively impacted by poor investment returns, declining long-term interest rates, continuing poor performance and uncertainty in debt and equity markets. These factors can cause a reduction in the value of assets backing the liabilities of life companies. Between 2001 and 2003, the poor performance of equity markets had a strong adverse impact on the UK life insurance and pensions industry, resulting in regulatory capital issues and a number of regulatory changes and other issues impacting the industry as a whole. This led to a number of life companies having insufficient capital strength to continue to absorb the initial costs of writing new policies. As a result, a number of life companies concluded that shareholder value was best maximised by closing existing funds to new business and managing these closed life funds as efficiently as possible.

Similar issues to those that arose in the 2001 to 2003 period resurfaced amidst the turmoil in financial markets, which occurred in 2008 and 2009, due to the poor performance of most asset classes, which adversely affected the capital position of many life companies. Furthermore, increased regulatory scrutiny and subsequent changes to the regulatory framework, including enhanced capital requirements, has made some life insurance products (such as annuities or other with profits products) more capital intensive and more expensive for life insurers to sell and administer. These trends are set to continue with the introduction of a revised set of EU-wide capital requirements, Solvency II (the main aspects of this framework are described in "Risk Factors—Risks related to the Group—Various new reforms to the legislation and regulation relating to the UK life insurance and asset management industries have been proposed that could adversely affect the Group"). Although the Company believes Solvency II is unlikely to be implemented before 2016, the result of Solvency II may be that the FSA may require UK life companies to enhance their governance arrangements and to retain additional capital and therefore increase policyholder security. The Group's Directors believe that a consequence of this may be that more life insurance funds will close to new business and a number of closed life companies will be put up for sale in the next few years, as some insurance groups seek to release value from closed life funds to support their ongoing new business.

3.2 Closed life fund characteristics

A closed life fund is essentially a pool of assets and a series of cascading cash obligations that run-off as the underlying life and pension policies expire or reach maturity. These cash obligations represent a collection of largely long-dated liabilities comprising matured or maturing policies that entitle policyholders to defined future payments of a steady and generally predictable nature. Depending on the specific policy, policyholders may be entitled to a cash payout at the policy's maturity date or on the death of the policyholder, or a series of payouts and/or participation in the investment returns generated by the assets backing the policy. To meet these long-dated liabilities, life companies hold substantial assets collected as premiums, which are invested in a wide variety of asset classes, subject to rules set out by the relevant EU or UK regulator and the terms and conditions of the policies.

3.3 Competitive environment for closed life fund consolidators

Closed life fund consolidators compete with each other for the acquisition of closed life companies that may, from time to time, become available in the market. Over the past five years, a limited number of closed life fund consolidators have acquired UK closed life companies. The Group is the largest UK specialist consolidator of closed life funds, measured by total assets. Other UK closed life fund consolidators include Resolution Limited, Guardian Assurance, Chesnara plc, Deutsche Bank and Swiss Re (through Admin Re).

4. **Overview of the Asset Management Market**

The asset management sector can be broadly split between funds which are passively or actively managed. Passively managed funds may be focussed on tracking a benchmark. Revenue is typically generated by taking an annual fee calculated as a percentage of the funds under management. Alternatively, active funds focus on regular trading and portfolio refinement to try to outperform a benchmark. Investors typically pay higher fees for active management, where revenue may be calculated in relation to fund performance, as well as assets under management.

In addition to this categorisation, approaches can be broadly split between traditional and alternative, reflecting the investment strategy and assets in which funds are invested. Historically, traditional asset managers have invested in fixed income and equity assets. Alternative asset managers, which have gained prominence in the last decade, aim to generate "alpha" (that is, investment performance above that of the relevant market(s)) through other investment strategies including the use of options, derivatives and alternative asset classes.

Asset management firms and funds can also be categorised by the source of their assets under management. Retail funds typically source their assets under management from individual investors. Alternatively, wholesale funds are generated from organisations such as pension funds, charities and other institutions. In addition to this there are the captive asset managers which operate within larger insurance companies and who manage the assets of related group entities.

There are a large number of traditional and alternative asset management companies competing in the UK, including asset managers held within larger insurance groups, quoted independent entities and privately owned asset managers. Legal & General Investment Management and Standard Life Investments are examples of UK asset managers that are part of larger insurance groups and, like Ignis Asset Management, manage assets for their insurance company parent companies as well as third parties. There are some asset managers, for example F&C Asset Management plc, that are independent entities but which will also have mandates to manage assets for third party insurance companies.

PART VI

REGULATORY FRAMEWORK OVERVIEW

Overview

The Group's operations are subject to extensive government regulation, including FSMA and other UK laws, including, for example, the Data Protection Act 1998 in relation to the processing of customer data. Some of these laws require the relevant Group entity to be licensed or registered. Below is an overview of the regulatory framework for the insurance and asset management industries in the UK. The Group has operations that are subject to applicable law and regulation in the following jurisdictions: Hong Kong, Ireland, Luxembourg, Guernsey and Jersey and to applicable laws in the US. In addition, Opal Re, a Group company and reinsurer for certain of the Group's life companies, is subject to regulation under the laws of Bermuda and the rules of the BMA.

1. The UK Financial Services and Markets Act 2000 ("FSMA")

The Group's insurance and investment businesses in the UK are currently regulated by the FSA, the statutory regulator granted powers under FSMA. However, pursuant to the UK government's proposals to amend FSMA in order to restructure the existing regulation of financial services, it is intended that the FSA will be replaced with two new regulatory bodies, the Prudential Regulatory Authority and the Financial Conduct Authority. These bodies are expected to come into existence in April 2013. This overview primarily addresses the current regulatory framework, with details in relation to the proposed new framework being set out in section 6 of this overview.

1.1 Risk-based regulation

The FSA employs a risk-based regulatory approach to supervision under FSMA pursuant to which each regulated firm's risk is assessed using a risk assessment methodology known as ARROW. This is a high-level review aimed at assessing the significance of a particular risk posing a threat to the FSA's statutory objectives under FSMA. These objectives relate to market confidence, public awareness, consumer protection and the reduction of financial crime.

The ARROW framework, supported by a "close and continuous" relationship, is the core of the FSA's risk-based approach to regulation. Using this process, the FSA will consider the particular risks a firm might pose to its statutory objectives by assessing the impact and probability of particular risks materialising.

Failure to meet the FSA's expectations in relation to risks presented to its statutory objectives may lead to negative consequences, including the requirement to maintain a higher level of Pillar 2 capital to match the higher perceived risks, and enforcement action where the risks identified breach the FSA's high-level or more prescriptive rules.

1.2 Overview of FSMA regulatory regime

Single Regulator: The FSA is the single regulator for all authorised persons with respect to regulated activities in the financial services sector currently. In this regard, the FSA is authorised to make rules and issue guidance in relation to a wide sphere of activities encompassing the governance of a firm, the way it conducts its business and the prudential supervision of firms.

Permission to Carry on "Regulated Activities": Under FSMA, no person may carry on or purport to carry on a regulated activity by way of business in the UK unless he is an authorised person or is an exempt person. A firm that is authorised by the FSA to carry on regulated activities becomes an authorised person for the purposes of FSMA. "Regulated activities" are currently prescribed in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) and include insurance and investment business (which includes managing investments), as well as certain other activities such as establishing, operating and winding-up stakeholder pension schemes, the mediation of general insurance and certain mortgage mediation and lending activities.

Authorisation Procedure: In granting an application for authorisation by a firm, the FSA may delineate the scope of, and include such restrictions on, the grant of permission as it deems appropriate. In granting or varying the terms of a firm's permissions, the FSA must ensure that the firm meets certain threshold conditions, which, among other things, require the firm to have adequate resources for the carrying on of its business, and to be a fit and proper person, having regard to all the circumstances.

Once authorised, and in addition to continuing to meet the threshold conditions to authorisation, firms are obliged to comply with the FSA Principles for Businesses, which are high-level principles for conducting financial services business in the UK. These include the maintenance of adequate systems and controls, treating customers fairly and communicating with customers in a manner that is clear, fair and not misleading.

In addition, the FSA's rulebook contains more detailed rules covering, among other things, systems and controls, conduct of business and prudential (i.e., capital) requirements.

Moreover, FSMA obliges firms to secure the FSA's prior approval of the appointment of individuals performing certain important functions within a firm or on its behalf with respect to the carrying on of regulated activities (approved persons).

Principles for Businesses: A key feature of the FSA regime is the existence of 11 "Principles for Businesses", with which all firms are expected to comply. These cover key areas such as firms' relationship with the FSA, the need to act with integrity and the requirement to treat customers fairly.

The FSA has moved away from a detailed rules-based regime in favour of a principles-based approach to regulation, much of which is directed by the Principles for Businesses mentioned above. Firms face greater uncertainty as to what is deemed to be "compliant" under such a regime and this is a concern in the industry. Notwithstanding the move to more principles-based regulation, the FSA's rulebook still contains a large number of detailed rules applicable to authorised persons.

1.3 Application of FSMA regulatory regime to the Group

Each of the Group's principal UK insurance and investment businesses is subject to regulation and supervision by the FSA in the carrying on of the Group's regulated activities. The discussion below considers, in turn, the main features of FSMA regime applicable to the Group's insurance and asset management businesses in the UK. Subsequently, the discussion below considers in more detail the regulatory regime in the UK for insurance businesses.

2. **Regulation Applicable to the Group's Insurance and Asset Management Businesses**

2.1 Supervision of management and change of control of authorised firms

The FSA closely supervises the management of authorised firms through the approved persons regime, under which any appointment of persons who hold positions of, among other things, significant influence within an authorised firm must be pre-approved by the FSA.

The FSA also regulates the acquisition and increase of control over authorised firms. Under FSMA, any person proposing to acquire control of, or increase control over, an authorised firm must first obtain the consent of the FSA. In considering whether to grant or withhold its approval to the acquisition of control, the FSA must be satisfied both that the acquirer is a fit and proper person and that the interests of consumers would not be threatened by his acquisition of, or increase in, control.

"Control" for these purposes includes, among other things, a shareholding of 10 per cent. or more in an authorised firm or its parent undertaking. In order to determine whether a person or a group of persons is a "controller" for the purposes of FSMA, the holdings (shares or voting rights) of the person and other persons acting in concert with such persons, if any, are aggregated. A person will be treated as increasing his control over an authorised firm, and therefore requiring further approval from the FSA, if the level of his shareholding in the authorised firm or, as the case may be, its parent undertaking, increases by any threshold step. The threshold steps occur at 20 per cent., 30 per cent. and 50 per cent.

2.2 Intervention and enforcement

The FSA has extensive powers to investigate and intervene in the affairs of an authorised firm. FSMA imposes statutory obligations on the FSA to monitor compliance with the requirements imposed by, and to enforce the provisions of, FSMA, related secondary legislation and the rules made thereunder.

The FSA's enforcement powers, which may be exercised against both authorised firms and approved persons, include public censure, imposition of unlimited fines and, in serious cases, the variation or revocation of permission to carry on regulated activities or of an approved person's approved status. In addition, the FSA may vary or revoke an authorised firm's permission if it is desirable to protect the interests of consumers or potential consumers, or if the firm has not engaged in regulated activity for 12 months, or if it is failing to meet the threshold conditions for authorisation. The FSA has further powers

to obtain injunctions against authorised persons and to impose or seek restitution orders where persons have suffered loss. Once the FSA has made a decision to take enforcement action against an authorised or approved person (other than in the case of an application to the court for an injunction or restitution order), the person affected may refer the matter to the Financial Services and Markets Tribunal. Breaches of certain FSA rules by an authorised firm may also give a private person who suffers loss as a result of the breach a right of action against the authorised firm for damages.

In addition to its ability to apply sanctions for market abuse, the FSA has the power to prosecute criminal offences arising under FSMA, insider dealing under Part V of the Criminal Justice Act 1993 and breaches of money laundering regulations. The FSA has indicated that it is prepared to prosecute more cases in the criminal courts where appropriate.

The FSA, although not a creditor, may seek administration orders under the Insolvency Act 1986 (as amended), present a petition for the winding-up of an authorised firm or have standing to be heard in the voluntary winding-up of an authorised firm. It should be noted that insurers carrying on long-term insurance business cannot voluntarily be wound up without the consent of the FSA.

2.3 FSA's Conduct of Business Rules

The FSA's Conduct of Business Rules apply to every authorised firm carrying on regulated activities and regulate the day-to-day conduct of business standards to be observed by authorised persons in carrying on regulated activities.

The scope and range of obligations imposed on an authorised firm under the Conduct of Business Rules vary according to the scope of its business and the range of its clients. Generally speaking, however, the obligations imposed on an authorised firm by the Conduct of Business Rules will include the need to classify its clients according to their level of sophistication, provide them with information about the firm, meet certain standards of product disclosure, ensure that promotional material which it produces is clear, fair and not misleading, assess suitability when advising on certain products and managing portfolios, manage conflicts of interest, report appropriately to its clients and provide certain protections in relation to client assets.

The FSA's Supervision Manual contains specific requirements at Appendix 2.15 for insurers that have ceased to take on new business and are in run-off. Equally some of the FSA's Conduct of Business Rules, for example in relation to the sale of new policies, have no relevance to such companies.

2.4 Treating Customers Fairly ("TCF")

TCF is an important example of the FSA's principles-based approach to regulation. This initiative is based upon Principle 6 of the FSA's Principles for Businesses (that a firm must pay due regard to the interests of its customers and treat them fairly). The FSA has defined six outcomes it is seeking from this initiative. These are that:

- consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture;
- products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly;
- consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale;
- where consumers receive advice, the advice is suitable and takes account of their circumstances;
- consumers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and as they have been led to expect; and
- consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Although the FSA has, with the exception of rules relating to with profit policyholders, refrained from making detailed rules on how to comply with TCF, it has published a number of case studies providing an indication of its expectations of authorised firms in the areas of product development, complaint handling, financial promotions and systems and controls. In addition, the FSA set two new deadlines for firms—authorised firms were expected by 31 March 2008 to have appropriate management information or measures in place to test whether or not they were treating their customers fairly; and by 31 December 2008 firms must have demonstrated they were consistently treating customers fairly.

The Group met the deadline of having appropriate management information in place by 31 March 2008 and has continued to develop it in line with its desire generally to improve customer outcomes. A self assessment was undertaken to consider if TCF had been embedded in the organisation by December 2008 in order to meet the FSA deadline. The conclusion of that review was that while the Group would continually strive to improve outcomes for its customers, TCF had been embedded in both its retained and outsourced operations. That report was presented to and accepted by the boards of the Group's life companies.

2.5 Prudential supervision

As set out above, in order to maintain authorised status under FSMA, a firm must continue to satisfy the threshold conditions, which, among other things, require the firm to have adequate resources for the carrying on of its business. The FSA has published detailed rules relating to the maintenance of minimum levels of regulatory capital for insurance and investment businesses in the Prudential Standards section of its Handbook.

The FSA's regulatory capital rules for insurers and investment firms are primarily contained in the FSA's General Prudential Sourcebook, Prudential Sourcebook for Banks, Building Societies and Investment Firms and Prudential Sourcebook for Insurers. Although it has been the intention of the FSA in recent years to move towards a unified prudential regime for firms that it authorises, the FSA has been obliged to revise this approach and its rules to accommodate developments at an international level, including EU legislation relating to the regulatory capital requirements for investment firms and financial groups.

2.6 The Financial Ombudsman Service

Authorised firms must have appropriate complaints handling procedures. However, once these procedures have been exhausted, qualifying complainants may turn to the FOS which is intended to provide speedy, informal and cost effective dispute resolution of complaints made against authorised firms by individuals and small-business customers. The FOS is empowered to order firms to pay fair compensation for loss and damage and may order a firm to take such steps as it determines to be just and appropriate to remedy a complaint.

2.7 The Financial Services Compensation Scheme ("FSCS")

The FSCS is intended to compensate individuals and small businesses for claims against an authorised firm where the authorised firm is unable or unlikely to be able to meet those claims (generally, when it is insolvent or has gone out of business). The scheme is divided into three sub-schemes of banking, insurance and investment business, reflecting the different kinds of business undertaken by authorised firms. The scheme is funded by contributions from industry participants referable to the particular sub-schemes so as to minimise cross-subsidy between authorised persons whose businesses are not similar. In the event of a failure of a market participant, the Group could be required to make contributions to compensate investors. In November 2007, the FSA confirmed its intention to introduce a new model of funding, under which the first tranche of compensation costs emerging from a particular group of firms is borne by that group alone, while costs above a specified threshold are shared out more widely. The new FSCS funding model came into force on 1 April 2008.

In a consultation paper published in 2007 (CP07/5) relating to general insurance companies the FSA proposed a 75 per cent. to 25 per cent. split of the FSCS levy according to premium income and mathematical reserves/gross technical liabilities. This proposal was not implemented, although the FSA indicated that further research would be carried out. The FSA considered it appropriate to include a measure of reserves in the long-term. A further consultation paper on this subject may, in due course, be published, although the subject is not on the FSA's current consultation timetable. Any future changes in levy arrangements might affect general insurance companies in the Group.

2.8 The Alternative Investment Fund Managers Directive ("AIFM Directive")

On 1 July 2011 the European Commission published the final text of the AIFM Directive. The AIFM Directive entered into force on 21 July 2011 and will need to be implemented in EU Member States by 22 July 2013. It applies to a wide variety of EU entities providing investment management services to one or more alternative investment funds ("AIF"), whether the AIF is domiciled inside or outside the EU. An AIF will include any kind of collective investment undertaking, including compartments thereof, which (i) raises capital from a number of investors to invest for their benefit in accordance with a defined

investment policy and (ii) does not require authorisation pursuant to the re-cast UCITS Directive (2009/65/EC), subject to the ability of member states to establish de minimis thresholds. Funds that Ignis Asset Management manages will therefore fall within the definition of an AIF.

Investment firms which manage AIFs will be subject to additional regulatory capital charges depending upon the value of assets under management and to liquidity requirements. In addition, they will have to comply with new conduct of business rules governing, among other things, restrictions around the marketing of AIFs, conflicts of interest, risk, portfolio administration, remuneration and liquidity management. Authorised AIF managers will also need to ensure that for each AIF they manage, the investment strategy and the liquidity profile are consistent with the objectives and the risk profile of the AIF, as well as ensuring that appropriate and consistent procedures are established for the valuation of assets. The AIFM Directive also provides that all AIFs managed by authorised AIF managers will be required to have an authorised depositary to receive all subscriptions and hold all financial instruments of the AIF. Authorised AIF manager's remuneration policies for key staff will be required to align compensation to performance and risk management together with containing restrictions on guaranteed bonuses and requirements to defer payments of variable remuneration.

The implementation of the AIFM Directive will require amendment to a range of legislation. The FSA issued a discussion paper in January 2012 and HM Treasury issued, in March 2012, an informal discussion paper entitled "Policy Options for implementing the Alternative Investment Fund Managers Directive" which set out a number of high-level policy decisions that will need to be taken as part of the transposition of the AIFM Directive in the UK. This informal consultation process closed for comments on 4 May 2012 and responses are expected to assist HM Treasury in launching a formal consultation in late 2012 or early 2013. Additionally, on 19 December 2012 the European Commission adopted a Delegated Regulation supplementing the AIFM Directive, and this Delegated Regulation is subject to a three-month scrutiny period by the European Parliament and the Council prior to its expected implementation. If there are no objections by the European Parliament and the Council during this period, the Delegated Regulation will be applicable from 22 July 2013.

Currently there are no rules at the EEA level requiring member states to adopt insurance guarantee schemes such as that established by the FSCS. The European Commission has, however, indicated that it is considering proposing a directive with regard to insurance guarantee schemes. This was scheduled to be introduced by the third quarter of 2012, but has yet to be published. It is possible that such a directive may affect the operation of the FSCS.

2.9 The recast UCITS Directive

The re-cast UCITS Directive, published on 19 November 2009 and transposed into national law and having effect in each Member State of the EU on 1 July 2011, is expected to simplify the regulatory environment applicable to UCITS by reducing administrative barriers for cross-border marketing of funds, creating cost savings by allowing economies of scale, improving co-operation mechanisms between national supervisors and providing increased investor protection by making sure that retail investors obtain more appropriate information about their investments.

3. **Additional Regulation of Insurance Business**

Effecting and carrying out contracts of insurance as principal are regulated activities for the purposes of FSMA, and the carrying on of such regulated activities is referred to as insurance business. Some of the Company's subsidiaries carry on insurance business in the UK with the permission of the FSA and are regulated by the FSA under FSMA.

3.1 Conduct of Business requirements for insurance business

The Conduct of Business Rules issued by the FSA apply differing requirements to the sale of (i) general and (ii) long-term insurance contracts. Within (ii), more stringent requirements apply where the contract has an investment value or otherwise gives rise to mis-selling problems. Authorised firms which advise and sell packaged products (such as life insurance policies) are subject to detailed conduct of business obligations relating to product disclosure, assessment of suitability for private customers, the range and scope of the advice which the firm provides, and fee and remuneration arrangements.

In general, the Conduct of Business Rules govern the sale of new policies and do not concern an insurer in run-off. They include, however, certain rules relating to:

- information to be provided to existing policyholders;
- cancellation rights;
- the handling of claims;
- treating with profit policyholders fairly; and
- pensions transfers and the open market option,

which may apply regardless of whether or not the insurer is actively selling its products.

3.2 Gender discrimination issues

In 2011, the Court of Justice of the European Communities ruled against the use of gender in setting premiums or benefits under insurance contracts. The effect of this ruling was postponed to 21 December 2012. The decision of the Court of Justice was implemented into UK law by the Equality Act 2010 (Amendment) Regulations 2012, which amends the Equality Act 2010. The amendments to the Equality Act 2010, which took effect on 21 December 2012, remove a provision in the Equality Act 2010 which had previously allowed gender-sensitive pricing of insurance premiums and benefits. It will affect, among other things, the pricing of annuities and life insurance policies and the annuity rates which may be offered when pension policies mature.

3.3 Capital rules for insurers

The FSA's rules which govern the prudential regulation of insurers are found in the Prudential Sourcebook for Insurers, the General Prudential Sourcebook and the Interim Prudential Sourcebook for Insurers. Overall, the requirements of the General Prudential Sourcebook are intended to align the capital adequacy requirements for insurance businesses more closely with those of banking and investment firms and building societies, for example, by addressing tiers of capital, rather than looking at net admissible assets.

The FSA's rules now require an insurer to prepare and submit to the FSA its own assessment of its capital requirements, known as an Individual Capital Assessment ("ICA"), based on the risks it faces. The FSA will use the ICA in order to form its own view (at Pillar 2) of a firm's capital requirements and if it disagrees with the ICA it will issue Individual Capital Guidance which it can impose as a requirement over and above Pillar 2 requirements. The Group's life companies are operated with an internally set additional buffer over the ICA (currently 38 per cent. of ICA for Phoenix Life Limited, the Group's largest life company).

An ICA is required at the PLHL level to assess risks arising outside the life companies, for example staff pension scheme risk. Life companies are allocated additional capital requirements to the extent that capital resources held outside the life companies cannot be applied towards risks arising outside the life companies. In practice the capital required to cover risks arising outside the life companies is generally held outside the life companies.

The Pillar 1 rules also require that insurance companies maintain assets sufficient to meet the relevant capital requirement at all times separately in respect both of any long-term insurance and any general insurance undertaken by the insurance company. The calculation of these requirements in any particular case are dependent on the type and amount of insurance business a company writes. The method of calculation of the Pillar 1 capital requirement is set out in the General Prudential Sourcebook and the level of an insurer's capital resources is also determined in accordance with the rules set out in that Sourcebook. Failure to maintain the Pillar 1 required capital resources requirement (or any additional requirements imposed at Pillar 2) is one of the grounds on which wide powers of intervention conferred upon the FSA may be exercised.

Under the Pillar 1 rules in the General Prudential Sourcebook, an insurer must hold capital resources equal at least to the MCR. Insurers with profit liabilities of £500 million or more ("realistic basis firms") must hold capital equal to the higher of MCR and the Enhanced Capital Requirement (the "ECR"). The ECR is intended to provide a more risk responsive and "realistic" measure of a with profit insurer's capital requirements, whereas the MCR is broadly speaking equivalent to the previous required minimum margin under the Interim Prudential Sourcebook for Insurers and satisfies the minimum EU standards.

Determination of the ECR for realistic basis firms involves the comparison of two separate measurements of the firm's financial resources requirements, which the FSA refers to as the "twin peaks" approach. The term twin peaks is meant to reflect the fact that capital is determined by reference to the higher of the two bases for calculating liabilities (regulatory or realistic). The regulatory basis reflects a prudent assessment of contractual liabilities whereas the realistic basis includes more discretionary but expected benefits, including those required to treat customers fairly.

Long-term business assets and liabilities—those assets and liabilities relating to, broadly, life and health insurance policies—must be segregated from the assets and liabilities attributable to non-life insurance business or to shareholders. Separate accounting and other records must be maintained and a separate fund must be established to hold all receipts of long-term business.

The extent to which long-term fund assets may be used for purposes other than long-term business is restricted by the rules in the Prudential Sourcebook for Insurers. Only the "established surplus"—the excess of assets over liabilities in the long-term fund, as determined by an actuarial investigation—may be transferred so as to be available for other purposes. Restrictions also apply to the payment of dividends by the insurance company, as described below. The rules in the Prudential Sourcebook for Insurers require, in addition to the capital requirements referred to below, the maintenance of sufficient assets in the separate long-term insurance fund to cover the actuarially determined value of the insurance liabilities. See also "Insurance Groups Directive" below.

The FSA is already requiring insurance companies to make preparations for the new EU Solvency Framework (the main aspects of this framework are described in "Risk Factors—Risks related to the Group—Various new reforms to the legislation and regulation relating to the UK life insurance and asset management industries have been proposed that could adversely affect the Group").

3.4 Actuarial functions

The rules in the FSA's Supervision Manual require that every insurance company that carries on long-term business must appoint one or more actuaries to perform the "actuarial function" in respect of all classes of its long-term insurance business and, if it has any with profit business, the "with profit actuary function" in respect of all classes of that with profit business.

The actuary performing the "actuarial function" must prepare an annual report for the Directors quantifying the company's long-term liabilities attributable to the insurance company's long-term insurance business, determining the value of any excess over those liabilities of the assets representing the long-term insurance fund and where any rights of long-term policyholders to participate in profits relate to particular parts of such a fund, a valuation of any excess of assets over liabilities in respect of each of those parts.

The actuary performing the with profit actuary function must advise the firm's management, at the level of seniority that is reasonably appropriate, on key aspects of the discretion to be exercised affecting those classes of the with profit business of the firm in respect of which he has been appointed. He must also, at least once a year report to the firm's governing body on key aspects (including those aspects of the firm's application of its Principles and Practices of Financial Management ("PPFM") on which the advice described has been given) of the discretion exercised in respect of the period covered by his report affecting those classes of with profit business of the firm.

3.5 Distribution of profits and with profit business

The Interim Prudential Sourcebook for Insurers provides that, once an allocation of surplus in a with profit fund has been made to policyholders, no transfer of assets representing any part of a subsequent surplus can be made, to shareholders or otherwise, unless either the "relevant minimum" (as defined in the Interim Prudential Sourcebook for Insurers) of the surplus has been allocated to policyholders or a statutory notification procedure has been followed. Calculation of the relevant minimum is based upon the percentage of the relevant surplus previously allocated to eligible policyholders.

There has been considerable public debate regarding the rights and legitimate expectations of with profit policyholders to assets forming part of an insurance company's surplus, particularly where such assets do not derive from the payment of current policyholders' premiums but are rather "inherited" from previous generations of policyholders or from other entities. In December 2007, the FSA published guidance on the reattribution of a firm's inherited estate. In July 2009, the FSA confirmed the proposals contained in its February 2009 consultation paper, that proprietary (as opposed to mutual) firms should no longer be able

to charge mis-selling costs to the inherited estate where those costs are incurred after July 2009. Further proposals for reforms to the with profit regime may follow.

The FSA has also mandated that firms carrying on with profit business must:

- define and make publicly available the PPFM applied in their management of with profit funds;
- ensure their governance arrangements offer assurance that they have managed their funds in line with the PPFM they have established and published;
- produce annual reports for with profit policyholders on how they have complied with this obligation, including how they have addressed any competing or conflicting rights, interests or expectations of policyholders and, if applicable, shareholders;
- comply with (i) modified regulatory reporting requirements designed to achieve the FSA's objective of making directors and senior management more explicitly responsible for setting up technical provisions and other decisions taken on actuarial advice and (ii) new audit requirements for liabilities; and
- comply with consequential changes to certification in the insurance returns.

Since 1 April 2004, firms carrying on with profit business have been required to produce the PPFM and to make them publicly available. From the same date, firms have also been required to have in place the relevant governance arrangements and reporting procedures to with profit policyholders.

3.6 TCF and with profit business

One of the areas of focus of the FSA's TCF initiative has been with profit business. The FSA has issued specific rules on this area in relation to with profit policyholders, which address, among other things, the costs charged to a with profit fund by the firm managing the fund; penalties and charges levied on policyholders who surrender their policies early, the need for funds to be managed with the objective of ensuring that maturity payouts fall within a target range set for the fund; and the provision of information to with profit policyholders or potential policyholders in a format that they can more readily understand—through the introduction of "Consumer Friendly Principles and Practices of Financial Management".

In addition, life insurers writing with profit business must provide information to with profit policyholders within 28 working days of a decision to close a fund to new business or of the appointment of a policyholder advocate to protect the interest of policyholders should a firm decide to make a reattribution of its inherited estate.

3.7 Reporting requirements

The main financial reporting rules for insurers are contained in the Interim Prudential Sourcebook for Insurers. Insurance companies must file a number of items with the FSA, including their audited annual accounts and balance sheets and life insurers annual reports from the actuary performing the actuarial function. The reporting requirements for insurers will be considerably expanded when the Solvency II regime comes into force. See "—New EU solvency framework equivalence consideration" below.

3.8 Transfer of insurance business

Any transfer of UK insurance business must be effected in accordance with Part VII of FSMA, which requires a scheme of transfer to be prepared and approved by the High Court. As a practical necessity, FSA approval is also required in addition to an order by the court approving the transfer, and a report of an independent expert is required on whether the proposed transfer would be prejudicial to policyholders. A Part VII scheme of transfer enables direct insurers and reinsurers to transfer all or part of their books of business to another approved insurer by operation of law without the need for individual policyholder consents, although policyholders have the right to object to the proposed scheme at the court hearing. A scheme of transfer may also allow for the transfer of assets and other contracts related to the business so as to give proper effect to the transfer. A transfer of insurance business means a transfer of insurance policies and should be distinguished from the change of control of a business effected by a transfer of shares in an insurance company.

3.9 Insurance Groups Directive ("IGD")

A group of companies whose activities are primarily concentrated in the insurance sector in a member state of the EEA is subject to the capital adequacy requirements of the IGD. This directive sets forth the

requirement for a group capital adequacy calculation, also known as a group solvency calculation, a parent undertaking solvency margin calculation or an IGD solvency surplus. The IGD requires that EEA-regulated insurance entities, in certain circumstances, prepare and submit to their relevant EEA-regulatory supervisor a group capital adequacy calculation. This calculation is intended to enable an insurer's regulatory supervisor to assess both the level of insurance and financial risk within the insurance group and the resources available to cover this risk. Where insufficient group resources are available, the supervisor may consider the risk to the insurers that it regulates.

Under the FSA's rules implementing the IGD, each FSA regulated insurance entity is required to carry out group solvency calculations at the level of the ultimate worldwide insurance parent undertaking and, if different, the highest EEA-regulated insurance parent undertaking.

The Company's head office is in Jersey in the Channel Islands which is not part of the EEA. It qualifies as an "insurance parent undertaking". The Group's FSA-authorised firms are therefore required to submit two group capital adequacy calculations to the FSA:

- one for the ultimate insurance parent undertaking, that is, for the Company and its subsidiaries; and
- one for the highest insurance parent undertaking located within the EEA, that is, for Phoenix Life Holdings and its subsidiaries.

However, the group solvency calculation for a non-EEA insurance parent undertaking is currently a "soft test" (i.e., a reporting requirement) only. In other words, the group solvency calculation at this level must be submitted to the FSA, but the group solvency position need not meet or exceed it, unless the FSA imposes a requirement to that effect. The test at the level of the ultimate EEA insurance parent undertaking is a "hard test" and capital needs to be held sufficient to satisfy the capital requirements indicated by such calculation. See also "—Capital rules for insurers" above.

The FSA has proposed a new prudential rulebook for insurers "SOLPRU" which will transpose the Solvency II level 1 directive (the level 2 rules will be directly effective and will not therefore require transposition). SOLPRU will replace the other prudential rulebooks for firms which are subject to the Solvency II regime. The FSA has published two consultation papers on the contents of SOLPRU and a third consultation is currently expected to be published towards the third or fourth quarter of 2013.

As well as transposing the level 1 rules, SOLPRU and proposed amendments to the FSA's Conduct of Business Sourcebook also contain provisions giving effect to the various EU Member State discretions which arise under the directive. These areas include:

- the rules affecting long term insurance products the benefits under which are linked to specific funds, property or indices, and
- proposed new rules applying to with profits products bringing the regulation of those products into line with Solvency II.

The final version of SOLPRU and of the proposed amendments to FSA's Conduct of Business Sourcebook will be affected by the outcome of the current discussions on the Omnibus II directive.

3.10 New EU solvency framework equivalence consideration

The European Commission is continuing to develop a new prudential framework for insurance companies, the Solvency II project. This project will update, among other things, the existing EU life, non life, reinsurance and insurance groups directives. The main aim of this framework is to protect policyholders through establishing prudential requirements better matched to the true risks of the business, taking into account other regulatory objectives of ensuring the financial stability of the insurance industry and stability of the markets. Like Basel 2, the new approach is based on the concept of three pillars: quantitative requirements (the amount of capital an insurer should hold), qualitative requirements on undertakings such as risk management as well as supervisory activities; and enhanced disclosure and transparency requirements. It is also directionally consistent with Pillar 2, being on an economic capital basis.

However, the scope of the Solvency II project is wider than Basel 2. It will contain rules, many of which are new, covering, among other things:

- technical provisions against insurance and reinsurance liabilities;
- the valuation of assets and liabilities;

- the maintenance of a minimum capital requirement ("MCR") and a higher and more risk sensitive solvency capital requirement ("SCR");
- what capital ("own funds") is eligible to cover technical provisions, the MCR and the SCR, and to what extent specific tiers of capital may so count;
- what capital or assets are to be treated as being restricted to specific uses and not therefore fungible or transferable across the firm's entire operations;
- to what extent a firm's capital models may be used to calculate the SCR;
- governance requirements including risk management processes;
- requirements covering (i) matters to be reported privately to the firm's supervisor leading to a full supervisory review process and (ii) matters to be published in a "Solvency and Financial Condition Report";
- rules providing for the SCR to be supplemented by a "capital add-on" in appropriate cases, the add-on to be imposed by the relevant supervisor (the FSA in the case of UK firms);
- rules on insurance products which are linked to the value of specific property or indices ("unit linked products");
- the application of the above requirements across insurance groups, including a specific regime for insurance groups with centralised risk management and an enhanced role for the "group supervisor" of international groups, who will be required to work in conjunction with a "college of supervisors" responsible for specific solo members of the group; and
- provision for the supervision of insurance groups headed by an insurance company or insurance holding company with a head office outside the EEA.

The Solvency II directive containing the outlines of the above regime was formally adopted in November 2009. The Solvency II directive is to be amended by the Omnibus II directive, which was proposed in January 2011, to bring the Solvency II directive into line with the EU's Lisbon Treaty. The vote of the European Parliament on the final version of the Omnibus II directive has been rescheduled for 10 June 2013. Under the proposals, in addition to providing legal powers to the European Insurance and Occupational Pensions Authority which replaces the Committee of European Insurance and Occupational Pensions Supervisors, the Solvency II implementation will be bifurcated, such that responsibilities of national supervisors and the European Insurance and Occupational Pensions Authority will take effect earlier than when Solvency II comes into force. It is widely expected that the implementation date of Solvency II will be deferred beyond 2014 and it is the Company's view that the regime is unlikely to be implemented before 2016. The level 2 rules, which will supplement the Solvency II directive with more detail (in addition to further level 3 "comply or explain" rules) remain under discussion and will be consulted on and finalised following the adoption of Omnibus II directive.

Many insurance companies and insurance groups expect to benefit from using internal models to calculate their SCR (or specific risks or major business units within the SCR). However, they require supervisory approval to do this. The process of obtaining that approval is a rigorous one involving a full review of the firm's governance arrangements and proof that the internal modelling is fully used within the firm's business. Apart from this the FSA has suggested that firms should be undertaking "gap analyses" to aid their transition from the existing regulatory regime, and to identify any shortfalls in expected compliance with the emerging Solvency II requirements, as they bear on their operations. The FSA's internal model approval process is currently under way, with review work being carried out into the pre-application draft submissions of firms.

The Group has fully embraced the requirements of the Solvency II project and has participated in various preparatory studies. The Group has dedicated projects in place to deal with the implementation of the new regime.

The Group is actively monitoring proposals as they develop and participates in feedback provided from the industry to the regulators. The Directors expect Solvency II to result in an improved understanding of the link between risk and capital management and welcome the increased focus on risk management that Solvency II will bring. However, the Directors note that the technical specifications may result in a significant increase in the capital requirements of the industry. The Group is currently working with the

Association of British Insurers and other UK insurers through membership of Solvency II working groups with a view to ensuring that the final specifications are appropriate for the UK insurance market.

The framework includes a new regime for insurance groups and specific provision for groups the parent undertakings of which have their head offices outside the EEA. The full detail of this "equivalence" regime is still under discussion. This applies to the Company, as its head office is in Jersey, which is outside the EEA.

The treatment of such groups depends, among other things, on whether the jurisdiction in which the parent has its head office is determined to have an equivalent regime. Equivalence is assessed under three distinct provisions of the Solvency II directive:

1. For the purpose of determining whether reinsurance ceded to a solo insurer or reinsurer authorised in that jurisdiction should be treated in the same way as reinsurance ceded to an EEA firm.
2. For the purpose of determining whether in applying the deduction/aggregation method of determining group capital adequacy a non-EEA firm should (i) be treated as if it were an EEA firm or whether (ii) its contribution to group capital adequacy may be determined by reference to local rules.
3. For the purpose of determining whether the standard of group supervision in the jurisdiction concerned is equivalent to EEA standards.

In relation to item 3 above, where the jurisdiction in question is determined to be equivalent, reliance will be placed within the EEA on group supervision within that jurisdiction, subject to arrangements for exchange of information and co-operation.

If the jurisdiction is not determined to be equivalent the group in question may be supervised as if it were an EEA group, unless the relevant local supervisor (which, in the case of PLHL, would be the FSA) elects to exercise a discretion to require the establishment of (or select) an intermediate holding company in the EEA and to regulate at the level of that sub-group. An election to this effect in respect of PLHL would mean (on the assumption that Jersey remains non-equivalent for the purposes of Solvency II) that the capital regulation of the Group was unaffected by the changes to the group regime. However, if no such election were to be made, this would, among other things, result in group capital adequacy at ultimate parent level (i.e., in this case at the level of the Company) being transformed from a soft reporting requirement to a hard regulatory requirement. The assessment at ultimate parent level would bring into account a contribution to group capital adequacy from Opal Re, which is a subsidiary of the Company but which does not fall within the group of companies owned by PLHL. In any event, the Company is not aware that Jersey is seeking Solvency II equivalence status.

The FSA has also indicated that, due to continuing uncertainties over the timetable for the introduction of Solvency II, it will work with the industry to enhance the existing Pillar 2 ICA regime to an "ICA+" regime leveraging the investments firms have made preparing for Solvency II. The details of the ICA+ regime, the timescale for its implementation and the ultimate transition to Solvency II are currently unknown.

3.11 Regulation of investment business

Certain of the Group's subsidiaries, including Ignis Investment Services Limited and Ignis Fund Managers Limited are authorised by the FSA to carry on investment business. These entities are subject to regulation and supervision by the FSA and must comply with the FSA conduct of business and prudential rules made under FSMA.

3.12 Conduct of Business requirements for investment businesses and the Markets in Financial Instruments Directive

MiFID, unlike its predecessor legislation, the Investment Services Directive, sets out detailed and specific requirements in relation to organisational and conduct of business matters for investment firms and regulated markets. In particular, MiFID and its implementing measures make specific provision in relation to, among other things, organisational requirements, outsourcing, customer classification, conflicts of interest, best execution, client order handling and suitability and appropriateness, and investment research and financial analysis, pre- and post-trade transparency obligations, transaction reporting and substantial changes to the responsibility for the supervision of cross border investment services.

Changes to the FSA's Conduct of Business Rules came into effect on 1 November 2007 in accordance with the requirements of MiFID. Although MiFID does not apply to insurance businesses, it has driven changes to the FSA's Conduct of Business Rules, including those that apply to insurance businesses.

3.13 Capital requirements for investment businesses

The FSA's capital requirements for investment businesses are also contained in the Prudential Standards section of its Handbook, primarily in the General Prudential Sourcebook and the Prudential Sourcebook for Banks, Building Societies and Investment firms. These rules implement the requirements of EU legislation relating to the prudential supervision of investment firms, including the Capital Adequacy Directive (Directive 93/6/EEC), as re-cast by the Capital Requirements Directive (Directive 2006/49/EC).

4. Bermudan Insurance Regulation

4.1 Overview

The Bermuda Insurance Act 1978 and related regulations, as amended (the "Insurance Act"), regulate the insurance business of Opal Re and provide that no person may carry on any insurance business in or from within Bermuda unless registered as a long-term insurer by the BMA under the Insurance Act. Opal Re is registered as a long-term insurer by the BMA. The continued registration of an applicant as an insurer is subject to compliance with the terms of its registration and such other conditions as the BMA may impose from time to time.

The Insurance Act also imposes solvency and liquidity standards and auditing and reporting requirements on Bermudan insurance companies and insurance groups. Certain aspects of the Bermudan insurance regulatory framework are summarised below.

4.2 Cancellation of insurer's registration

An insurer's registration may be cancelled by the Supervisor of Insurance of the BMA on certain grounds specified in the Insurance Act, including failure of the insurer to comply with its obligations under the Insurance Act.

4.3 Principal representative

An insurer is required to maintain a principal office in Bermuda and to appoint and maintain a principal representative in Bermuda. Opal Re's principal office is its executive offices at the Argus Insurance Building, 14 Wesley Street, Hamilton, Bermuda, and its principal representative is Northstar Group Holdings Ltd, a Bermuda based reinsurance group that also provides insurance management services to Opal Re.

4.4 Independent approved auditor

Opal Re, as a registered insurer, must appoint an independent auditor to audit and report annually on the statutory financial statements and the statutory financial return of the insurer, both of which are required to be filed annually with the BMA. Opal Re's auditor is KPMG.

4.5 Insurer's approved actuary

Long-term insurers such as Opal Re cannot carry on long-term business without an approved actuary (referred to in the Insurance Act as the "insurer's approved actuary"). An insurer's approved actuary must be approved by the BMA. Opal Re's approved actuary is Robert Holliday of KPMG.

4.6 Annual statutory financial return and statutory financial statements

Under the Insurance Act, Opal Re is required to file annually a statutory financial return and financial statements within four months from its financial year end, which may be extended on application to seven months. The statutory financial return includes the auditor's report on the financial statements and a certificate of the approved actuary on the liabilities recorded in the financial statements.

4.7 Minimum margin of solvency and restrictions on dividends and distributions

The Insurance Act provides a minimum margin of solvency for long-term insurers, such as Opal Re. A long-term insurer is required to maintain a minimum solvency margin whereby its long-term business assets exceed its long-term business liabilities by not less than $250,000.

In addition, if at any time it fails to meet its minimum solvency margin, Opal Re is required within 30 days after becoming aware of such failure or having reason to believe that such failure has occurred, to file with the BMA a written report containing certain information.

Additionally, under the Bermuda Companies Act, Opal Re may only declare or pay a dividend if Opal Re has no reasonable grounds for believing that it is, or would after the payment be, unable to pay its liabilities as they become due, or if the realisable value of its assets would not be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

4.8 Supervision, investigation and intervention

The BMA has wide powers of investigation and document production in relation to Bermudan insurers under the Insurance Act. For example, the BMA may appoint an inspector with extensive powers to investigate the affairs of Opal Re if the BMA believes that such an investigation is in the best interests of its policyholders or persons who may become policyholders.

4.9 Disclosure of information

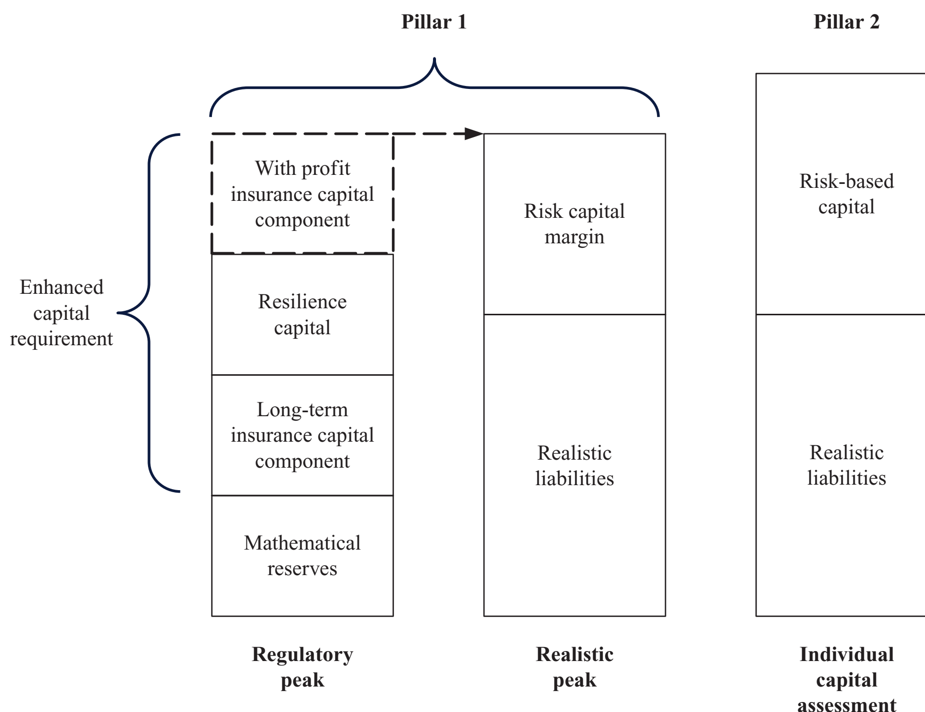
The BMA may assist other regulatory authorities, including foreign insurance regulatory authorities, with their investigations involving insurance and reinsurance companies in Bermuda, but is subject to restrictions. For example, the BMA must be satisfied that the assistance being requested is in connection with the discharge of regulatory responsibilities of the foreign regulatory authority. Further, the BMA must consider whether cooperation is in the public interest. The grounds for disclosure are limited, and the Insurance Act provides sanctions for breach of the statutory duty of confidentiality.

5. General Overview of the UK Regulatory Capital Framework

5.1 Overview

Each UK life company must retain sufficient capital at all times to meet the regulatory capital requirements mandated by the FSA. In addition to EU-directive-based "Pillar 1" and group capital requirements, the FSA has also stipulated a "Pillar 2" of risk-based capital requirements that have been implemented in the UK. A life company's actual capital requirement is based on whichever of the Pillar 1 or Pillar 2 requirement turns out to be more onerous for the company. Each life company generally holds an amount of capital that is greater than the minimum required amount to allow for adverse events in the future that may use capital and cause the company to fail the minimum level of regulatory capital test.

The following diagram provides an overview of the UK regulatory capital framework for a with profit fund:



The UK regulatory capital framework for a non profit fund is similar to the above diagram, but the realistic peak and hence the with profit insurance capital component, or the WPICC, is not relevant.

5.2 Pillar 1

5.2.1 Regulatory peak

Mathematical reserves are liabilities calculated using assumptions including prudential margins but exclude any final bonus liabilities for with profit policies. The calculation of these reserves falls under a set of rules prescribed by the EU and the FSA. With the exception of with profit businesses, the regulatory capital requirement under Pillar 1 is the total amount held in respect of investment, expense and insurance risks (the "long-term insurance capital component") and any additional amounts required to cover the more onerous of two specified stress tests (the "resilience capital requirement"). The regulatory capital requirement is then deducted from the available capital resources to give the regulatory basis excess capital.

5.2.2 Realistic peak

A further test is required under Pillar 1 in respect of with profit funds. This test compares the life company's level of realistic basis excess capital to the regulatory basis excess capital and, in circumstances where the realistic basis excess capital position is less, the life company is required to hold additional capital to cover the shortfall. The realistic basis excess capital is calculated as the difference between realistic assets and realistic liabilities of the with profit fund with a further deduction to cover various stress tests (the "risk capital margin"). Any additional capital requirement under this test to that of the regulatory peak is referred to as the "with profit insurance capital component", or the WPICC.

5.3 Individual Capital Assessment under Pillar 2

The Pillar 2 capital requirements are based on a self-assessment methodology, the so-called individual capital assessment methodology. This methodology determines the capital requirement to ensure that the life company's realistic liabilities can be met in one year's time with a 99.5 per cent. confidence level, or a one-in-200-year event. This assessment includes both mathematically and subjectively derived risk capital tests.

The FSA will use the ICA in order to form its own view of a firm's Pillar 2 capital requirements and if it disagrees with the ICA it will issue Individual Capital Guidance which it can impose as a requirement over and above Pillar 2 requirements. The Group's life companies are operated with an internally set additional buffer over the ICA (currently 38 per cent. of ICA for Phoenix Life Limited, the Group's largest life company).

5.4 IGD Solvency Surplus

FSA regulated insurance groups (including their insurance holding companies) are required to provide capital adequacy calculations on a group-wide basis, a so-called "IGD Solvency Surplus," to enable the FSA to assess both the level of insurance and financial risk within the relevant insurance group and the resources available to cover this risk.

5.5 Individual Capital Assessment

6. UK Regulatory developments

The insurance industry faces a number of regulatory initiatives aimed at addressing lessons learned from the financial crisis and other industry-level issues such as payment protection insurance mis-selling.

These initiatives include new prudential rules on capital adequacy frameworks, new conduct rules and new applications for those rules, and other changes as a result of regulatory investigations and actions. In addition, new UK regulatory bodies are in the process of being established and the proposals on how they will operate are still to be approved by the UK Parliament.

6.1.1 Structural reform of the UK financial supervisory architecture

The UK government is in the process of implementing its reform of the framework for financial regulation in the United Kingdom and the Financial Services Act, which comes into force on 1 April 2013, relating to these reforms was passed by Parliament at the end of 2012. The Financial Services Act provides for the dual supervision of UK insurance companies by two new regulators: the Prudential Regulation Authority and the Financial Conduct Authority. The PRA will be a subsidiary of the Bank of England with responsibility for promoting the stable and prudent operation of the financial system through the

regulation of all deposit-taking institutions, insurers and investment banks, and the FCA will be responsible for regulating conduct in retail and wholesale financial markets and the infrastructure that supports those markets. In general, the Bill provides the PRA and the FCA with the FSA's existing rule-making, investigatory and enforcement powers. In addition, the Financial Services Act provides for specific additional powers for the PRA and the FCA, including:

(1) the ability for the FCA to intervene in order to ban financial products from sale or to ban a firm from selling a widely accepted product if it determines such firm's sale processes to be unacceptable; and

(2) the ability for the PRA to direct an unregulated holding company to take a particular action, or refrain from taking a particular action, and to censure or fine such company if it does not so comply.

The new regulatory bodies are in the process of being established and the proposals on how they will operate are still to be approved by the UK Parliament. The Group's UK insurance subsidiaries will be regulated by both the PRA and the FCA, and there are risks and uncertainties as to how the two bodies will interact with each other over the regulation of the same legal entities. While the Group will seek to ensure that it is prepared for this new system of regulation, there are risks associated with the uncertainty in respect of how the new regulators intend to apply their new powers and whether the new system will result in more intrusive and intensive regulation, adding additional burdens on the Group's resources. For example, the existing ARROW regime will be replaced by two equivalent regimes for both Prudential mergers and conduct of business, each of which will result in a separate Risk Mitigation Programme. In October 2012, the FSA and the Bank of England published a paper proposing a more pro-active approach to insurance supervision to be undertaken by the PRA.

The Financial Services Act gained Royal Assent on 19 December 2012 and the new regulatory framework will become operational on 1 April 2013, which is the date the Act comes into force.

In preparing for the new regulatory structure, the FSA has also introduced an "internal twin peaks" model of supervision within the FSA from April 2012, under which the Group now has separate supervision arrangements for prudential and conduct issues. The two sets of supervisors for each firm are expected to work in a way which is independent—reflecting their different scope and responsibilities—but coordinated. These changes are, according to the FSA, designed to deliver to the greatest possible degree a model that will replicate the model to be adopted by the PRA and FCA and allow an easier transition when those bodies assume regulatory responsibility.

PART VII

EMBEDDED VALUE INFORMATION

The Group's MCEV supplementary information for the half year ended 30 June 2012 and notes thereto contained in the 2012 Half Year Interim Report are incorporated by reference into this Prospectus and can be found in the 2012 Half Year Interim Report at pages 57 to 71.

The Group's MCEV supplementary information for the financial year ended 31 December 2011 and notes thereto contained in the 2011 Annual Report are incorporated by reference into this Prospectus and can be found in the 2011 Annual Report at pages 174 to 187.

The Group's MCEV supplementary information for the financial year ended 31 December 2010 and notes thereto contained in the 2010 Annual Report are incorporated by reference into this Prospectus and can be found in the 2010 Annual Report at pages 173 to 187.

The Group's pro forma MCEV supplementary information for the financial year ended 31 December 2009 and notes thereto contained in the 2009 Annual Report are incorporated by reference into this Prospectus and can be found in the 2009 Annual Report at pages 161 to 177.

In order to assist users and give Shareholders a basis for comparison, the Company has prepared the Group's pro forma consolidated MCEV supplementary information for the financial year ended 31 December 2009 to illustrate the effect the acquisition of the Original Pearl Business on 28 August 2009 would have had on the Group's MCEV for the year had the acquisition taken place on 1 January 2009. As the pro forma MCEV supplementary information includes the full year's results for the Original Pearl Business in 2009, the Company believes that the pro forma information provides a more meaningful basis for comparison with the Group's MCEV supplementary information in 2010.

See Part IX: "Historical and Selected Financial Information on the Group" of this Prospectus for further details about the information that has been incorporated by reference into this Prospectus.

PART VIII

OPERATING AND FINANCIAL REVIEW OF THE COMPANY

The following operating and financial review is intended to convey the Directors' perspective on the operating performance and financial condition of the Group as measured in accordance with IFRS as adopted by the EU. The discussion should be read in conjunction with Part IX: "Historical and Selected Financial Information on the Group" and the audited financial statements (including the accompanying notes) of the Company for the years ended 31 December 2011, 2010 and 2009 and the condensed consolidated interim financial statements (including the accompanying notes) of the Company for the half year ended 30 June 2012, each of which are incorporated by reference into this Prospectus.

The Company is required to comply with IFRS as adopted by the EU and its accounting policies have been established accordingly. The following discussion contains forward-looking statements that have been based on the current projections and expectations about future events of the Group. Actual results may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set forth under "Risk Factors", and elsewhere in this Prospectus. Please refer to "Forward-Looking Statements" on page 54.

1. Review of Results of Operations

The discussion and analysis for the half year ended 30 June 2012 contained in the "Business review" section of the 2012 Half Year Interim Report (excluding the "Risk management" subsection) is incorporated by reference into this Prospectus. The relevant discussion can be found in the 2012 Half Year Interim Report at pages 5 to 18.

The discussion and analysis for the financial year ended 31 December 2011 contained in the "Business review" section of the 2011 Annual Report (excluding the "Risk management" and "Principal risks and uncertainties facing the Group" subsections) is incorporated by reference into this Prospectus. The relevant discussion can be found in the 2011 Annual Report at pages 18 to 37.

The discussion and analysis for the financial year ended 31 December 2010 contained in the "Performance" section of the 2010 Annual Report (excluding the "Risk management" and "Principal risks and uncertainties facing the Group" subsections) is incorporated by reference into this Prospectus. The relevant discussion can be found in the 2010 Annual Report at pages 24 to 44. The discussion and analysis for the financial year ended 31 December 2010 includes financial information and commentary on the financial year ended 31 December 2009 on a pro forma basis as described below.

The Group's audited consolidated financial statements for the financial year ended 31 December 2009 contained in the 2009 Annual Report on pages 78 to 83 are incorporated by reference into this Prospectus. Prior to its acquisition of the Original Pearl Business, the Group was a cash shell, and the audited consolidated financial statements for the financial year ended 31 December 2009 include the results of the Original Pearl Business from 28 August 2009, the date of acquisition by the Company for IFRS purposes. Consequently, the increases in the line items of the 2010 consolidated income statement compared to the 2009 consolidated income statement were primarily due to the acquisition of the Original Pearl Business and the subsequent consolidation of the Original Pearl Business's financial results. In order to assist users and give Shareholders a basis for comparison, the Company has included in the "Performance" section of the 2010 Annual Report certain unaudited pro forma financial information of the Group for the financial year ended 31 December 2009. The unaudited pro forma information had been prepared to illustrate the effect the acquisition of the Original Pearl Business would have had on the Group's performance for the year had the acquisition taken place on 1 January 2009. As the unaudited pro forma financial information includes the full year's results for the Original Pearl Business in 2009, the Company believes that the pro forma information provides a more meaningful basis for comparison with the Group's financial results in 2010. The unaudited pro forma financial information was prepared for illustrative purposes only. Because of its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

See Part IX: "Historical and Selected Financial Information on the Group" of this Prospectus for further details about the information that has been incorporated by reference into this Prospectus.

2. Recent Developments, Current Trading and Outlook

An update on the Group's recent developments, current trading and outlook is included in the 2012 Q3 Interim Management Statement which is incorporated by reference into this Prospectus. See Part XIV: "Information Incorporated by Reference".

2.1 Transfer of annuity in-payment liabilities to Guardian Assurance

On 27 June 2012, the Company announced an agreement to transfer approximately £5 billion of annuity in-payment liabilities to Guardian Assurance. The transaction comprised the reinsurance of approximately £5 billion of annuity in-payment liabilities to Guardian Assurance, effective 1 July 2012. The Group made an associated transfer of approximately £5 billion of assets to Guardian Assurance as the related reinsurance premium for the transferred annuity liabilities. Guardian Assurance has agreed terms with Ignis Asset Management for them to provide investment management services in respect of the majority of the assets transferred pursuant to the reinsurance agreements. It is expected that the reinsurance agreement will be replaced by a formal Part VII transfer of the annuity liabilities to Guardian Assurance in 2013.

The transaction resulted in the release of regulatory capital backing the transferred annuity in-payment liabilities, and in the half year ended 30 June 2012, this transaction increased the free surplus within the Group's life companies by £252 million, improved the Group IGD surplus by £25 million and increased MCEV by £36 million. The Group does not expect the transaction to have a material impact on its Group recurring operating profit for the year ended 31 December 2012 calculated under IFRS. As the annuity liabilities include prudential margins under IFRS, a non-recurring positive impact (net of any write-down of associated intangible assets) is expected in the second half of 2012 which will be reported outside of operating profit in the Company's consolidated financial statements for the year ended 31 December 2012. The exact amount of the impact is subject to the progress of the expected Part VII transfer which is expected to take place in the second half of 2013. The Group expects to realise further Group IGD benefits when the annuity liabilities are transferred to Guardian Assurance through the Part VII transfer.

2.2 Cash Generation

Operating companies' cash generation is a measure of cash and cash equivalents remitted by the Group's operating companies to the Group's Holding Companies and is available to cover dividends, debt servicing and repayments, pension scheme contributions and operating expenses.

For the year ended 31 December 2012, the Group had a cash generation target of £600 million to £700 million. For the year ended 31 December 2012, the Group delivered £690 million of cash generation.

The Group currently has a long-term cash generation target for the period from 2011 to 2016 of £3.3 billion. As at 31 December 2012, £1,500 million of cash generation had been achieved since 1 January 2011.

The table below sets out, for the periods indicated, an analysis of the cash paid by the operating companies to the Holding Companies, as well as the uses of those cash receipts.

	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
	(unaudited)	(audited)	
	£ million	£ million	£ million
Cash and cash equivalents at 1 January	**837**	**486**	**202**
Operating companies' cash generation:			
Cash receipts from Phoenix Life	661	778	708
Cash receipts from Ignis Asset Management	29	32	26
Total receipts of cash by Holding Companies	**690**	**810**	**734**
Uses of cash:			
Operating expenses	37	52	45
Pension scheme contributions	50	35	38
Debt interest	115	122	123
Total recurring outflows	**202**	**209**	**206**
Non-recurring outflows	21	24	79
Uses of cash before debt repayments and shareholder dividend	223	233	285
Debt repayment	165	171	122
Shareholder dividends	73	55	43
Total uses of cash	**461**	**459**	**450**
Cash and cash equivalents at 31 December	**1,066**	**837**	**486**

2.3 Group IGD surplus

As at 30 September 2012, the Group's IGD surplus was estimated to be £1.4 billion, compared with £1.2 billion as at 30 June 2012 and £1.3 billion as at 31 December 2011. As at 30 November 2012, the Group's IGD surplus was estimated to be £1.2 billion, as adjusted to take into account the updated unaudited Group pension scheme valuations on an IAS19 basis and an IFRIC14 adjustment. The surplus over the Group's IGD capital policy was £0.4 billion as at 30 November 2012 (as adjusted), £0.6 billion as at 30 September 2012, £0.4 billion as at 30 June 2012 and £0.4 billion as at 31 December 2011.

2.4 PLHL ICA surplus

PLHL ICA is an additional group solvency calculation. As at 30 September 2012, the Group's PLHL ICA surplus was £0.6 billion, compared with £0.4 billion as at 30 June 2012. As at 30 November 2012, as adjusted to take into account the new funding arrangements entered into with the trustee of the Pearl Group Staff Pension Scheme, the Group's PLHL ICA surplus was estimated to be £0.9 billion. As agreed with the FSA, the Group aims to ensure that PLHL maintains a PLHL ICA surplus of at least £150 million, which represents the surplus of the Group's capital resources over its capital resource requirements on a Pillar 2 basis. See "—Regulatory capital requirements—Individual Capital Assessment" for more information.

2.5 Group MCEV

The Group calculates Market Consistent Embedded Value, or MCEV, in accordance with the methodology set out in Note 1 to the Notes to the MCEV supplementary information for the half year ended 30 June 2012 which is on pages 62 to 65 of the 2012 Half Year Interim Report, which is incorporated by reference into this Prospectus.

Group MCEV was £2,135 million as at 30 June 2012, compared to £2,118 million as at 31 December 2011.

The Group currently targets an average of £100 million per annum of incremental embedded value growth from management actions between 2011 to 2014, representing an aggregate of £400 million in such four year period. Although Group MCEV increased by £17 million in the six months ended 30 June 2012, the Group generated £107 million of incremental MCEV during the first half of 2012 from management actions, as part of its ongoing programme of system and modelling improvements. The Group has

delivered a total of £272 million of incremental MCEV from 1 January 2011 to 30 June 2012 from management actions.

2.6 Gearing—Existing Definition

As at 31 December 2009, 2010 and 2011 and as at 30 June 2012, the Group calculated its gearing as the Group's net shareholder debt as a percentage of the sum of Group MCEV, net shareholder debt and the present value of future profits of Ignis Asset Management (which is the present value of profits attributable to the shareholder of Ignis Asset Management arising from its in-force business). Net shareholder debt is defined as shareholder debt (including hybrid debt) less Holding Companies' cash and cash equivalents.

The table below sets out, for the periods indicated, the calculation of the sum of Group MCEV, net shareholder debt and the present value of future profits of Ignis Asset Management.

	As at 30 June 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2009
	(unaudited)	(audited, except as otherwise indicated)		
	£ billion	£ billion	£ billion	£ billion
Group MCEV	2.1	2.1	2.1	1.8
Net shareholder debt:				
—*Shareholder debt* (*including hybrid debt*)	*2.9*	*3.0*	*3.2*	*3.3*
—*Less Holding Companies' cash and cash equivalents* (*unaudited*)	*(0.7)*	*(0.8)*	*(0.5)*	*(0.2)*
Net shareholder debt *(unaudited)*	2.2	2.2	2.7	3.1
Present value of future profits of Ignis Asset Management (*unaudited*)	0.4	0.4	0.4	0.4
Total *(unaudited)*	**4.7**	**4.7**	**5.2**	**5.3**

As at 30 June 2012 and as at 31 December 2011, the Group's gearing, calculated on the basis of the Existing Gearing Definition was 46 per cent., compared to 52 per cent. as at 31 December 2010 and 58 per cent. as at 31 December 2009.

In the Group's 2012 Half Year Interim Report, the Company confirmed that it was targeting gearing of 43 per cent. or below as at 31 December 2012, calculated on the basis of the Existing Gearing Definition, which the Company expects to meet.

2.7 Gearing—New Definition

Concurrently with the announcement of the Capital Raising, the Company has announced that it has changed the way it will present the Group's gearing as at 31 December 2012 and as at the end of future periods.

The Group calculates its amended gearing as gross shareholder debt as a percentage of the gross MCEV, which is the New Gearing Definition. Gross shareholder debt is defined as the sum of IFRS carrying value of shareholder debt (as disclosed in the Borrowings note to the Company's consolidated financial statements) and 50 per cent. of the IFRS carrying value of the Perpetual Reset Capital Securities issued by PGH1 given the hybrid nature of that instrument. Gross MCEV is defined as the sum of the Group MCEV and the value of the shareholder and hybrid debt as included in the MCEV.

The Company has changed the way it calculates the Group's gearing in order to adopt a gearing calculation that is more consistent with typical gearing calculations that credit rating agencies use in calculating corporate credit ratings.

The table below sets out, for the periods indicated, the calculation of the components of the New Gearing Definition.

	As at 30 June 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2009
	(unaudited)		*(audited, except as otherwise indicated)*	
	£ million	*£ million*	*£ million*	*£ million*
Group MCEV	2,135	2,118	2,104	1,827
Gross shareholder and hybrid debt at IFRS carrying values:				
—*Shareholder debt*	*2,598*	*2,694*	*2,854*	*2,968*
—*50 per cent. of Perpetual Reset Capital Securities* (*hybrid debt*) (*unaudited*)	*199*	*204*	*206*	*264*
Gross shareholder and hybrid debt *(unaudited)*	2,797	2,898	3,060	3,232
Difference between IFRS and MCEV carrying values of listed debt[(1)] (*unaudited*)	53	71	141	37
Gross MCEV *(unaudited)*	**4,985**	**5,087**	**5,305**	**5,096**

Note:

(1) The Perpetual Reset Capital Securities and £200 million 7.25 per cent. unsecured subordinated loan note are included in MCEV at market value as disclosed in the Assumptions note of the Company's MCEV financial statements.

Concurrently with the announcement of the Capital Raising, the Company has announced that it has set a new gearing target of 40 per cent. by the end of 2016, calculated on the basis of the New Gearing Definition. Calculated on the basis of the New Gearing Definition, the Group's gearing as at 30 June 2012 was 56 per cent. and as at 31 December 2011 was 57 per cent., compared to 58 per cent. as at 31 December 2010 and 63 per cent. as at 31 December 2009.

2.8 Interim dividend

On 4 October 2012, the Company paid an interim dividend of 21 pence per share. The cost of this dividend was not recognised as a liability in the Group's interim financial statements for the half year ended 30 June 2012 and will be charged to the Group's statement of consolidated changes of equity for the year ended 31 December 2012. See Part I: "Background and Information on the Capital Raising—Dividends and Dividend Policy" for further information on the Company's dividend policy.

2.9 Current trading update

The Group issued its 2012 Q3 Interim Management Statement for the nine months ended 30 September 2012, which is incorporated by reference into this Prospectus, on 31 October 2012.

The Group's trading performance for the year ended 31 December 2012 was in line with the expectations of the Company's management. Group MCEV as at 31 December 2012 is expected to be in line with the expectations of the Company's management. For the year ended 31 December 2012, the Group delivered £690 million of cash generation.

Following the continued narrowing of credit spreads on high quality corporate bonds experienced during the fourth quarter of 2012 and the initial findings of the draft triennial funding valuation as at 30 June 2012, the Group has updated its assumptions for valuing the Pearl Group Staff Pension Scheme and the PGL Pension Scheme on an IAS19 basis. The estimated IAS19 deficit for the Pearl Group Staff Pension Scheme as at 31 December 2012 is £114 million, compared with a £31 million surplus as at 30 June 2012, in each case gross of related tax. The estimated gross of tax IAS19 surplus for the PGL Pension scheme as at 31 December 2012 is £344 million, compared with a gross of tax IAS19 surplus of £456 million as at 30 June 2012, before eliminating insurance policies effected by the PGL Pension scheme within the Group. Taking into account the updated unaudited Group pension scheme valuations on an IAS19 basis as at 31 December 2012, Group MCEV would reduce by approximately £0.1 billion compared to the impact of the Group pension scheme valuations as at 30 June 2012.

Under IFRIC14, an interpretation of IAS19, where deficit reduction contributions payable into a pension scheme will not be available after they are paid, a liability is recognised when the obligation arises to make those contributions. Following the agreement of the new funding arrangements entered into with the

trustee of the Pearl Group Staff Pension Scheme in November 2012 which is referred to below, an additional liability will be recognised on the Pearl Group Staff Pension Scheme in the Group's IFRS financial statements, reflecting the tax that would arise on any notional refund of the resultant IAS19 surplus following the revised contributions being paid. The estimated additional liability at 31 December 2012 is £83 million reflecting 35 per cent. tax on the resultant IAS19 surplus of £237 million (which represents £351 million present value of deficit reduction contributions less the estimated current deficit of £114 million). A deferred tax asset of £55 million as at 31 December 2012 will also be recognised in the Group's IFRS financial statements to reflect tax relief at a rate of 23 per cent. that is expected to be available on the contributions, once paid into the pension scheme. The net IFRIC14 adjustment is not reflected in the Group MCEV as the Group does not anticipate that its ultimate contributions into the pension scheme will give rise to a notional refund.

On 27 November 2012, PGH2 entered into the 2012 Pensions Agreement with the trustee of the Pearl Group Staff Pension Scheme which sets out an agreed contractual framework for contributions to the Pearl Group Staff Pension Scheme. The agreement reached with the trustee of the Pearl Group Staff Pension Scheme in the 2012 Pensions Agreement resulted in a £0.3 billion increase in the Group's PLHL ICA surplus. The sensitivity of the Group's PLHL ICA surplus to external market stresses is significantly reduced as a consequence of agreement reached with the trustee of the Pearl Group Staff Pension Scheme in the 2012 Pensions Agreement.

3. Key Factors Affecting Results of Operations and Comparability

The following paragraphs describe the key factors which have affected the results of operations of the Group during the period from 1 January 2009 to 31 December 2012 and which may affect the results of operations of the Group in subsequent periods.

3.1 Impact of the recent economic downturn

The Group derives a significant portion of its income from (i) its share of the appreciation of investments held in shareholder, non-profit and supported with profit funds and (ii) management fees charged in connection with managing not only the investments of such funds but also the investments of third parties.

The first half of 2011 was characterised by volatility in investment markets that was driven by uncertainty about the strength and sustainability of global growth and a debt crisis in Europe. The global financial environment became even more volatile in the second half of 2011 following increased concerns about the impact of the sovereign debt crisis, the trajectory of global economic growth and the strength of some banking systems. Global financial stress increased with a retrenchment in cross-border bank lending and investors reallocated capital away from "risky" assets. In addition, wholesale funding pressures rose sharply during this period as a result of the widening of spreads on corporate bonds and increases in the cost of sovereign debt, which exacerbated concerns over global growth and sovereign solvency. These circumstances exerted significant downward pressure on the prices of equity securities, corporate bonds and property assets. These decreases were partially offset by increases in the value of gilts following the reduction in yields to historical lows in the second half of 2011. Volatility in the investment markets decreased at the start of 2012 but markets became more volatile in the second quarter of 2012, with the continued uncertainty facing the Eurozone having an impact across all asset classes.

These economic conditions negatively affected the results of operations of the Group's insurance subsidiaries during 2011 and, to a lesser extent, in the first half of 2012. The long-term nature of much of the Group's operations means that the effects of short-term economic volatility are treated as non-operating items. In calculating the Group's IFRS operating profit, the Group incorporates expected returns on investments supporting its long-term business. Changes due to economic items, for example market value movements and interest rate changes, which give rise to variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside operating profit as investment variances and economic assumption changes. The Group's investment return variances and economic assumption changes on long-term business on an IFRS basis were a negative £338 million for the year ended 31 December 2011, compared with a positive £18 million for the year ended 31 December 2010 and a positive £145 million for the year ended 31 December 200 9. For the half year ended 30 June 2012, the Group's investment return variances and economic assumption changes on long-term business on an IFRS basis were a negative £82 million, compared with a positive £47 million for the half year ended 30 June 2011.

Although the Group is not immune to further negative developments in the Eurozone region, it has carefully managed its exposure to peripheral Eurozone countries, reducing shareholder, non-profit and supported with profit fund debt securities held in peripheral Eurozone sovereign and supranational debt to £5 million as at 30 June 2012. The unit linked and non-supported with profit funds' exposure to debt securities held in peripheral Eurozone sovereign and supranational debt was £16 million as at 30 June 2012. However, the Group's results and financial condition remain indirectly impacted through the impact of the Eurozone crisis being felt in the wider financial markets.

3.2 Mortality, longevity and persistency

The Group's results of operations and cash flows may be affected by increased mortality and longevity rates and by variances between assumed and actual experience in factors such as persistency levels. As the Group's term and annuity business are inversely related, fluctuations in mortality and longevity rates will positively impact one business while negatively impacting the other, with the Group's exposure to longevity rates having a more pronounced effect on the Group than the Group's exposure to mortality rates. Increased mortality rates increase death claims on the Group's term insurance products, while increased longevity rates result in pay-outs to holders of annuities over a longer period. The Group manages its exposure to changes in mortality and longevity rates by holding prudent reserves based on assumptions that reflect past experience and anticipated future trends.

In addition, the Group maintains reserves to compensate policyholders that choose to surrender their respective policies, the amount of such reserves being based on the assumed level of surrenders. Variances between the assumed level of surrenders and the actual level of surrenders expose the Group to persistency risk. In the case of policies providing a guaranteed payment at a future date, if the amount of surrenders falls below expectations, the Group will need to provide for the cost of the additional future payments. On the other hand, in the case of policies providing no guaranteed payment, if the amount of surrenders exceeds expectations, the anticipated future profits to be obtained from these policies could be curtailed.

The Group's IFRS insurance liabilities decreased by £72 million in 2011 as a result of changes in longevity assumptions and increased by £18 million in 2011 as a result of changes in persistency assumptions (2010: decreased by £43 million and increased by £35 million, respectively; 2009: decreased by £73 million and increased by £94 million, respectively). During the first half of 2012, there were no material changes to the longevity or persistency assumptions.

3.3 Changes in market levels

The Group's results and financial condition, and in particular the Group's IGD surplus and its PLHL ICA, can be affected by changes in market levels, including risk-free rates, corporate bond credit spreads, equity values and property values.

4. **Liquidity and Capital Resources**

4.1 Introduction

4.1.1 The Company and the UK Holding Companies

The principal cash requirements of the Company and Phoenix Life Holdings Limited, Pearl Group Holdings (No. 2) Limited, Impala Holdings Limited, Pearl Group Holdings (No. 1) Limited, PGH (TC1) Limited, PGH (TC2) Limited, PGH (MC1) Limited, PGH (MC2) Limited, PGH (LCA) Limited, PGH (LCB) Limited, PGH (LC1) Limited, PGH (LC2) Limited and Pearl Life Holdings Limited (together, the "Holding Companies") are the payment of dividends to Shareholders, the servicing of debt, contributions to the pension scheme and the payment of holding company expenses. The principal sources of cash for the Group's Holding Companies are loans and dividends from operating subsidiaries.

4.1.2 The Group's life companies

The Group's life companies' principal sources of liquidity are policyholder premiums, net investment income received and proceeds from investments as they are repaid, redeemed or sold. The Group's life companies principally use their liquidity to pay policyholder benefits (including withdrawals and surrender payments) and operating expenses and to purchase investments.

The Group's life companies are subject to various regulatory restrictions on the maximum amount of payments, including dividends, loans or cash advances, that they may make to their shareholders. The amount of cash that the Group's life companies may distribute to the Group's Holding Companies depends on the individual solvency position of each of the life companies. Cash may be distributed only to the extent that (i) the individual solvency positions of the life companies are positive and (ii) there is excess capital over and above an additional solvency buffer determined by the respective life company boards, subject to any regulatory limitations imposed. The amount of cash that the UK Holding Companies may distribute to the Company depends on the overall solvency position of the Group, which is calculated at the level of the highest EEA insurance group holding company (the IGD solvency test), which is PLHL, and the restrictions set out in the Pearl Facility Agreement and the Existing Impala Facility Agreement which are summarised in Part XIII: "Additional Information—Material Contract—Credit Facilities". The Group's capital policy, which is agreed with the FSA, is to maintain group capital resources at the PLHL level at an amount in excess of:

- 105 per cent. of the with profit insurance capital component ('WPICC'), being an additional capital requirement of with profit funds; plus
- 145 per cent. of the group capital resource requirement less the WPICC.

The group capital resource requirement is the sum of the individual capital resource requirements for each of the regulated undertakings in the insurance group. See "—Regulatory capital requirements—IGD Solvency".

4.2 Cash flows

The statement of cash flows prepared in accordance with IFRS combines cash flows relating to policyholders and cash flows relating to shareholders, but the practical management of cash within the Group maintains a distinction between the two, as well as taking into account regulatory and other restrictions on availability and transferability of capital. For this reason, the discussion and analysis of the Group's cash flows for each of the financial years ended 31 December 2011, 2010 and 2009 and for the first half of 2012 focuses on the cash flows of the Group's Holding Companies, which reflect cash flows relating only to shareholders and are therefore more representative of the cash that could potentially be distributed to the Group's shareholders. This cash flow information comprises the amounts that were remitted from the Group's operating subsidiaries to the Group's Holding Companies, together with the Group's Holding Companies' outflows.

This discussion and analysis for the half year ended 30 June 2012 can be found in the 2012 Half Year Interim Report in the section "Business review" at pages 8 and 9.

This discussion and analysis for the financial year ended 31 December 2011 can be found in the Annual Report for 2011 in the section "Business review" at pages 24 to 26.

This discussion and analysis for the financial years ended 31 December 2010 and 2009 can be found in the Annual Report for 2010 in the section "Performance" at pages 31 to 33. The discussion and analysis for the financial year ended 31 December 2010 includes commentary on the 2009 financial year on a pro forma basis.

4.3 Regulatory capital requirements

Each UK life company must retain sufficient capital at all times to meet the regulatory capital requirements mandated by the FSA. In addition to EU-directive-based "Pillar 1" and group capital requirements, the FSA has also stipulated a "Pillar 2" of risk-based capital requirements that have been implemented in the UK. A life company's actual capital requirement is based on whichever of the Pillar 1 or Pillar 2 requirement turns out to be more onerous for the company. Each of the Group's life companies generally holds an amount of capital that is greater than the minimum required amount to allow for adverse events in the future that may use capital and cause the company to fail the minimum level of regulatory capital test. FSA regulated insurance groups (including their insurance holding companies) are also required to provide capital adequacy calculations on a group-wide basis, a so-called "IGD solvency surplus," to enable the FSA to assess both the level of insurance and financial risk within the relevant insurance group and the resources available to cover this risk.

For more information regarding the UK regulatory capital framework, see Part VI: "Regulatory Framework Overview" of this Prospectus.

4.3.1 Pillar 1

The following table sets forth, for each of the Group's main life companies as at 31 December 2011, (i) its capital resources, (ii) its Pillar 1 regulatory capital requirements and (ii) the amount by which its capital resources exceed its Pillar 1 regulatory capital requirements, as at 31 December 2011.

	As at 31 December 2011		
	Capital resources	Pillar 1 regulatory capital requirements	Surplus
		(unaudited) £ million	
Phoenix Life[(1)]	4,476	3,775	701
Phoenix Life Assurance Limited (formerly Pearl Assurance Limited)[(2)]	1,920	1,355	565
London Life	378	141	237

Notes:

(1) Includes the surplus of Phoenix Life's subsidiaries, NPI and Scottish Mutual International.

(2) Includes the surplus of Pearl Assurance Limited's subsidiary, National Provident Life. Pearl Assurance Limited was renamed Phoenix Life Assurance Limited on 28 September 2012.

4.3.2 Free Surplus

As described above, each of the Group's UK life companies must retain sufficient capital to meet the most onerous of its Pillar 1 and Pillar 2 capital requirements. The group has also agreed capital policies for each life company with the FSA and capital must also be retained to cover these. Phoenix Life's free surplus position represents the total excess capital over the most onerous of each life companies' Pillar 1 or Pillar 2 capital policy. Subject to board approval, Phoenix Life's free surplus amount is effectively the excess capital over the FSA's minimum requirements and the life companies' capital policies which may be distributed to the Group's Holding Companies. The free surplus position also includes the net assets of the Group's service companies which are part of the Phoenix Life segment.

As at 30 September 2012, Phoenix Life's free surplus was £692 million, compared to £566 million as at 30 June 2012 and £93 million as at 31 December 2011. Phoenix Life's free surplus as at 30 September 2012 included £192 million of excess capital which it was possible to release to free surplus as a result of the transfer of the business of London Life to Phoenix Life Assurance. In addition, as at 30 June 2012, Phoenix Life's free surplus included £18 million of excess capital which it was possible to release to free surplus as a result of the transfer of the business of NPI Limited to Phoenix Life.

4.3.3 IGD Solvency

For the Group, the IGD calculation is performed at the PLHL level. This intermediate holding company is the ultimate insurance parent undertaking within the EEA, and therefore the Group is required to hold sufficient capital of appropriate quality to ensure that the IGD calculation at the PLHL level is positive. The Group's capital policy, which is agreed with the FSA, is set out in "—Introduction—The Group's life companies".

The following tables set forth the components of the IGD calculation at PLHL as at the dates indicated.

	As at 30 June 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2009
		(unaudited)		
	£ billion	£ billion	£ billion	£ billion
Group capital resources	**5.6**	**5.6**	**5.3**	**5.0**
Group capital resource requirement	(4.4)	(4.3)	(4.3)	(3.8)
IGD surplus	**1.2**	**1.3**	**1.0**	**1.2**
Headroom over capital policy	**0.4**	**0.4**	**0.1**	**0.4**

This discussion and analysis of the Group's IGD solvency for the half year ended 30 June 2012 is incorporated by reference into this Prospectus. The discussion and analysis can be found in the 2012 Half Year Interim Report in the section "Business review—Capital management" at pages 16 and 17.

This discussion and analysis of the Group's IGD solvency for the financial year ended 31 December 2011 is incorporated by reference into this Prospectus. The discussion and analysis can be found in the 2011 Annual Report in the section "Business review—Capital management" at pages 34 to 37.

This discussion and analysis for the Group's IGD solvency for the financial year ended 31 December 2010 is incorporated by reference into this Prospectus. The discussion and analysis can be found in the 2010 Annual Report in the section "Performance—Capital management" at pages 42 to 44.

This discussion and analysis for the Group's IGD solvency for the financial year ended 31 December 2009 is incorporated by reference into this Prospectus. The discussion and analysis can be found in the 2009 Annual Report in the section "Performance—Capital management" at pages 36 to 39.

The Group's ultimate insurance parent undertaking, the Company, is not within the EEA. Accordingly, the Group's UK life insurance companies, as with all EU life companies in groups where the ultimate insurance parent undertaking is not within the EEA, are also required to submit to their regulator a worldwide IGD calculation performed at the ultimate insurance parent undertaking level. The IGD calculation at the Company level is for reporting purposes only and the Group is not required to ensure that the calculation is positive. The IGD calculation as at 31 December 2011 is shown below, together with the relevant adjustments from the IGD calculation at the PLHL level, which primarily reflect the £2.6 billion of external bank debt and PIK Documents which are held in the Group above the PLHL level. This capital has been injected into PLHL and certain of its subsidiaries in the form of equity capital and subordinated loans.

	As at 31 December 2011 *(unaudited)*
	£ billion
IGD calculation at the PLHL level	1.3
External bank debt and PIK Documents	(2.6)
Other adjustments	(0.1)
IGD calculation at the Company level	**(1.4)**

4.3.4 Individual Capital Assessment

In accordance with FSA requirements, the Group now undertakes an ICA at the level of the highest EEA level insurance group holding company, which is PLHL. The PLHL ICA involves an assessment, on a Pillar 2 basis, of the capital resources and requirements arising from the obligations and risks which exist outside the Group's life companies. Pillar 2 is based on a self-assessment methodology and calculates capital resources and requirements on an economic basis. As agreed with the FSA, the Group aims to ensure that PLHL maintains capital resources in excess of the Group's life companies of at least £150 million in excess of its pension scheme and other capital requirements as assessed under Pillar 2, which is known as the Group's PLHL ICA surplus. The Group is obliged to restrict discretionary payments out of PLHL to the extent required to maintain an ICA surplus of at least £150 million.

The ICA methodology determines the capital requirement to ensure that the life company's realistic liabilities can be met in one year's time with a 99.5 per cent. confidence level, or in other words to be able to withstand a one in 200 year event. The FSA reviews each company's ICA and may impose additional capital requirements if necessary in the form of Individual Capital Guidance.

At 30 June 2012, the Group's PLHL ICA surplus was £0.4 billion, and is calculated as set out in the table below. As at 30 September 2012, the Group's PLHL ICA surplus was £0.6 billion. As at 30 November 2012,

as adjusted to take into account the new funding arrangements entered into with the trustee of the Pearl Group Staff Pension Scheme, the Group's PLHL ICA surplus was estimated to be £0.9 billion.

	As at 30 June 2012 *(unaudited)*
	£ billion
Capital resources[(1)]	0.8
Capital resource requirements[(2)]	(0.4)
PLHL ICA surplus	**0.4**

Notes:

(1) Capital resources includes the surplus over capital policy in the Group's life companies, a prudent assessment of the present value of future profits of Ignis Asset Management and the net assets of the Group's Holding Companies less pension scheme obligations calculated on a Pillar 2 basis.

(2) Capital requirements relate to the risks arising outside of the Group's life companies including those in relation to the Group's staff pension schemes, offset by Group synergies.

5. Off-Balance Sheet Arrangements

The Group is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

6. Contingent Liabilities

In the normal course of business the Group is exposed to certain legal issues, which involve litigation and arbitration. As at 30 September 2012, the Group had no material contingent liabilities.

7. Capitalisation and Indebtedness

7.1 Capitalisation

The table below sets out the Group's consolidated capitalisation as at 30 June 2012 for those categories which are available at that date. This table should be read in conjunction with the Group's consolidated financial information as at and for the nine months ended 30 September 2012, the six months ended 30 June 2012 and the years ended 31 December 2011, 2010 and 2009, each of which is incorporated by reference into this Prospectus as set out in Part XIV: "Information Incorporated by Reference" of this Prospectus.

	As at 30 June 2012 *(unaudited)*
	£ million
Share capital[(1)]	—
Share premium[(1)]	1,018
Other reserves	5
Shares held by employee trust and Group entities[(2)]	(11)
Foreign currency translation reserve	93
Retained earnings	448
Total equity attributable to owners of the parent	**1,553**
Non-controlling interests:	
Perpetual Reset Capital Securities[(3)]	398
UK Commercial Property Trust Limited[(4)]	328
Total equity	**2,279**

Notes:

(1) Ordinary Shares with a par value of €0.0001 each. As at 30 June 2012, there were 410 million Ordinary Shares authorised and 174,587,148 Ordinary Shares issued, outstanding and fully paid.

(2) Represents the value of the shares held by the Phoenix Group Holdings Employee Benefit Trust to satisfy awards granted to employees under the Group's share-based payment schemes and shares issued to Pearl Assurance Limited (which was renamed

Phoenix Life Assurance Limited on 28 September 2012) following the restructuring of the contingent rights over ordinary shares of the Company which occurred during 2010. The number of shares held by the Phoenix Group Holdings Employee Benefit Trust as at 30 June 2012 was 1,292,858.

(3) PGH1 has in issue £425 million of Perpetual Capital Reset Securities which are admitted to the Official List of the FSA and to trading on the London Stock Exchange. The Perpetual Capital Reset Securities have no fixed maturity and interest payments may be deferred at the option of PGH1. Accordingly the Perpetual Capital Reset Securities meet the definition of equity for reporting purposes.

(4) UK Commercial Property Trust Limited ("UKCPT") is a property investment subsidiary which is domiciled in Guernsey and is admitted to the Official List of the FSA and to trading on the London Stock Exchange.

Other than those items included in the table as at 30 June 2012 and set out in footnotes (1) to (4) above, there has been no material change in the Group's capitalisation since 30 June 2012.

7.2 Indebtedness

The table below sets out the Group's consolidated indebtedness as at 31 October 2012. This table should be read in conjunction with the Group's consolidated financial statements and the notes thereto which are incorporated into this Prospectus by reference as set out in Part IX: "Historical and Selected Financial Information on the Group".

As referred to in the table below, policyholder debt is debt which is owed by the long-term funds or in subsidiaries of the long-term funds of the Group's life companies. Shareholder debt is debt which is owed by the shareholder funds of the Group's life companies or outside the Group's life companies.

	As at 31 October 2012 *(unaudited)* *£ million*
Current debt	
Guaranteed and Secured:	
Shareholder:	
£2,260 million bank loan(1)	125
£425 million bank loan(2)	23
Unguaranteed and Unsecured:	
Policyholder:	
Limited recourse bonds 2022 7.59 per cent.(3)	11
Shareholder:	
Unsecured loan notes(4)	5
Total current debt	**164**
Non-current debt (excluding current portion of long-term debt)	
Guaranteed and Secured:	
Shareholder:	
£425 million bank loan(2)	328
£75 million secured C loan note(5)	75
£2,260 million bank loan(1)	1,727
Policyholder:	
£80 million loan facility(6)	80
£150 million term loan facility(7)	120
Unguaranteed and Unsecured:	
Policyholder:	
Limited recourse bonds 2022 7.59 per cent.(3)	75
Refinancing loan(8)	200
Shareholder:	
£200m 7.25 per cent. unsecured subordinated loans(9)	142
£100 million PIK notes and facility(10)	114
Total non-current debt (excluding current portion of long-term debt)	**2,861**

Notes:

(1) £2,260 million facility agreement entered into jointly by the Impala Borrowers in September 2009. As at 31 October 2012, £1,852 million capital remained outstanding under this facility. The Tranche A facility of £1,275 million is repayable over the

period from 30 April 2011 to 30 November 2014, attracting interest at LIBOR plus a cash margin of 1.00 per cent. and a PIK margin of 1.00 per cent. for the first four years and LIBOR plus a cash margin of 2.5 per cent. for the subsequent years. £408 million of the Tranche A facility had been repaid as at 31 October 2012. The Tranche B facility of £492.5 million is repayable on 30 November 2015, attracting interest at LIBOR plus a cash margin of 1.25 per cent. and a PIK margin of 0.75 per cent. for the first four years and LIBOR plus a cash margin of 3.25 per cent. for the subsequent years. The Tranche C facility of £492.5 million is repayable on 30 November 2016, attracting interest at LIBOR plus a cash margin of 1.75 per cent. and a PIK margin of 0.25 per cent. for the first four years and LIBOR plus a cash margin of 3.75 per cent. for the subsequent years. The borrowings are secured by first fixed and floating charges over all the assets and undertakings of the Impala Borrowers and of PGH2's shares in Impala. The Group has in place an interest rate swap transaction in respect of the Impala Facility which is due to expire in October 2013. The swap transaction is currently out of the money and the Group is required to make semi-annual payments in respect of the swap transaction. The amount of each semi-annual payment is determined at each six-monthly reset date. For the six months ending 30 April 2013, the cash cost of this swap transaction is approximately £15 million. On 30 January 2013, the Impala Borrowers entered into the Impala Facility Amendment and Restatement Agreement with, among others, the Impala Lenders pursuant to which certain key terms (including mandatory prepayments of the facility, the maturity date and the applicable interest rate) of the Impala Facility would be amended and restated conditional on the Amendment Conditions Precedent. See Part XIII: "Additional Information—Material Contracts—Credit Facilities—Impala Facility" for further details.

(2) £425 million facility agreement entered into jointly by the Pearl Borrowers. The facility is repayable over the period from 30 June 2011 to 30 June 2016, attracting interest at LIBOR plus a margin of 1.25 per cent. The borrowings under the £425 million facility are secured by first fixed and floating charges over all of the assets and undertakings of the Pearl Borrowers (including their respective 50 per cent. shareholdings in PLHL, all real property, book debts, bank accounts, investments, intellectual property and other assets). Phoenix Life Assurance, which is a member of the Group, has a 6.3 per cent. interest as a lender under the facility. The current and non-current portions of this facility as set out in the table above are stated net of Pearl Assurance Limited's interest in the facility. As at 31 October 2012, the gross principal amount outstanding under the facility, which includes both the current and non-current portions of the facility, before taking into account Pearl Assurance Limited's interest in the facility, was £375 million.

(3) In 1998, National Provident Institution raised £260 million of capital through the securitisation of embedded value on a block of existing unit linked and unitised with profit life and pension policies. Following the demutualisation of National Provident Institution, these were transferred to NPL. The bonds are split between two classes, which rank pari passu. The £140 million 7.39 per cent. class A1 limited recourse bonds matured on 30 September 2012 and consequently none are outstanding. The £120 million 7.59 per cent. limited recourse bonds with an outstanding principal of £120 million have an average remaining life of 7 years maturing in 2022. NPLL has provided collateral of £66 million as at 31 October 2012 to provide security to the holders of the NPLL recourse bonds in issue.

(4) Unsecured loan notes of £72 million were issued by Impala at par on 14 May 2008 at an interest rate of LIBOR minus 1.00 per cent. per annum with a final maturity date of 2012. As at 31 October 2012, £67 million of these loan notes had been repaid and £5 million were outstanding.

(5) This loan note has been issued jointly by the Pearl Borrowers. The loan note is repayable in 2024 and attracts interest at LIBOR plus a margin of 1.00 per cent. At the same time as the amendments to the Impala Facility take effect, these loan notes are currently expected to be amended to permit voluntary early redemption. Phoenix Life Assurance, which is a member of the Group, has a 6.3 per cent. interest in the loan note. The outstanding amount of this loan note as set out in the table above is stated net of Phoenix Life Assurance's interest in the loan note. As at 31 October 2012, the gross principal amount outstanding on this loan note, before taking into account Phoenix Life Assurance's interest in this loan note, was £79 million.

(6) In 2008, UKCPT entered into an £80 million revolving loan facility agreement. This loan accrues interest at LIBOR plus a variable margin of 0.50 per cent. to 0.60 per cent. per annum. The lender holds a floating charge over certain assets of UKCPT and its subsidiaries. The repayment date for this facility is 19 June 2015. This facility was fully utilised during 2011 in order to increase UKCPT's property portfolio.

(7) On 19 May 2011, UKCPT entered into a £150 million investment term loan facility agreement. The £150 million investment term loan facility agreement accrues interest at LIBOR plus a variable margin of 1.60 per cent. to 2.00 per cent. per annum. The lender holds security over the assets of UK Commercial Property Estates Holdings Limited and UK Commercial Property Estates Limited, both of which are subsidiaries of UKCPT. The repayment date for this facility is 19 May 2018. As at 31 October 2012, the amount drawn down was £120 million.

(8) The Refinancing loan from Abbey National Property Investments is included in the consolidated financial statements at fair value. It relates to the sale of Extra-Income Plan policies that Abbey National Property Investments finances to the value of the associated property reversions. As part of the arrangement Abbey National Property Investments receive an amount calculated by reference to the movement in the Halifax House Price Index and NPLL and NPI Limited have undertaken to indemnify Abbey National Property Investments against profits or losses arising from mortality or surrender experience which differs from the basis used to calculate the reversion amount. Repayment will be on a policy-by-policy basis and is expected to occur over the next 10 to 20 years.

(9) Scottish Mutual Assurance Limited issued £200 million 7.25 per cent. undated, unsecured subordinated loan notes on 23 July 2001. The earliest repayment date of the notes is 25 March 2021 and thereafter on each fifth anniversary so long as the notes are outstanding. With effect from 1 January 2009, as a part of a Part VII transfer, these loan notes were transferred into the shareholder fund of Phoenix Life Limited. In the event of the winding-up of Phoenix Life Limited, the right of payment under the notes is subordinated to the rights of the higher-ranking creditors (principally policyholders).

(10) On 14 May 2008, MC1 issued PIK notes for the value of £154.5 million to Royal London and MC2 obtained a £154.5 million PIK facility from Royal London. On 2 September 2009, £250 million in aggregate of the PIK notes and the facility outstanding

(comprising principal and capitalised interest) was assigned to the Company as part of the acquisition of the Original Pearl Business in exchange for the issue of 1.5 million shares and 12.36 million warrants. The acquired PIK notes and facility were recognised at their fair value. Interest accrues on the PIK notes and facility at LIBOR plus a margin of 2 per cent. unless an election is made by MC1 or MC2 to capitalise the interest, in which case the margin increases to 3.5 per cent. During the ten months ended 31 October 2012, interest of £3 million was capitalised on the PIK notes and facility. The final maturity date on the PIK notes and facility is 30 June 2019.

7.3 Net financial indebtedness

The table below sets out the Group's consolidated net financial indebtedness as at 31 October 2012.

	As at 31 October 2012 *(unaudited)*
	£ million
Holding Companies' cash and cash equivalents	925
Phoenix Life free surplus	538
Liquidity	**1,463**
Current financial receivable	—
Current shareholder debt	—
Current portion of non-current shareholder debt	(153)
Other current shareholder financial debt	—
Current financial debt	**(153)**
Net current financial indebtedness	**1,310**
Non-current shareholder bank loans (including Royal London)	**(2,244)**
Other non-current shareholder loans	**(142)**
Non-current financial indebtedness	**(2,386)**
Net financial indebtedness	**(1,076)**

PART IX

HISTORICAL AND SELECTED FINANCIAL INFORMATION ON THE GROUP

The table below sets out the Group's selected financial information for the periods indicated. The data has been extracted without material adjustment from the Group's historical financial statements for the years ended 31 December 2009, 2010 and 2011 and for the half year ended 30 June 2012, which are incorporated by reference into this Part IX.

	For the year ended 31 December (audited, except as otherwise indicated)		
	2011	**2010**	**2009**
IFRS operating profit before tax (£ million):			
Actual	387	373	282[(1)]
Pro forma (*unaudited*)	—	—	457[(2)]
IFRS profit/(loss) before tax attributable to owners (£ million)	(177)	6	151[(1)]
IFRS earnings per share (pence):			
Basic	(76.2)	20.1	102.9[(1)]
Diluted	(76.2)	20.1	89.8[(1)]

	As at 31 December (audited)		
	2011	**2010**	**2009**
Total IFRS assets (£ million)	89,501	83,602[(3)]	76,974[(3)]
IFRS equity attributable to ordinary shareholders (£ million)	1,652	1,580	1,412

Notes:

(1) Incorporates the results of the Original Pearl Business for the four month post acquisition period only.

(2) Represents unaudited pro forma financial information for the year ended 31 December 2009 to illustrate the effect the acquisition of the Original Pearl Business would have had on the Group's performance for the year had the acquisition taken place on 1 January 2009. See Part VIII: "Operating and Financial Review of the Company—Review of Results of Operations" for further details.

(3) The total IFRS assets for the years ended 31 December 2010 and 31 December 2009 have been restated. During the Group's review of the recoverability of its deferred tax assets, it was identified that a deferred tax asset of £38 million should have been written off at the date of, and as a consequence of, the 2009 acquisition of the then Pearl businesses by the Company. The consequence of this is a prior year understatement of deferred tax liabilities and goodwill of £38 million. The impact of the correction on the prior year statement of consolidated financial position is to increase goodwill and deferred tax liabilities by £38 million. The correction of this classification error has no impact on operating profit, profit attributable to owners, retained earnings or net assets.

	For the half year ended 30 June (unaudited)	
	2012	**2011**
IFRS operating profit before tax (£ million)	207	136
IFRS (loss)/profit before tax attributable to owners (£ million)	(29)	69
IFRS earnings per share (pence):		
Basic	1.1	52.3
Diluted	1.1	52.3

	As at 30 June (unaudited)	
	2012	**2011**
Total IFRS assets (£ million)	89,715	82,659
IFRS equity attributable to ordinary shareholders (£ million)	1,553	1,670

The Directors use a number of financial key performance indicators to review and monitor the Group's performance on a regular basis. The principal key performance indicators are provided in the tables below.

	For the year ended 31 December		
	2011	2010	2009
	(unaudited)		
Operating companies' cash generation (£ million)			
Actual	810	734	444(1)
Pro Forma	—	—	716(2)
Dividend per share (pence, unless otherwise stated)	42	42	€0.17(3)

	As at 31 December		
	2011	2010	2009
	(unaudited, unless otherwise indicated)		
IGD surplus (£ billion)	1.3	1.0	1.2
Group MCEV (£ million) (*audited*)	2,118	2,104	1,827
Group assets under management (£ billion)	72.1	69.6	68.3
Gearing (calculated on the basis of the Existing Gearing Definition) (per cent.)	46	52	58

Notes:

(1) Incorporates the results of the Original Pearl Business for the four months post acquisition period only.

(2) Represents unaudited pro forma financial information for the year ended 31 December 2009 to illustrate the effect the acquisition of the Original Pearl Business would have had on the Group's performance for the year had the acquisition taken place on 1 January 2009. See Part VIII: "Operating and Financial Review of the Company—Review of Results of Operations" for further details.

(3) Represents dividend per share in respect of the four month period ended 31 December 2009.

	For the half year ended 30 June	
	2012	2011
	(unaudited)	
Operating companies' cash generation (£ million)	119	496
Interim dividend per share (pence)	21	21

	As at 30 June 2012	As at 31 December 2011
	(unaudited)	(unaudited, except as otherwise indicated)
IGD surplus (£ billion)	1.2	1.3
Group MCEV (£ million) (*audited*)	2,135	2,118
Group assets under management (£ billion)	71.6	72.1
PLHL ICA surplus (£ billion)	0.4	—(1)
Gearing (calculated on the basis of the Existing Gearing Definition) (per cent.)	46	46

Note:

(1) In accordance with FSA requirements, the Group now undertakes an ICA at the level of the highest EEA level insurance group holding company, which is PLHL.

The following documents, all of which have been filed with the National Storage Mechanism or announced through a Regulatory Information Service are incorporated in full into this Prospectus by reference:

1. the Group's unaudited 2012 interim management financial information for the nine months ended 30 September 2012 contained in the 2012 Q3 Interim Management Statement;

2. the Group's reviewed condensed consolidated interim financial statements for the half year ended 30 June 2012 under IFRS together with the relevant notes contained in the 2012 Half Year Interim Report. The independent auditor's review report is at page 23, the condensed consolidated income statement is at page 24, the condensed statement of consolidated comprehensive income and pro forma reconciliation of Group operating profit to profit attributable to owners are at page 25, the

condensed statement of consolidated financial position is at pages 26 to 27, the condensed statement of consolidated cash flows is at page 28, the condensed statement of consolidated changes in equity is at pages 29 to 31 and the explanatory notes are at pages 32 to 49;

3. the Group's audited consolidated financial statements for the year ended 31 December 2011 under IFRS together with relevant notes contained in the 2011 Annual Report. The independent auditor's report is at page 85, the consolidated income statement is at page 86, the statement of consolidated comprehensive income and pro forma reconciliation of Group operating profit to result attributable to owners are at page 87, the statement of consolidated financial position is at pages 88 to 89, the statement of consolidated cash flows is at page 90, the statement of consolidated changes in equity is at pages 91 to 92 and the explanatory notes are at pages 93 to 164;

4. the Group's audited consolidated financial statements for the year ended 31 December 2010 under IFRS together with relevant notes contained in the 2010 Annual Report. The independent auditor's report is at page 89, the consolidated income statement is at page 90, the statement of consolidated comprehensive income and pro forma reconciliation of Group operating profit to profit attributable to owners are at page 91, the statement of consolidated financial position is at pages 92 to 93, the statement of consolidated cash flows is at page 94, the statement of consolidated changes in equity is at pages 95 to 96 and the explanatory notes are at pages 97 to 169; and

5. the Group's audited consolidated financial statements for the year ended 31 December 2009 under IFRS together with relevant notes contained in the 2009 Annual Report. The auditor's report is at page 77, the consolidated income statement is at page 78, the statement of consolidated comprehensive income and pro forma reconciliation of Group operating profit to profit before the tax attributable to owners are at page 79, the statement of consolidated financial position is at pages 80 to 81, the statement of consolidated cash flows is at page 82, the statement of consolidated changes in equity is at page 83 and the explanatory notes are at pages 84 to 157.

The Company will provide without charge to each person to whom a copy of this Prospectus has been delivered, upon written or oral request of such person, a copy of any documents incorporated by reference in this Prospectus, except that exhibits to such documents will not be provided unless they are specifically incorporated by reference into this Prospectus. Request for copies of any such documents should be directed to the Company's registered office.

PART X

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

SECTION A: UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED IFRS FINANCIAL POSITION OF THE GROUP

The unaudited pro forma financial information set out in this Section A of Part X (the "unaudited Pro Forma IFRS Financial Information") comprises an unaudited pro forma statement of consolidated IFRS financial position of the Group.

The unaudited Pro Forma IFRS Financial Information set out in this Section A of Part X has been prepared to illustrate the effect of the following transactions, as if each had occurred on 30 June 2012:

(i) payment to the Company of the net proceeds from the Capital Raising of £232 million, after deduction of commissions, fees and expenses incurred in relation to the Capital Raising; and

(ii) the prepayment of £450 million of the Impala Facility, which the Group expects to make within two business days following completion of the Capital Raising, as part of the amendments made in the Impala Facility Amendment and Restatement Agreement, and the payment of arrangement and structuring fees in an aggregate amount of £21 million in connection with the Impala Facility Amendment and Restatement Agreement. Each of these payments will be funded in part by the entire net proceeds of the Capital Raising and the balance will be funded by the Group's existing cash resources held in the Holding Companies.

The unaudited Pro Forma IFRS Financial Information set out in this Section A of Part X has not been adjusted to reflect the £62.5 million repayment of the Impala Facility made by the Group in the last quarter of 2012 or any other transactions or results between 30 June 2012 and the date of this Prospectus.

The unaudited Pro Forma IFRS Financial Information has been prepared for illustrative purposes only, in a manner consistent with the IFRS accounting policies adopted by the Company and, because of its nature, it addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results. The unaudited Pro Forma IFRS Financial Information has been prepared on the basis set out in the notes below.

Unaudited Pro Forma Statement of Consolidated IFRS Financial Position of the Group

		Pro forma adjustments for the Group		
	As at 30 June 2012[(1)]	Receipt of the net proceeds of the Capital Raising[(2)]	Prepayment of debt and payment of arrangement and structuring fees[(3)]	Pro forma as at 30 June 2012
	(unaudited)		(unaudited)	
	£ million			
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent:				
Share capital	—	—	—	—
Share premium	1,018	232	—	1,250
Other reserves	5	—	—	5
Shares held by employee trust and Group entities	(11)	—	—	(11)
Foreign currency translation reserve	93	—	—	93
Retained earnings	448	—	(21)	427
Total equity attributable to owners of the parent	**1,553**	**232**	**(21)**	**1,764**
Non-controlling interests:				
Perpetual Reset Capital Securities	398	—	—	398
UK Commercial Property Trust Limited	328	—	—	328
Total equity	**2,279**	**232**	**(21)**	**2,490**
Liabilities:				
Insurance contract liabilities	52,287	—	—	52,287
Financial liabilities:				
—Investment contracts	7,933	—	—	7,933
—Borrowings[(4)]	3,110	—	(450)	2,660
—Deposits received from reinsurers	467	—	—	467
—Derivatives	3,958	—	—	3,958
—Net asset value attributable to unit holders	4,334	—	—	4,334
—Obligations for repayment of collateral received	12,402	—	—	12,402
Provisions	57	—	—	57
Deferred tax	613	—	—	613
Reinsurance payables	30	—	—	30
Payables related to direct insurance contracts	484	—	—	484
Current tax	61	—	—	61
Accruals and deferred income	176	—	—	176
Other payables	1,524	—	—	1,524
Total liabilities	**87,436**	**—**	**(450)**	**86,986**
Total equity and liabilities	**89,715**	**232**	**(471)**	**89,476**

	As at 30 June 2012[(1)]	Pro forma adjustments for the Group: Receipt of the net proceeds of the Capital Raising[(2)]	Pro forma adjustments for the Group: Prepayment of debt and payment of arrangement and structuring fees[(3)]	Pro forma as at 30 June 2012
	(unaudited)		(unaudited)	
		£ million		
ASSETS				
Pension scheme surplus	257	—	—	257
Intangible assets	2,349	—	—	2,349
Property, plant and equipment	24	—	—	24
Investment property	1,826	—	—	1,826
Financial assets:		—	—	
—Loans and receivables	2,723	—	—	2,723
—Derivatives	5,098	—	—	5,098
—Equities	10,640	—	—	10,640
—Fixed and variable rate income securities	43,469	—	—	43,469
—Collective investment schemes	5,931	—	—	5,931
Insurance assets	3,282	—	—	3,282
Current tax	6	—	—	6
Prepayments and accrued income	520	—	—	520
Other receivables	1,181	—	—	1,181
Cash and cash equivalents	12,409	232	(471)	12,170
Total assets	**89,715**	**232**	**(471)**	**89,476**

Notes:

(1) The consolidated statement of IFRS financial position of the Group as at 30 June 2012 has been extracted, without material adjustment, from the 2012 Half Year Interim Report, the relevant sections of which are incorporated by reference into this Prospectus. See Part XIV: "Information Incorporated by Reference".

(2) (i) An adjustment has been made to reflect the proceeds of the Capital Raising being received by the Company. The increase in cash and cash equivalents of £232 million reflects the proceeds from the Capital Raising of £250 million net of commissions, fees and expenses of £18 million. The gross proceeds of the Capital Raising reflect the issuance by the Company of 50,000,000 New Ordinary Shares at the Issue Price.

(ii) The adjustment of £4,300 (not indicated in the table above due to rounding) to share capital reflects the issue of 50,000,000 New Ordinary Shares at par value (€0.0001), calculated based on an exchange rate between Pound sterling and Euro of 0.86 at 5:00 p.m. (London time) on 28 January 2013.

(iii) The adjustment of £232 million to share premium reflects the net proceeds of the Capital Raising of £232 million less the aggregate of the par value of New Ordinary Shares of £4,300, calculated based on an exchange rate between Pound sterling and Euro of 0.86 at 5:00 p.m. (London time) on 28 January 2013.

(3) Adjustments have been made to reflect the prepayment of £450 million of the Impala Facility and the payment of arrangement and structuring fees in an aggregate amount of £21 million in connection with the Impala Facility Amendment and Restatement Agreement, each of which will be funded in part by the entire net proceeds of the Capital Raising and the balance will be funded by the Group's existing cash resources held in the Holding Companies.

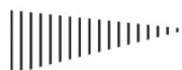
(4) Borrowings comprise the following items:

	As at 30 June 2012 *(unaudited)*[(1)]	Pro forma adjustments for the Group *(unaudited)* Receipt of the net proceeds of the Capital Raising[(2)]	Prepayment of debt and payment of arrangement and structuring fees[(3)]	Pro forma as at 30 June 2012[(4)]
		£ million		
Policyholder borrowings	512	—	—	512
Shareholder borrowings:				
—£200m 7.25 per cent. unsecured subordinated loan	139	—	—	139
—Unsecured loan notes	5	—	—	5
—£75 million secured loan note	74	—	—	74
—£425 million syndicated facility	351	—	—	351
—£2,260 million syndicated facility	1,915	—	(450)	1,465
—£100 million PIK notes and facility	114	—	—	114
Total shareholder borrowings	**2,598**	**—**	**(450)**	**2,148**
Total borrowings	**3,110**	**—**	**(450)**	**2,660**

Effect on IFRS earnings

If the transactions had occurred at the beginning of the six months ended 30 June 2012, the impact on IFRS earnings would have been to decrease after tax earnings as a result of the increased interest charges arising under the amended Impala Facility and the arrangement and structuring fees incurred in connection with the Impala Facility Amendment and Restatement Agreement. There would be no impact on IFRS operating profit before tax.

Report on the Unaudited Pro Forma Statement of Consolidated IFRS Financial Position of the Group prepared on an IFRS basis



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The Directors
Phoenix Group Holdings
c/o Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman
KY-11o4, Cayman Islands

30 January 2013

Dear Sirs

We report on the unaudited Pro Forma financial information (the "Pro Forma IFRS Financial Information") set out in Section A of Part X of the Prospectus dated 30 January 2013 (the "Prospectus") which has been prepared on the basis described in the notes to the unaudited Pro Forma IFRS financial information, for illustrative purposes only, to provide information about how the transactions referred to in notes 2 and 3 thereof might have affected the financial information presented on the basis of the IFRS accounting policies adopted by Phoenix Group Holdings (the "Company") in preparing the IFRS financial statements for the period ended 30 June 2012. This report is required by item 20.2 of Annex I of Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under applicable law to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) No 809/2004, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma IFRS Financial Information in accordance with item 20.2 of Annex I of Commission Regulation (EC) No 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the Pro Forma IFRS Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma IFRS Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents,

considering the evidence supporting the adjustments and discussing the Pro Forma IFRS Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma IFRS Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Pro Forma IFRS Financial Information has been properly compiled on the basis stated; and

(b) such basis is consistent with the IFRS accounting policies adopted by the Company.

Declaration

For the purposes of Commission Regulation (EC) No 809/2004 we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) No 809/2004.

Yours faithfully

Ernst & Young LLP

SECTION B: UNAUDITED PRO FORMA STATEMENT OF GROUP MCEV

The unaudited pro forma financial information set out in this Section B of Part X (the "unaudited Pro Forma MCEV Financial Information") comprises an unaudited pro forma statement of Group MCEV.

The unaudited Pro Forma MCEV Financial Information set out in this Section B of Part X has been prepared to illustrate the effect of the following transactions, as if each had occurred on 30 June 2012:

(i) payment to the Company of the net proceeds from the Capital Raising of £232 million, after deduction of commissions, fees and expenses incurred in relation to the Capital Raising; and

(ii) the prepayment of £450 million of the Impala Facility, which the Group expects to make as soon as possible following completion of the Capital Raising, as part of the amendments made in the Impala Facility Amendment and Restatement Agreement, and the payment of arrangement and structuring fees in an aggregate amount of £21 million in connection with the Impala Facility Amendment and Restatement Agreement. Each of these payments will be funded in part by the entire net proceeds of the Capital Raising and the balance will be funded by the Group's existing cash resources held in the Holding Companies.

The unaudited Pro Forma MCEV Financial Information set out in this Section B of Part X has not been adjusted to reflect the £62.5 million repayment of the Impala Facility made by the Group in the last quarter of 2012 or any other transactions or results between 30 June 2012 and the date of this Prospectus.

The unaudited Pro Forma MCEV Financial Information has been prepared for illustrative purposes only, in a manner consistent with the MCEV accounting policies adopted by the Company and, because of its nature, it addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results. The unaudited Pro Forma MCEV Financial Information has been prepared on the basis set out in the notes below.

		Pro forma adjustments for the Group *(unaudited)*		
	As at 30 June 2012 *(unaudited)*[(1)]	**Receipt of the net proceeds of the Capital Raising**[(2)]	**Prepayment of debt and payment of arrangement and structuring fees**[(3)]	**Pro forma as at 30 June 2012**
		£ million		
Group MCEV[(4)]	2,135	232	(46)	2,321

Notes:

(1) The Group MCEV as at 30 June 2012 has been extracted, without material adjustment, from the 2012 Half Year Interim Report, the relevant sections of which are incorporated by reference into this Prospectus. See Part XIV: "Information Incorporated by Reference".

(2) An adjustment has been made to reflect the proceeds of the Capital Raising being received by the Company. The increase in the Group MCEV of £232 million reflects the proceeds from the Capital Raising of £250 million net of commissions, fees and expenses of £18 million. Cash and cash equivalents have increased by £232 million as a result of the Capital Raising from £12,409 million to £12,641 million. The gross proceeds of the Capital Raising reflect the issuance by the Company of 50,000,000 New Ordinary Shares of par value €0.0001 at the Issue Price resulting in an increase in share capital of £4,300 (calculated based on an exchange rate between Pound Sterling and Euro of 0.86 at 5:00 p.m. (London time) on 28 January 2013) and an increase in share premium of £232 million.

(3) (i) Adjustments have been made to reflect the prepayment of £450 million of the Impala Facility and the payment of arrangement and structuring fees in an aggregate amount of £21 million in connection with the Impala Facility Amendment and Restatement Agreement, each of which will be funded in part by the entire net proceeds of the Capital Raising and the balance will be funded by the Group's existing cash resources held in the Holding Companies. As a result the debt prepayment and the payment of fees and commissions reduces cash and cash equivalents by £471 million, from £12,641 million to £12,170 million and reduces borrowings by £450 million, from £2,850 million to £2,400 million.

(ii) An adjustment of £25 million has been made which reduces the value of in-force business from £2,468 million to £2,443 million, in order to reflect the fact that the prepayment of £450 million of the Impala Facility reduces the expected tax attributes available to the Group to relieve tax on the emerging surpluses from the Group's operating businesses following the prepayment. These tax attributes are not valued on an IFRS basis.

(4) Included within Group MCEV is shareholder debt at the following values:

	As at 30 June 2012 *(unaudited)*[(1)]	Pro forma adjustments for the Group *(unaudited)* Receipt of the net proceeds of the Capital Raising[(2)]	Prepayment of debt and payment of arrangement and structuring fees[(3)]	Pro forma as at 30 June 2012[(4)]
		£ million		
Shareholder debt:				
Bank debt at face value:				
— £425 million syndicated facility	351	—	—	351
— £75 million secured loan note	74	—	—	74
— £2,260 million syndicated facility	1,915	—	(450)	1,465
— £100 million PIK notes and facility	114	—	—	114
Unsecured loan notes at face value (net of escrow account)[(a)]	5	—	—	5
Tier 1 Bonds at market value[(b)]	247	—	—	247
PLL subordinated debt at market value[(c)]	144	—	—	144
Total shareholder debt	**2,850**	**—**	**(450)**	**2,400**

Notes:

(a) The unsecured loan notes of £5 million were settled in the last quarter of 2012 out of funds held in an escrow account.

(b) The Tier 1 Bonds (Perpetual Reset Capital Securities) are accounted for as equity under IFRS and are shown above at market value.

(c) The PLL subordinated debt (£200m 7.25 per cent. unsecured subordinated loan notes) is shown above at market value.

Effect on MCEV earnings

If the transactions had occurred at the beginning of the six months ended 30 June 2012, the impact on MCEV earnings would have been to decrease after tax earnings as a result of the increased interest charges arising under the amended Impala Facility and the arrangement and structuring fees incurred in connection with the Impala Facility Amendment and Restatement Agreement and the reduction in the expected tax attributes available to the Group to relieve tax on the emerging surpluses from the Group's operating businesses following the prepayment on the Impala Facility. There would be no impact on MCEV operating earnings before tax.

Report on the Unaudited Pro Forma Statement of Group MCEV prepared on a MCEV basis

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The Directors
Phoenix Group Holdings
c/o Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman
KY-11o4, Cayman Islands

30 January 2013

Dear Sirs

We report on the unaudited Pro Forma financial information (the "Pro Forma MCEV Financial Information") set out in Section B of Part X of the Prospectus dated 30 January 2013 (the "Prospectus") which has been prepared on the basis described in the notes to the unaudited Pro Forma MCEV financial information, for illustrative purposes only, to provide information about how the transactions referred to in notes 2 and 3 thereof might have affected the financial information presented on the basis of the MCEV accounting policies adopted by Phoenix Group Holdings (the "Company") in preparing the MCEV supplementary information for the period ended 30 June 2012. This report is required by item 20.2 of Annex I of Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under applicable law to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) No 809/2004, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma MCEV Financial Information in accordance with item 20.2 of Annex I of Commission Regulation (EC) No 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the Pro Forma MCEV Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma MCEV Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma MCEV Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma MCEV Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Pro Forma MCEV Financial Information has been properly compiled on the basis stated; and

(b) such basis is consistent with the MCEV accounting policies adopted by the Company.

Declaration

For the purposes of Commission Regulation (EC) No 809/2004 we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) No 809/2004.

Yours faithfully

Ernst & Young LLP

PART XI

DIRECTORS, CORPORATE GOVERNANCE AND EMPLOYMENT MATTERS

SECTION A: DIRECTORS

1. Positions

The Directors of the Board are as follows as at the date of this Prospectus:

Name	Position
Sir Howard Davies	Chairman, Non-Executive Director and Nomination Committee Chairman
Clive Bannister	Group Chief Executive Officer
James McConville	Group Finance Director
Alastair Lyons	Senior Independent Non-Executive Director and Audit Committee Chairman
Ian Ashken	Non-Executive Director
René-Pierre Azria	Non-Executive Director
David Barnes	Independent Non-Executive Director
Charles Clarke	Independent Non-Executive Director
Ian Cormack	Independent Non-Executive Director and Remuneration Committee Chairman
Tom Cross Brown	Independent Non-Executive Director and Investment Committee Chairman
Manjit Dale	Non-Executive Director
Isabel Hudson	Independent Non-Executive Director
Hugh Osmond	Non-Executive Director
David Woods	Independent Non-Executive Director and Risk Committee Chairman

The business address of each of the Directors is 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU, Channel Islands.

2. Biographies of the directors

Sir Howard Davies
Chairman

Sir Howard Davies was appointed Chairman of the Board of Directors on 1 October 2012 and replaced Ron Sandler who was appointed Chairman of the Board of Directors on 24 September 2009. Sir Howard Davies is the Chair of the British Government's Airport Policy Review. He also is a Professor of Practice at the French School of Political Science in Paris (Sciences Po). He was previously the Director of the London School of Economics and Political Science from 2003 until May 2011. Prior to this appointment he was chairman of the UK Financial Services Authority from 1997 to 2003. From 1995 to 1997 he was Deputy Governor of the Bank of England, after three years as the Director General of the Confederation of British Industry. Earlier in his career he worked in the Foreign and Commonwealth Office, the Treasury, McKinsey and Co. and as Controller of the Audit Commission. He has been an independent Director of Morgan Stanley Inc. since 2004, and chairs the Risk Committee. He also chairs the Risk Committee at Prudential PLC, whose board he joined in 2010. He is a member of the Regulatory and Compliance Advisory Board of Millennium LLC, a New York-based hedge fund. He has also been a member of the International Advisory Council of the China Banking Regulatory Commission since 2003 and, from 2012, is Chairman of the International Advisory Council of the China Securities Regulatory Commission.

Clive Bannister
Group Chief Executive Officer

Clive Bannister joined the Group in February 2011 as Group Chief Executive Officer. Prior to this, he was Group Managing Director of Insurance and Asset Management at HSBC. He joined HSBC in 1994 and held various leadership roles in Planning and Strategy in the Investment Bank (USA) and was Group General Manager and CEO HSBC Group Private Banking. He started his career at First National Bank of Boston and prior to working at HSBC was a partner in Booz Allen Hamilton in the Financial Services Practice providing strategic support to financial institutions including leading insurance companies, banks

and investment banks. Throughout his career he has lived and worked internationally. Mr Bannister was appointed to the Board of Directors of the Company on 28 March 2011.

James McConville
Group Finance Director

James McConville was appointed to the Board of Directors of the Company as Group Finance Director on 28 June 2012. Between April 2010 and December 2011, he was Chief Financial Officer of Northern Rock plc. Prior to that, between 1988 and 2010, he worked for Lloyds Banking Group plc (formerly Lloyds TSB Group plc) in a number of senior finance and strategy related roles latterly as Finance Director of Scottish Widows Group plc and Director of Finance for the Insurance and Investments Division. Mr McConville qualified as a chartered accountant whilst at Coopers and Lybrand.

Alastair Lyons
Senior Independent Director

Alastair Lyons was appointed to the Board of Directors of the Company as Senior Independent Director on 29 March 2010. He is also Chairman of Admiral Group plc, the FTSE 100 direct motor insurer, Chairman of Serco Group plc, the FTSE 100 international services company, Deputy Chairman of Bovis Homes Group plc and Chairman of the Towergate Insurance Group. In his executive career he was Chief Executive Officer of the National Provident Institution, Executive Director of Abbey National responsible for the insurance division and Chief Executive Officer of the National & Provincial Building Society. He is a Fellow of the Institute of Chartered Accountants and has been a Non-Executive Director of both the Department for Work and Pensions and the Department for Transport. Mr Lyons is Chairman of the Board Audit Committee.

Ian Ashken
Non-Executive Director

Ian G. H. Ashken is Vice Chairman and Chief Financial Officer of Jarden Corporation, a NYSE listed Fortune 500 US diversified consumer products company. Mr Ashken has had extensive public company experience over the last 20 years, including as Chief Financial Officer of Benson Eyecare Corporation, Lumen Technologies and Bollé Inc. Mr Ashken is a Principal and Executive Officer of a number of private investment entities. He was appointed to the Board of Directors of the Company on 2 September 2009.

René-Pierre Azria
Non-Executive Director

René-Pierre Azria is Chief Executive Officer of Tegris Advisors LLC, a US private advisory firm specialising in strategic financial analysis and mergers and acquisitions. Prior to founding Tegris, Mr Azria was a worldwide partner with Rothschild & Co. Prior to joining Rothschild in 1996, Mr Azria served as Managing Director of Blackstone Indosuez and President of Financiére Indosuez Inc. in New York. Mr Azria serves as a Director of two privately-held book publishers in France and the US. Mr Azria was appointed to the Board of Directors of the Company on 2 September 2009. He is a member of the Board Investment and Board Risk Committees.

David Barnes
Non-Executive Director

David Barnes joined the RBS Group (then Williams & Glyn's Bank) in 1973 and remained there in various roles until his early retirement in February 2009. His roles included Relationship Banker in the then newly established Corporate Division, Managing Director of the Financial Institutions Relationship Management team and member and subsequently Chairman of RBS's Credit Committee. From 2005 he was responsible for all lending to financial institutions and for capital management for RBS's Financial Institutions Group. Mr Barnes was appointed to the Board of Directors of the Company on 2 September 2009. He is a member of the Board Audit and Board Remuneration Committees.

Charles Clarke
Non-Executive Director

Charles Clarke is a Jersey-resident Chartered Accountant who spent some 30 years with KPMG. Having qualified in London, he was a financial sector audit partner/principal in London, Kuala Lumpur and

Jersey. He was also senior partner of the KPMG Channel Island firm for seven years and, during his final year, Chairman of the grouping of KPMG member firms in offshore jurisdictions. Since retiring from KPMG at the end of 2005, he has acted as an independent Non-Executive Director ('NED') and established an offshore governance consultancy and NED recruitment service. His current NED appointments include SG Hambros Bank and Aberdeen Asian Income Fund Limited. Mr Clarke was appointed to the Board of Directors of the Company on 18 February 2010. He is a member of the Board Audit and Board Investment Committees.

Ian Cormack
Non-Executive Director

Ian Cormack is Non-Executive Chairman of Maven Income & Growth VCT 4 plc and is a Non-Executive Director of Bloomsbury Publishing Plc, Aspen Insurance Holdings, Arria NLG Limited and Xchanging plc. Mr Cormack was Chief Executive Officer of AIG, Inc. in Europe from 2000 to 2002 and was Chairman of Citibank International plc and co-head of the Global Financial Institutions Client Group at Citigroup. Mr Cormack served on the Board of Directors of the former Pearl Group Limited from May 2005 to September 2009. He was appointed to the Board of Directors of the Company on 2 September 2009. Mr Cormack is Chairman of the Board Remuneration Committee and a member of the Board Nomination Committee.

Tom Cross Brown
Non-Executive Director

Tom Cross Brown was Global Chief Executive of ABN AMRO Asset Management (which managed some €160 billion of assets, with offices in 30 countries around the world) from 2000 to 2003, as well as Chairman of ABN AMRO Asset Management in the UK from 1997 to 2003. Prior to this, he spent 21 years with Lazard Brothers in London, latterly as Chief Executive Officer of Lazard Brothers Asset Management. Mr Cross Brown is Non-Executive Chairman of Just Retirement (Holdings) Limited and is a Non-Executive Director of Artemis Alpha Trust plc, as well as of other private companies and charities. Mr Cross Brown served on the Board of Directors of the former Pearl Group Limited from May 2005 until September 2009. He was appointed to the Board of Directors of the Company on 24 September 2009. He is Chairman of the Board Investment Committee and a member of the Board Nomination and Board Risk Committees.

Manjit Dale
Non-Executive Director

Manjit Dale is a founding partner of TDR Capital, a private equity firm established in 2002. TDR Capital manages over €2.6 billion of assets on behalf of a variety of institutional pension funds, university endowments and wealthy private individuals. Prior to founding TDR Capital, Mr Dale was Managing Partner at Deutsche Bank Capital Partners Europe. He has served on the Boards of Pizza Express and Center Parcs and currently also serves on the Board of Algeco Scotsman. Mr Dale has over 20 years' experience in private equity, finance and consulting gained with Bankers Trust, 3i plc, NM Rothschild and Andersen Consulting. Mr Dale graduated from Cambridge University with an Honours Degree in Economics. He served on the Board of Directors of the former Pearl Group Limited from December 2004 to September 2009. Mr Dale was appointed to the Board of Directors of the Company on 2 September 2009 and is a member of the Board Investment Committee.

Isabel Hudson
Non-Executive Director

Isabel Hudson is a former Executive Director of Prudential Assurance Company Limited. She was also Chief Financial Officer at Eureko BV. Ms Hudson is Non-Executive Chair of the National House Building Council and a Non-Executive Director of QBE Insurance, MGM Advantage and The Pensions Regulator. Ms Hudson is an ambassador to Scope, a UK charity, and has 31 years experience in the insurance industry in the UK and mainland Europe. She was appointed to the Board of Directors of the Company on 18 February 2010. She is a member of the Board Risk and Board Remuneration Committees.

Hugh Osmond
Non-Executive Director

Hugh Osmond founded Punch Group and served as its Executive Chairman between 1997 and 2001, during which time he built Punch Group into one of the UK's largest pub companies. He previously co-led the acquisition and market listing of Pizza Express in 1993 and helped build it into the UK's largest sit-down restaurant chain. He has also been a major investor in, and director of, many public and private companies across a wide variety of industries. He is a director and a shareholder of Sun Capital Partners Limited, formed in 2001, that specialises in identifying and advising on investment opportunities. Mr Osmond served on the Board of Directors of the former Pearl Group Limited from December 2004 until September 2009. He was appointed to the Board of Directors of the Company on 2 September 2009 and is a member of the Board Investment and Board Risk Committees.

David Woods
Non-Executive Director

David Woods is a Fellow of the Institute of Actuaries and a Non-Executive Director of Standard Life UK Smaller Companies Trust plc, Murray Income Trust plc and The Moller Centre for Continuing Education. He is also Chairman of the pension fund trustee companies responsible for the governance of all the UK pension schemes in the Steria Group and is a trustee of the Scottish Provident Pension Fund. Between 1988 and 2002, he was Group Managing Director of the Scottish Provident Group and was Non-Executive Chairman of Royal Liver Assurance from 2003 to 2011. He was appointed to the Board of Directors of the Company on 18 February 2010 and is Chairman of the Board Risk Committee.

3. **Other directorships/partnerships**

In respect of each Director, details are set out below of the companies and partnerships (not including any member of the Group) of which such Director has been a member of the administrative, management or supervisory bodies or partner at any time in the five years before the date of this Prospectus:

Name	Current	Previous
Sir Howard Davies	Davieskeely Limited Morgan Stanley Inc. Prudential PLC Tate Foundation The Royal National Theatre The Royal Academy of Music	London School of Economics LSE Lets Limited Paternoster Limited Russel Group Tate Gallery
Clive Bannister	Dreamchasing Doorfield Property Management Limited Punter Southall Group Limited Rougemont Management Limited Unigestion Holding SA	HSBC Insurance Holdings Limited HSBC Insurance Services Holdings Limited Marsh Brokers Limited
James McConville		Gosforth Funding plc Gosforth Funding 2011-1 plc Gosforth Holdings Limited Guardian Assurance Limited Guardian Linked Life Assurance Limited Guardian Pensions Management Limited Lloyds TSB Financial Services Limited Northern Rock plc Pensions Management (S.W.F.) Limited Scottish Equitable Holdings Limited Scottish Equitable plc Scottish Widows Annuities Limited Scottish Widows Financial services Holdings Scottish Widows Group Limited Scottish Widows plc Scottish Widows (Port Hamilton) Limited Scottish Widows Property Management Limited Scottish Widows Services Limited Scottish Widows Unit Funds Limited SW (No.1) Limited SW (No.3) Limited
Alastair Lyons	Admiral Group plc Bovis Homes Group plc Cybele Solutions Limited Cybele Solutions Holdings Limited Hencliffe Management Services Limited	Admiral Insurance Company Limited Buy As You View Holdings Limited Buy As You View Limited Capita Hartshead Solutions Limited Cardsave Group Limited

Name	Current	Previous
	Legal Marketing Services Limited	Coinmechs Limited (3 April 2012)(2)
	Serco Group plc	Dunraven Developments Limited (3 April 2012)(2)
	Towergate Partnershipco Limited	Dunraven Finance Limited
		Equity Release Services Limited (11 October 2011)(3)
		Equity Release Topco Limited (19 October 2010)(2)
		HCML Topco Limited (12 May 2009)(2)
		Health & Case Management Limited
		In Retirement Holdings Limited (15 October 2011)(3)
		In Retirement Services (Products) Limited (15 June 2010)(2)
		In Retirement Services (Reversions) Limited (24 July 2009)(4)
		Independent Retirement Solutions Limited (20 September 2011)(2)
		Just Rentals Limited
		LMS Group Holdings Limited (18 October 2011)(1)
		LMS Holdings Limited (8 March 2012)(3)
		Malachite 1 EBT Limited (23 March 2010)(2)
		Malachite 1 Limited (16 October 2009)(3)
		Malachite 2 Limited (18 October 2009)(3)
		Malachite 3 Limited (18 October 2009)(3)
		Partners For Finance Limited (2 November 2010)(2)
		PFF Topco Limited (4 February 2010)(5)
		PFF Finance Limited (11 January 2011)(2)
		Topco No. 3 Limited (21 June 2011)(2)
Ian Ashken	American Household, Inc.	Alltrista Newco Corporation
	Archangel Ancient Tree Archive	Alltrista Plastics Corporation
	Australian Coleman, Inc.	American Firelog Corporation
	Bicycle Holding, Inc.	American Firelog Corporation of California
	BRK Brands, Inc.	American Firelog Corporation of Ohio
	CC Outlet, Inc.	American Texas Firelog Corporation
	Coleman Venture Capital, Inc.	Beacon Exports, Inc.
	Coleman Worldwide Corporation	Bernardin Ltd.
	First Alert, Inc.	BRK Brands Europe Limited
	Holmes Motor Corporation	Canadian Playing Card Company, Limited
	Jarden Corporation	Carolina Firelog Corporation
	K-2 Corporation	Coleman Argentina, Inc.
	K2 Inc.	Coleman Asia Limited
	K-2 International, Inc.	Coleman Country, Ltd.
	Kansas Acquisition Corp.	Desarrollo Industrial Fitec, S. de R.L. de C.V.
	L.A. Services, Inc.	Dicon Global Inc.
	Laser Acquisition Corp.	Dicon Safety Products (Europe) Limited
	Marker Volkl USA, Inc.	Earth Products Inc.
	Michael Ashken Trust	Electronica BRK DE Mexico, S.A. de C.V.
	Nippon Coleman, Inc.	Esteem Industries Limited
	Outdoor Technologies Corporation	First Alert/Powermate, Inc.
	Packs & Travel Corporation	Fishing Spirit, Inc.
	Penn Fishing Tackle Mfg. Co.	GLG Partners, Inc.
	Pure Fishing Sevenstrand, Inc.	Holmes Products (Europe) Limited
	Pure Fishing, Inc.	Holmes Products (Far East) Limited
	QMC Buyer Corp.	International Playing Card Company Limited
	Quickie Holdings, Inc.	Jarden Acquisition I, Inc.
	Quickie Manufacturing Corporation	Jarden Consumer Solutions Community Fund, Inc.
	Rawlings Sporting Goods Company, Inc.	Jarden Direct, Inc.
	Red Acres LLC	Jarden Plastic Solutions Limited
	Ride Manufacturing, Inc.	Jarden Zinc Products, Inc.
	SI II, Inc.	K2 Licensed Products, Inc.
	Sitca Corporation	K2 Merchandising, Inc.
	Stuhlbarg International Sales Company, Inc.	K2 Properties, Inc.
	Sunbeam Products, Inc.	K2 Snowshoes, Inc.
	Tasburgh LLC	Lehigh Consumer Products Corporation
	The Ashken Family Charitable Foundation	Loew-Cornell, Inc.
	The Coleman Company, Inc.	O.W.D., Incorporated
	The Marlin Group of Companies	Oster de Venezuela, S.A.
	The United States Playing Card Company	Pine Mountain Corporation
	THL-FA IP Corp.	Pure Fishing Spain, Inc.
	Tri-E Corporation	Raider Motor Corporation
	USPC Holding, Inc.	Rival Consumer Sales Corporation
	252 Hillspoint LLC	Rival de Mexico, S.A. de C.V.
	22 Bluewater LLC	Sea Striker, Inc.
		Shakespeare Industries, Inc.
		SMCA, Inc.
		Sports Merchandising Company
		Sports Recreation Company Ltd.
		Stearns Inc.
		Sunbeam Americas Holdings, Limited
		Sunbeam Corporation (Canada) Limited

Name	Current	Previous
		Sunbeam International (Asia) Limited SunCan Holding Corp. The Holmes Group Canada ULC Tilia, Inc. Tilia International, Inc. Tupper Lake Plastics, Incorporated Wallingford Insurance Company Limited
René-Pierre Azria	Abrams Inc. La Martiniere Groupe Tegris LLC	Jarden Corporation
David Barnes	None	None
Charles Clarke	Aberdeen Asian Income Fund Limited SG Hambros Bank Limited SG Hambros Bank (Channel Islands) Limited SG Hambros Trust Company (Channel Islands) Limited Thomas & Dessain Limited Carpe Diem (APRP) Limited	Edgefield Properties Limited
Ian Cormack	Arria NLG Limited Aspen Insurance Holdings Aspen Insurance UK Limited Bloomsbury Publishing Plc Maven Income & Growth VCT 4 PLC National Angels Limited Temporis Capital LLP Xchanging plc	African Carbon Reductions Limited (8 March 2011)[6] Cormack Tansey Partners Carbon Efficient Energy Limited Carbon Reductions Limited (24 April 2012)[2] Entertaining Finance Limited (4 July 2012)[2] Europe Arab Bank PLC Gulf Carbon Reductions Limited Qatar Financial Centre Authority Qatar Insurance Services LLC
Tom Cross Brown	Alpha Securities Trading Limited Artemis Alpha Trust PLC Artemis Investment Management LLP Heathfield School Financial Standards Planning Board Limited Islip Consulting Limited Just Retirement (Holdings) Limited Just Retirement Limited Just Retirement Solutions Limited The Heathfield School Foundation	Aethra Asset Management B.V. Bluebay Asset Management plc P.A.T. (Pensions) Limited
Manjit Dale	Algeco Scotsman, Inc. Jambright Limited O-Re Holdings UK Limited Jambright Midco Limited I Pasta Limited Ground Restaurants Limited Metis Bidco Limited Pandoraexpress 2A Limited Relish Restaurants Limited Seacon Group Limited Stonegate Pub Company Limited Stonegate Pub Company Holdings Limited TDR Capital LLP VPS Acquisitions Limited TDR Capital Nominees Limited TDR Shares Limited	EGL Investments Limited (2 November 2010)[2] Elliott Group Holdings Limited Elliott Group Holdings (UK) Limited Elliott Group Limited Holflor Limited (21 February 2012)[2] NYSWAN Limited Parma Stub Midco Limited Parma Stub Topco Limited Pasta Holdings Limited (7 August 2012)[6] Pizzaexpress (Franchises) Limited Redmeter Limited Ristretto Group (UK) Limited Saint Acquisitions Limited (8 December 2009)[2] Shieldmarker Limited (6 July 2010)[2] TDR Capital Limited Ticketquick Limited (25 May 2010)[2]
Isabel Hudson	Marine and General Mutual Life Assurance Society National House-Building Council QBE Insurance Group Limited	Basinhall Limited (20 January 2009)[2] Elders Insurance Limited Fineos Corporation Limited Fineos plc QBE Insurance (Australia) Limited QBE Insurance (International) Limited Synesis Administration Limited (1 December 2009)[2] Synesis Finance Limited (20 January 2009)[2] Synesis Life Limited (22 June 2010)[5] Synesis Pensions Limited (22 June 2010)[5]
Hugh Osmond	Alphabet Shares Limited Alpha-Gamma Shares Limited Beaufort CCO Trading Limited Devonshire Place Holdings Limited Devonshire Place Investments Limited Horizon Growth Investment LLP Morris United Limited O-Re Holdings UK Limited PIMCO 2908 Growth Investment LLP	APR Energy Plc APR Energy Holdings Limited Aston Farm Limited (18 January 2011)[2] Capital Management and Investment PLC Maxgate Properties Limited (18 January 2011)[2] New Life Fitness Limited (19 October 2010)[2] Well Barn Shoot Limited (18 January 2011)[2]

Name	Current	Previous
	Rare Bird Hotels Limited Suncap (Nominees) Limited Sun Cap Limited Sun Capital Adviser LLP Sun Capital Limited Sun Capital Partners Limited Town and Field Limited Well Barn Farm Limited Xercise Limited (5 October 2010)[7] Xercise2 Limited	
David Woods	Barbon Holdings Limited Santander (UK) Group Pension Scheme Trustees Limited Standard Life UK Smaller Companies Trust PLC Murray Income Trust plc The Moller Centre for Continuing Education Limited Steria (Management Plan) Trustees Limited Steria (Pension Plan) Trustees Limited Steria (Pooled Investments) Trustees Limited Steria (Retirement Plan) Trustees Limited Steria Electricity Supply Pension Trustees Limited	Edinburgh Java Trust PLC

Notes:

(1) Placed into creditors' voluntary liquidation on this date.

(2) Dissolved via voluntary strike off on this date.

(3) Placed into administration and dissolved on this date.

(4) Placed into administration on this date and has not yet been dissolved.

(5) Placed into voluntary liquidation and dissolved on this date.

(6) Dissolved on this date.

(7) Placed into members' voluntary liquidation on this date.

4. Directors' Remuneration

In the year ended 31 December 2011, the aggregate amount of remuneration paid by the Company or its subsidiaries to the Directors is set out below. For more information, see "—Directors' Service Agreements and Letters of Appointment" below.

Director	Fees/salary[1]	Benefits[2]	Annual incentive[3]	Compensation for loss of office	Contribution to EBT	2011 Total
	£	£	£			£
Ron Sandler[4]	450,000	—	—			450,000
Sir Howard Davies[5]						
Clive Bannister[6]	533,050	13,057	681,954			1,228,061
James McConville[7]	—	—	—			—
Ian Ashken	100,000	—	—			100,000
René-Pierre Azria	100,000	—	—			100,000
David Barnes	110,000	—	—			110,000
Charles Clarke	100,000	—	—			100,000
Ian Cormack	120,000	—	—			120,000
Tom Cross Brown	120,000	—	—			120,000
Manjit Dale	100,000	—	—			100,000
Isabel Hudson	100,000	—	—			100,000
Alastair Lyons	125,000	—	—			125,000
Hugh Osmond	100,000	—	—			100,000
David Woods	125,000	—	—			125,000
Former Directors (as at 31 December 2011)						
Jonathan Moss[8]	67,708	1,270	—	744,800	857,188	1,670,966
Jonathan Yates[9]	402,414	16,381	460,750	—	—	879,545

Notes:

(1) Where appropriate, this figure is pro rata to the period the individual was a Director.

(2) Benefits include car allowance, private medical insurance and life assurance, as applicable.

(3) Annual incentive amounts are presented inclusive of any amounts which must be deferred in shares for three years (i.e. one-third of the 2011 incentive award). Of the amounts presented above, £227,318 of Clive Bannister's incentive payment was deferred in shares for a period of 3 years.

(4) Ron Sandler resigned from the Board on 30 September 2012.

(5) Sir Howard Davies was appointed to the Board on 1 October 2012.

(6) Clive Bannister joined the Group on 7 February 2011 and was appointed to the Board as a Director on 28 March 2011. The detail shown only relates to the period from his appointment as a Director to 31 December 2011, except for the annual incentive payment which includes the amount earned in respect of the period 7 February 2011 to 28 March 2011.

(7) James McConville was appointed to the Board on 28 June 2012.

(8) Jonathan Moss resigned from the Board on 7 February 2011.

(9) Jonathan Yates resigned from the Board on 21 December 2011.

5. Directors' Service Agreements and Letters of Appointment

Each of the executive directors are appointed to the Board of Directors of the Company for an unlimited term subject to a 12 month notice period. Certain executive directors have service agreements with PGMS under which they are appointed to the Board of Directors of the Company. Details of the service agreements are summarised below. The Non-Executive Directors, including the Chairman, entered into letters of appointment with the Company relating to their appointment to the Board of Directors of the Company, which are summarised below.

5.1 Service Agreements of the Executive Directors

Certain executive directors have entered into service agreements with PGMS. Details of these service agreements are set out below:

	Date of service agreement	**Commencement date of appointment to the Board**	**Commencement date of employment**	**Expiry/ Notice terms**	**Basic Annual Salary**
Clive Bannister (Group Chief Executive) . . .	7 February 2011	28 March 2011	7 February 2011	12 months	£700,000
James McConville (Group Finance Director) . .	28 May 2012	28 June 2012	6 June 2012	12 months	£400,000

Details of the share options and awards held by Mr Bannister and Mr McConville are set out in "—Employee Incentive Plans—Executive Directors" below.

5.1.1 Clive Bannister's Service Agreement

Mr Bannister's service agreement will continue until terminated by either party giving 12 months' notice to the other, subject to earlier termination for cause.

Mr Bannister's service agreement provides that PGMS may terminate his employment by making a payment of a cash sum in lieu of notice equal to Mr Bannister's basic salary (at the rate applicable on the date on which notice to terminate was first given by either party), plus the cost of the provision of private medical and health insurance, life assurance, and pension contributions payable for any unexpired portion of the notice period, less any required deductions (the "payment in lieu").

As an alternative to the payment in lieu being paid as a lump sum, the Remuneration Committee may require the payment in lieu to be made in instalments (with 50 per cent. being paid on the termination date, 25 per cent. being paid six months following the termination date, with the remaining 25 per cent. being paid nine months following the termination date). If Mr Bannister finds alternative employment or engagement during the relevant periods, the amount of any outstanding instalments will be reduced by the amount of any basic salary or fees he receives from such employment or engagement. Payment of any such instalments would be subject to Mr Bannister using all reasonable endeavours to find suitable alternative employment and/or engagement.

On termination, Mr Bannister may be eligible for a payment under the Group's severance policy, the amount of which would be dependent on his length of service at the time of termination.

Mr Bannister is entitled to be considered for an annual discretionary bonus. The amount of any bonus (which is payable by PGMS) will be determined by the Remuneration Committee. For 2012, Mr Bannister's bonus potential is 75 per cent. of salary for on target corporate and personal performance and 150 per cent. of salary for maximum performance. Any bonus payment will be subject to clawback if bonuses have been calculated on the basis of misstated or incorrect financial information. For the 2012 annual discretionary bonus, one third of any bonus declared will be deferred under a deferred bonus share scheme into an award of Ordinary Shares for a period of three years, subject to Mr Bannister's continued employment. If Mr Bannister's employment is terminated (other than by way of summary termination, in which case no bonus is payable on termination), the Remuneration Committee has the discretion to pay Mr Bannister a pro rata bonus for the year in which the employment ends, payable at the same time as for other executives participating in the same scheme.

Mr Bannister is entitled to receive a car allowance of £15,000 per annum (which is payable monthly, less any required deductions), and to be provided with private medical and health insurance and life assurance cover.

Mr Bannister is subject to a confidentiality undertaking without limitation in time and to non-competition, non-dealing, and non-solicitation restrictive covenants for a period of 6 months following termination of employment.

Mr Bannister is a member of the Company's Group Personal Pension with a group contribution of 20 per cent. of salary.

5.1.2 James McConville's Service Agreement

Mr McConville's service agreement will continue until terminated by either party giving 12 months' notice to the other, subject to earlier termination for cause.

Mr McConville's service agreement provides that PGMS may terminate his employment by making a payment of a cash sum in lieu of notice equal to Mr McConville's basic salary (at the rate applicable on the date on which notice to terminate was first given by either party), plus the cost of the provision of private medical and health insurance, life assurance, and pension contributions payable for any unexpired portion of the notice period, less any required deductions (the "payment in lieu").

As an alternative to the payment in lieu being paid as a lump sum, the Remuneration Committee may require the payment in lieu to be made in instalments (with 50 per cent. being paid on the termination date, 25 per cent. being paid six months following the termination date, with the remaining 25 per cent. being paid nine months following the termination date). If Mr McConville finds alternative employment or engagement during the relevant periods, the amount of any outstanding instalments will be reduced by the amount of any basic salary or fees he receives from such employment or engagement. Payment of any such instalments would be subject to Mr McConville using all reasonable endeavours to find suitable alternative employment and/or engagement.

On termination, Mr McConville may be eligible for a payment under the Group's severance policy, the amount of which would be dependent on his length of service at the time of termination.

Mr McConville is entitled to be considered for an annual discretionary bonus. The amount of any bonus (which is payable by PGMS) will be determined by the Remuneration Committee. For 2012, Mr McConville's bonus potential is 75 per cent. of salary for on target corporate and personal performance and 150 per cent. of salary for maximum performance. Any bonus payment will be subject to clawback if bonuses have been calculated on the basis of misstated or incorrect financial information. For the 2012 annual discretionary bonus, one third of any bonus declared will be deferred under a deferred bonus share scheme into an award of Ordinary Shares for a period of three years, subject to Mr McConville's continued employment. If Mr McConville's employment is terminated (other than by way of summary termination, in which case no bonus is payable on termination), the Remuneration Committee has the discretion to pay Mr McConville a pro rata bonus for the year in which the employment ends, payable at the same time as for other executives participating in the same scheme.

Mr McConville is entitled to receive a car allowance of £15,000 per annum (which is payable monthly, less any required deductions), and to be provided with private medical and health insurance and life assurance cover.

Mr McConville is entitled to receive, during the first twelve months of his employment by PGMS, which commenced on 6 June 2012, a relocation allowance of £2,000 per month.

Mr McConville is not a member of the Company's Group Personal Pension or any other pension funded by the Group. In lieu of any Group contribution to a pension, Mr McConville receives a non-contractual monthly allowance of £6,666.66, which is not counted towards Mr McConville's total remuneration for the purposes of calculating any bonus payments.

Mr McConville is subject to a confidentiality undertaking without limitation in time and to non-competition, non-dealing, and non-solicitation restrictive covenants for a period of 6 months following termination of employment.

5.2 Letters of appointment of the Chairman and Non-Executive Directors

The Chairman and the Non-Executive Directors have each entered into letters of appointment with the Company. Details of these letters of appointment are set out below:

Non-Executive Director	Date of letter of appointment	Commencement date of appointment	Expiry/ Notice terms	Current Expiration Date	Annual Fee
Sir Howard Davies (Chairman and Non-Executive Director)	19 October 2012	1 October 2012	Six months	1 October 2015	£325,000
Alastair Lyons (Senior Independent Non-Executive Director)[1]	26 January 2010	29 March 2010	One month	2 May 2013	£125,000
Ian Ashken (Non-Executive Director)	2 September 2009	2 September 2009	One month	2 May 2013	£100,000
René-Pierre Azria (Non-Executive Director)	2 September 2009	2 September 2009	One month	2 May 2013	£100,000
David Barnes (Independent Non-Executive Director)[2] . .	2 September 2009	2 September 2009	One month	2 May 2013	£110,000
Charles Clarke (Independent Non-Executive Director) . . .	23 December 2009	18 February 2010	One month	2 May 2013	£100,000
Ian Cormack (Independent Non-Executive Director)[3] . .	2 September 2009	2 September 2009	One month	2 May 2013	£120,000
Tom Cross Brown (Independent Non-Executive Director)[4]	24 September 2009	24 September 2009	One month	2 May 2013	£120,000
Manjit Dale (Non-Executive Director)	2 September 2009	2 September 2009	One month	2 May 2013	£100,000
Isabel Hudson (Independent Non-Executive Director) . . .	11 December 2009	18 February 2010	One month	2 May 2013	£100,000
Hugh Osmond (Non-Executive Director)	2 September 2009	2 September 2009	One month	2 May 2013	£100,000
David Woods (Independent Non-Executive Director)[5] . .	21 December 2009	18 February 2010	One month	2 May 2013	£130,000

Notes:

(1) Mr Lyons' annual fee includes £5,000 for acting as the Senior Independent Director, £20,000 for serving on a subsidiary company board and £10,000 for chairing the Audit Committee.

(2) Mr Barnes' annual fee includes £20,000 for serving on a subsidiary company board.

(3) Mr Cormack's annual fee includes £20,000 for serving on a subsidiary company board and £10,000 for chairing the Remuneration Committee.

(4) Mr Cross Brown's annual fee includes £20,000 for serving on a subsidiary company board and £10,000 for chairing the Investment Committee.

(5) Mr Woods' annual fee includes £20,000 for serving on a subsidiary company board, £10,000 for chairing the Risk Committee and £10,000 for being a member of the Group's Model Governance Committee.

In 2011, annual fee levels were set at £90,000 for the role of Non-Executive Director, except that those Directors in place in 2011 who are not paid for serving on subsidiary company boards of directors, had their fees unchanged at £100,000.

The appointment of the Chairman and each Non-Executive Director is for an initial term of three years (and is renewable for a further three year term), unless terminated earlier by either party with notice, or by the Company for cause. The appointment of the Chairman and each Non-Executive Director is also subject to re-election by the Company in general meeting, the Articles of Association, and continued satisfactory performance. If the Chairman or a Non-Executive Director is not re-elected by the Shareholders, their appointment terminates automatically no later than the end of the general meeting

provided that the number of directors at the end of this meeting exceeds the minimum number of directors required by the Articles of Association. If this is not the case then all the retiring directors who stood for re-appointment at the general meeting shall be deemed to have been re-appointed as directors and shall remain in office, but they may only act for the purpose of filling vacancies and convening further general meetings of the Company and performing such duties as are appropriate to maintain the Company as a going concern and to comply with the Company's legal and regulatory obligations.

The Chairman and Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and no fees will be payable in respect of any unserved portion of the term of their appointment. Further, Non-Executive Directors are not entitled to participate in the Group's share, bonus or pension schemes.

The Chairman and each Non-Executive Director is entitled to reimbursement from the Company of reasonable expenses incurred in the performance of their duties. The Chairman and each Non-Executive Director is subject to a confidentiality undertaking without limitation in time. The Chairman and Non-Executive Directors may, in certain circumstances, obtain independent professional advice in the furtherance of their duties as Directors at the Company's expense.

5.3 Other service agreements or letters of appointment

Save as set out in paragraphs 5.1 and 5.2 above, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Group.

6. **Directors' Interests**

The interests in the share capital of the Company of the Directors and their immediate families (all of which, unless otherwise stated, are beneficial) as at 28 January 2013 (being the latest practicable date prior to publication of this Prospectus) were as follows:

Director	As at 28 January 2013 Number of Ordinary Shares
Clive Bannister[(1)]	—
James McConville[(2)]	—
Ian Ashken	1,263,698
René-Pierre Azria	28,869
David Barnes	2,300
Charles Clarke	2,000
Ian Cormack	—
Tom Cross-Brown	1,664
Manjit Dale[(3)]	—
Sir Howard Davies	—
Isabel Hudson	3,249
Alastair Lyons	7,500
Hugh Osmond[(4)]	11,072,825
David Woods	—

Notes:

(1) Clive Bannister holds options in respect of Ordinary Shares under the LTIP, the Deferred Bonus Share Scheme and the Sharesave Scheme, details of which are included in "—Employee Incentive Plans—Executive Directors" below.

(2) James McConville holds options in respect of Ordinary Shares under the LTIP, details of which are included in "—Employee Incentive Plans—Executive Directors" below.

(3) Manjit Dale is a director of TDR Capital Nominees Limited, Jambright Limited, Jambright Midco Limited and TDR Shares Limited and as such these companies are all considered as connected persons. Total interests held by these entities amount to 30,206,189.

(4) Hugh Osmond is a director of Xercise2 Limited and Xercise Limited and as such these are considered as connected persons. Hugh Osmond has a total interest in 14,559,053 shares of which he has beneficial interest over 11,072,825. Hugh Osmond's interest in Contingent Rights is detailed in the Major Shareholders table in Part XIII: "Additional Information—Major Shareholders".

7. **Employee Incentive Plans—Executive Directors**

7.1 LTIP

7.1.1 2011 LTIP Awards

Details of the nil cost options granted on 12 April 2011 under the LTIP to Mr Bannister are set out in the table below.

	Number of Ordinary Shares under 2011 LTIP Award	2011 LTIP Awards Normal Vesting Date
Clive Bannister	212,927	12 April 2014

The 2011 LTIP Awards are subject to two performance conditions. The performance condition attached to the first 50 per cent. of the shares comprised in an LTIP Award is based on embedded value growth targets measured over the three financial years from 1 January 2011 to 31 December 2013. 25 per cent. of these shares will vest if embedded value as calculated under the LTIP rules increases over the period by the relevant risk free rate plus 2.5 per cent., rising on a straight line basis to full vesting of this tranche of the LTIP Award if embedded value increases by the relevant risk free rate plus 6 per cent. The performance condition attaching to the remaining 50 per cent. of the shares comprised in the LTIP Award will be based on cash generation targets measured over the three financial years of the Company starting 1 January 2011. 25 per cent. of the shares comprised in this tranche of an award will vest if cash of £1,217 million is generated over the period, rising on a straight line basis to full vesting of this tranche of an LTIP Awards if cash of £1,517 million is generated.

7.1.2 2012 LTIP Awards

Details of the nil cost options granted in 2012 under the LTIP to Mr Bannister and Mr McConville are set out in the table below.

	Number of Ordinary Shares under 2012 LTIP Award	2012 LTIP Awards Normal Vesting Date
Clive Bannister	247,131	2 April 2015
James McConville	164,948	23 August 2015

The 2012 LTIP Awards are subject to three performance conditions. The performance condition attached to the first 40 per cent. of the shares comprised in an LTIP Award is based on embedded value growth targets measured over the three financial years from 1 January 2012 to 31 December 2014. 25 per cent. of these shares will vest if embedded value as calculated under the LTIP rules increases over the period by the relevant risk free rate plus 3 per cent., rising on a straight line basis to full vesting of this tranche of an LTIP Award if embedded value increases by the relevant risk free rate plus 6 per cent. The performance condition attaching to the 40 per cent. of the shares comprised in the LTIP Award will be based on cash generation targets measured over the three financial years of the Company starting 1 January 2012. 25 per cent. of the shares comprised in this tranche of an award will vest if cash of £1,330 million is generated over the period, rising on a straight line basis to full vesting of this tranche of the LTIP Awards if cash of £1,830 million is generated. The performance condition attaching to the remaining 20 per cent. of the shares comprised in the LTIP Award will be based on Total Shareholder Return ('TSR') performance, which will be compared to those of the companies making up the FTSE 250 Index excluding investment trusts, measured over the three years of the Company starting on 2 April 2012, the date of grant. 25 per cent. of the shares comprised in this tranche of an award will vest if the position within the comparator group exceeds the 50 percentile, rising on a straight line basis to full vesting of this tranche of the LTIP Awards if the comparator group position reaches the 80 percentile

Once the performance conditions have been measured, the 2010, 2011 and 2012 LTIP Awards will only vest if the remuneration committee is also satisfied that the levels of bank debt and associated interest costs have remained within parameters acceptable to the remuneration committee over the vesting period and that the Company has made progress considered to be reasonable by it in executing any strategy agreed by the Board on debt management and capital restructuring.

7.2 Deferred Bonus Share Scheme ("DBSS")

Details of the nil cost options granted on 2 April 2012 under the Deferred Bonus Share Scheme to Mr Bannister are set out in the table below.

	Number of Ordinary Shares under 2012 DBSS Award	2012 DBSS Awards Normal Vesting Date
Clive Bannister	40,412	2 April 2015

The 2012 DBSS Awards are subject to no performance conditions other than remaining in employment within the Group up to the date of vesting.

7.3 Sharesave Scheme

Details of the option granted on 28 April 2011 under the Sharesave Scheme to Mr Bannister are set out in the table below. Participants were invited to select savings contracts of three or five years.

	Number of Ordinary Shares under Option	Exercise price per Ordinary Share	Normal Exercise Period
Clive Bannister	1,577	£5.72	1 June 2014 to 30 November 2014

8. **Conflicts of interests and other matters**

The Company is not aware of any conflicts of interest between any duties owed by the Directors to the Company and their private interests or other duties. Certain Directors are affiliated with, or were nominated for appointment by (pursuant to rights more fully described in Part XIII: "Additional Information—Material Contracts—Lender Relationship Agreement" and "—Material Contracts—Sellers' Relationship Agreement"), shareholders of the Company, which may give rise to conflicts of interests from time to time. The Company has procedures in place to identify and manage conflicts that may arise. Manjit Dale and Hugh Osmond are affiliated to major Shareholders of the Company, being TDR Capital and Xercise2 Limited, respectively. David Barnes is the Lender Non-Executive Director nominated under the Lender Relationship Agreement (as those two terms are defined and explained in Part XIII: "Additional Information—Material Contracts—Lender Relationship Agreement). For further information on these relationships, see Part XIII: "Additional Information—Major Shareholders" and "—Related Party Transactions").

During the five years immediately prior to the date of this Prospectus, except as disclosed under "—Other directorships/partnerships" above, none of the Directors has:

- been convicted in relation to a fraudulent offence;
- been associated with any bankruptcies, receiverships or liquidations whilst acting in his capacity as member of an administrative, management or supervisory body of a company, a partner with unlimited liability, a founder or a member of senior management of a company; or
- received an official public incrimination and/or sanction by a statutory or regulatory authority (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

SECTION B: SENIOR MANAGEMENT

1. **The Executive Committee**

Executive management of the Group is led by the Group Chief Executive Officer, Clive Bannister, who is supported by the Executive Management Committee ("ExCo"). ExCo oversees matters relating to the implementation of the Group's strategy.

Clive Bannister
Group Chief Executive Officer

- Lead and direct the Group's businesses in delivery of the Group strategy and business plan;
- Safeguard returns for policyholders and grow shareholder value;
- Embed a risk-conscious Group culture which recognises policyholder obligations in terms of service and security; and
- Manage the Group's key external stakeholders.

James McConville
Group Finance Director

- Contribute to the development and delivery of the Group's financial business plan in line with strategy;
- Ensure the Group's finances and capital are managed and controlled;
- Ensure the Group has effective processes in place to enable all reporting obligations to be met;
- Support the Group Chief Executive Officer in managing the Group's key external stakeholders; and
- Maximise shareholder value though clear, rigorous assessment of business opportunities.

Mike Merrick
Chief Executive Officer, Phoenix Life

- Lead development and delivery of the Phoenix Life business strategy, including the continued integration of life businesses;
- Ensure optimisation of outcomes for customers in terms of both value and security; and
- Ensure Phoenix Life deploys capital efficiently and effectively, with due regard to regulatory requirements.

Chris Samuel
Chief Executive Officer, Ignis Asset Management

- Lead development of Ignis' business strategy and plans;
- Deliver, over the longer term, Ignis' vision of becoming a leading asset management business committed to performance excellence and innovation;
- Ensure Ignis achieves its key goals of meeting or exceeding investment performance expectations, providing clients with creative solutions to changing product needs and maintaining a well controlled and efficient operating platform; and
- Ensure Ignis' chosen foundations of innovative people, a partnership culture, suitable processes and technology and stability are in place to support these plans.

Fiona Clutterbuck
Head of Strategy, Corporate Development and Communications

- Support the Group Chief Executive Officer in the formulation of the strategy and the business planning for the Group;
- Lead implementation of the Group's strategy as regards any potential acquisitions or disposals; and
- Lead external Group Communications in liaison with the Group Finance Director and Head of Investor Relations.

Alan Jones
Group Human Resources Director

- Deliver high quality Human Resources services to the Group;
- Lead the implementation of the Group's employee strategy in order to recruit, retain, motivate and develop high quality employees; and

- Provide guidance and support on all HR matters to the Group Chief Executive Officer, ExCo and Group Board.

Jane MacLeod
General Counsel

- Lead provision of legal advice to the Group Board, other Group Company Boards, ExCo and senior management;
- Oversee and co-ordinate maintenance of, and adherence to, appropriate corporate governance procedures across the Group; and
- Design and implement a framework to manage legal risk within the Group, including compliance by Group companies and staff with relevant legal obligations.

Jean Park
Chief Risk Officer

- Lead the Group's risk management function, embracing changes in best practice and regulation including Solvency II;
- Oversee and manage the Group's relationship with the FSA; and
- Support the Board Risk Committee in the oversight of the Group's risk framework, in line with risk strategy and appetite.

David Richardson
Group Chief Actuary

- Ensure capital is managed efficiently across the Group;
- Manage the Group's solvency position;
- Lead development of the Group's investment strategy; and
- Identify and deliver opportunities to enhance shareholder value across the Group.

2. **Biographies**

Clive Bannister

For Clive Bannister's biography, please see "—Section A: Directors" of this Part XI.

James McConville

For James McConville's biography, please see "—Section A: Directors" of this Part XI.

Mike Merrick

Mike Merrick was appointed Chief Executive, Phoenix Life in September 2009. Phoenix Life is the life and pension business of the Group. Mike was previously the Group Chief Actuary following the acquisition of Resolution. Having qualified in 1988, Mike held various roles in London Life including Chief Financial Officer, and then moved to Britannic to lead the actuarial team.

Chris Samuel

Chris Samuel was appointed Chief Executive Officer of Ignis Asset Management in August 2009. Prior to joining the Group in February 2009, Chris held, over some 15 years, director positions on the boards of Gartmore Investment Management, Hill Samuel Asset Management and Cambridge Place Investment Management. Prior to this, Chris, who qualified as a Chartered Accountant with KPMG, spent 10 years in senior finance roles with Prudential-Bache in London, Toronto, Tokyo and New York.

Fiona Clutterbuck

Fiona Clutterbuck was appointed Head of Corporate Development in June 2010, and subsequently Head of Strategy, Corporate Development and Communications in March 2012. Fiona joined the Group in June 2008. Prior to working in the Group, she was Head of Financial Institutions Advisory at ABN AMRO

between 2001 and 2008, where she advised on the acquisition of Pearl by Sun Capital and TDR Capital, and Pearl on the acquisition of Resolution plc. Fiona had previously worked at both HSBC Investment Bank and Hill Samuel. Fiona is a qualified Barrister.

Alan Jones

Alan Jones was appointed Group Human Resources Director for the Group in May 2008. Previously Alan was HR Director for Resolution, HR Director for Britannic Group and HR Director for Heath Lambert. Alan started his career in the Royal Navy where he held a variety of posts including Head of the Navy's Management and Leadership and Head of HR & Training.

Jane MacLeod

Jane MacLeod was appointed General Counsel in October 2009, having previously been Group Legal Director since September 2008 and prior to that Senior Legal Advisor for the former Pearl Group since February 2006. Jane has previously held senior legal roles with Henderson Group plc, AMP (UK) plc, and law firms Minter Ellison (Australia) and Wilde Sapte (UK).

Jean Park

Jean Park was appointed Chief Risk Officer in November 2009. Previously, Jean was Risk Management Director and a member of the executive of both Scottish Widows Group—Life, Pensions, Investment Management and Banking and Lloyds TSB Insurance and Investments Division. Jean's career started at Ernst & Young where she qualified as a Chartered Accountant, prior to moving to Scottish Life Assurance Company and then to Scottish Widows.

David Richardson

David Richardson joined the Group in December 2010 as Group Chief Actuary. Prior to this he held a number of senior roles in Swiss Re across both its Admin Re and traditional reinsurance businesses. David started his career in Tillinghast and is a Fellow of the Institute of Actuaries and a CFA Charterholder. David Richardson has resigned from his position within the Group, having accepted the position of chief financial officer at the Partnership Group. He is currently serving his notice period and will leave the Group on 31 January 2013. The Company is currently in the process of recruiting a successor.

3. **Other directorships/partnerships**

In respect of each Senior Manager, details are set out below of the companies and partnerships (not including any member of the Group) of which such Senior Manager has been a member of the administrative, management or supervisory bodies or partner at any time in the five years before the date of this Prospectus:

Name	Current	Previous
Clive Bannister[(1)]		
Fiona Clutterbuck	WS Atkins Plc Paragon Group of Companies PLC	None
Alan Jones	P.A.T. (Pensions) Limited PGL Pension Trustee Limited	None
Jane MacLeod	None	None
James McConville[(2)]		
Mike Merrick	None	None
Jean Park	Murray Income Trust plc National House Building Council	None
David Richardson	None	Reassure Life Insurance Company
Chris Samuel	None	None

Notes:

(1) For Clive Bannister's other directorships/partnerships, please see "'"—Section A: Directors" of this Part XI.

(2) For James McConville's other directorships/partnerships, please see "'"—Section A: Directors" of this Part XI.

4. Senior Managers' Remuneration

For the year ended 31 December 2011, the total aggregate amount of remuneration paid by the Company or its subsidiaries to the senior management of the Group was approximately £7.3 million. This amount compromises salary, annual bonus, car allowance, pension contributions and private medical insurance. In addition to the amount above, each Senior Manager is entitled to death in service benefit of four times base salary.

5. Senior Manager Interests

The interests in the share capital of the Company of the Senior Managers and their immediate families (all of which, unless otherwise stated, are beneficial) as at 28 January 2013 (being the latest practicable date prior to publication of this Prospectus) were as follows:

Senior Manager	Number of Ordinary Shares[(1)]
Fiona Clutterbuck	153,662
Alan Jones	40,713
Jane MacLeod	40,542
Mike Merrick	65,722
Jean Park	20,444
David Richardson	—
Chris Samuel	—

Note:

(1) The share interests shown include shares held in trust under the Share Incentive Plan, details of which are set out below in "—Employee Incentive Plans—Senior Managers—Share Incentive Plan" of this Part XI. Certain of the Senior Managers hold options in respect of Ordinary Shares under the LTIP, the Deferred Bonus Share Scheme and the Sharesave Scheme, details of which are included in "—Employee Incentive Plans—Senior Managers" below.

6. Employee Incentive Plans—Senior Managers

6.1 LTIP

6.1.1 2010 LTIP Awards

Details of the nil cost options granted in 2010 under the LTIP to the following Senior Managers are set out in the table below.

	Number of Ordinary Shares under 2010 LTIP Award	2010 LTIP Awards Normal Vesting Date
Fiona Clutterbuck	27,564	28 May 2013
Alan Jones	53,784	28 May 2013
Jane MacLeod	52,589	28 May 2013
Mike Merrick	119,521	28 May 2013
Jean Park	62,151	28 May 2013
David Richardson	—	—
Chris Samuel[(1)]	—	—

Note:

(1) Chris Samuel was granted participation in an Ignis Asset Management cash based long term incentive plan on 28 May 2010, under which, subject to his continued employment with Ignis Asset Management, he will be entitled to cash payments, the amount of which will be linked to the increase in the assessed market value of Ignis Asset Management over the fourth, fifth and sixth years starting from January 2010.

The 2010 LTIP Awards are subject to two performance conditions. The performance condition attached to the first 50 per cent. of the shares comprised in an LTIP Award is based on embedded value growth targets measured over the three financial years from 1 January 2010 to 31 December 2012. 25 per cent. of these shares will vest if embedded value as calculated under the LTIP rules increases over the period by the relevant risk free rate plus 2.5 per cent., rising on a straight line basis to full vesting of this tranche of an

LTIP Award if embedded value increases by the relevant risk free rate plus 6 per cent. The performance condition attaching to the remaining 50 per cent. of the shares comprised in an LTIP Award will be based on cash generation targets measured over the three financial years of the Company starting 1 January 2010. 25 per cent. of the shares comprised in this tranche of an award will vest if cash of £1,375 million is generated over the period, rising on a straight line basis to full vesting of this tranche of an LTIP Awards if cash of £1,655 million is generated.

6.1.2 2011 LTIP Awards

Details of the nil cost options granted on 12 April 2011 under the LTIP to the following Senior Managers are set out in the table below.

	Number of Ordinary Shares under 2011 LTIP Award	2011 LTIP Awards Normal Vesting Date
Fiona Clutterbuck	28,517	12 April 2014
Alan Jones	59,315	12 April 2014
Jane MacLeod	54,752	12 April 2014
Mike Merrick	118,631	12 April 2014
Jean Park	61,095	12 April 2014
David Richardson	62,737	12 April 2014
Chris Samuel	—	—

The 2011 LTIP Awards are subject to two performance conditions. The performance condition attached to the first 50 per cent. of the shares comprised in an LTIP Award is based on embedded value growth targets measured over the three financial years from 1 January 2011 to 31 December 2013. 25 per cent. of these shares will vest if embedded value as calculated under the LTIP rules increases over the period by the relevant risk free rate plus 2.5 per cent., rising on a straight line basis to full vesting of this tranche of an LTIP Award if embedded value increases by the relevant risk free rate plus 6 per cent. The performance condition attaching to the remaining 50 per cent. of the shares comprised in an LTIP Award will be based on cash generation targets measured over the three financial years of the Company starting 1 January 2011. 25 per cent. of the shares comprised in this tranche of an award will vest if cash of £1,217 million is generated over the period, rising on a straight line basis to full vesting of this tranche of an LTIP Awards if cash of £1,517 million is generated.

6.1.3 2012 LTIP Awards

Details of the nil cost options granted on 2 April 2012 under the LTIP to the following Senior Managers are set out in the table below.

	Number of Ordinary Shares under 2012 LTIP Award	2012 LTIP Awards Normal Vesting Date
Fiona Clutterbuck	33,097	2 April 2015
Alan Jones	68,843	2 April 2015
Jane MacLeod	63,548	2 April 2015
Mike Merrick	138,651	2 April 2015
Jean Park	70,909	2 April 2015
David Richardson	86,054	2 April 2015
Chris Samuel	—	—

The 2012 LTIP Awards are subject to three performance conditions. The performance condition attached to the first 40 per cent. of the shares comprised in an LTIP Award is based on embedded value growth targets measured over the three financial years from 1 January 2012 to 31 December 2014. 25 per cent. of these shares will vest if embedded value as calculated under the LTIP rules increases over the period by the relevant risk free rate plus 3 per cent., rising on a straight line basis to full vesting of this tranche of an LTIP Award if embedded value increases by the relevant risk free rate plus 6 per cent. The performance condition attaching to the 40 per cent. of the shares comprised in an LTIP Award will be based on cash generation targets measured over the three financial years of the Company starting 1 January 2012. 25 per

cent. of the shares comprised in this tranche of an award will vest if cash of £1,330 million is generated over the period, rising on a straight line basis to full vesting of this tranche of the LTIP Awards if cash of £1,830 million is generated. The performance condition attaching to the remaining 20 per cent. of the shares comprised in an LTIP Award will be based on Total Shareholder Return ('TSR') performance, which will be compared to those of the companies making up the FTSE 250 Index excluding investment trusts, measured over the three years of the Company starting 2 April 2012, the date of grant. 25 per cent. of the shares comprised in this tranche of an award will vest if the position within the comparator group exceeds the 50 percentile, rising on a straight line basis to full vesting of this tranche of an LTIP Awards if the comparator group position reaches the 80 percentile.

Once the performance conditions have been measured, the 2010, 2011 and 2012 LTIP Awards will only vest if the remuneration committee is also satisfied that the levels of bank debt and associated interest costs have remained within parameters acceptable to the remuneration committee over the vesting period and that the Company has made progress considered to be reasonable by it in executing any strategy agreed by the Board on debt management and capital restructuring.

6.2 Deferred Bonus Share Scheme

Details of the nil cost options granted on 6 April 2011 and 2 April 2012 under the Deferred Bonus Share Scheme to the following Senior Managers are set out in the table below.

	Number of Ordinary Shares under 2011 DBSS Award	2011 DBSS Awards Normal Vesting Date	Number of Ordinary Shares under 2012 DBSS Award	2012 DBSS Awards Normal Vesting Date
Fiona Clutterbuck	—	—	16,666	2 April 2015
Alan Jones	10,452	6 April 2014	11,170	2 April 2015
Jane MacLeod	10,220	6 April 2014	10,311	2 April 2015
Mike Merrick	39,720	6 April 2014	25,221	2 April 2015
Jean Park	12,078	6 April 2014	8,888	2 April 2015
David Richardson	—	—	—	—
Chris Samuel	—	—	—	—

The vesting of the 2011 and 2012 DBSS Awards are subject to no performance conditions other than remaining in employment within the Group up to the date of vesting.

6.3 Sharesave Scheme

Details of the options granted under the Sharesave Scheme to Senior Managers are set out in the table below. Participants were invited to select savings contracts of 3 or 5 years.

	Number of Ordinary Shares under Options	Exercise price per Ordinary Share	Normal Exercise Period
Fiona Clutterbuck	1,611	£5.63	1 March 2013 to 31 August 2013
Alan Jones	1,611	£5.63	1 March 2013 to 31 August 2013
Jane MacLeod	1,611	£5.63	1 March 2013 to 31 August 2013
Mike Merrick	1,611	£5.63	1 March 2013 to 31 August 2013
Jean Park	—	—	—
David Richardson	—	—	—
Chris Samuel	—	—	—

6.4 Share Incentive Plan

The Share Incentive Plan was launched on 14 March 2012, with shares being acquired on a monthly basis. Details of the share awards held in trust under the Share Incentive Plan on behalf of the Senior Managers as at 28 January 2013 (being the latest practicable date prior to publication of this Prospectus) are set out

in the table below and cover the awards purchased or acquired (as applicable) on a monthly basis between May 2012 and January 2013:

	Total number of partnership Shares held in the SIP	Total number of matching Shares held in the SIP	Total number of dividend Shares held in the SIP
Fiona Clutterbuck	—	—	—
Alan Jones	227	37	5
Jane MacLeod	227	37	5
Mike Merrick	—	—	—
Jean Park	—	—	—
David Richardson	—	—	—
Chris Samuel	—	—	—

7. Conflicts of interests and other matters

The Company is not aware of any conflicts of interest between any duties owed by the Senior Managers to the Company and their private interests or other duties. The Company has procedures in place to identify and manage conflicts that may arise.

During the five years immediately prior to the date of this Prospectus, except as disclosed under "—Other directorships/partnerships" above or set out below none of the Senior Managers has:

- been convicted in relation to a fraudulent offence;
- been associated with any bankruptcies, receiverships or liquidations whilst acting in his capacity as member of an administrative, management or supervisory body of a company, a partner with unlimited liability, a founder or a member of senior management of a company; or
- received an official public incrimination and/or sanction by a statutory or regulatory authority (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer with the exception of Mike Merrick and Chris Samuel who were directors of a number of Group companies which were placed into members' voluntary liquidation or struck off under the standard strike off procedure as part of an ongoing programme to reduce the number of companies in the Group.

8. Share dealing code

The Company has adopted a Code of Practice on Share Dealing in relation to the Ordinary Shares which is based on, and is at least as rigorous as, the model code as published in the Listing Rules.

SECTION C: REMUNERATION—ADDITIONAL FSA DISCLOSURES

1. Remuneration Code Staff

The Remuneration Committee has identified the Group's asset management subsidiary, Ignis Asset Management, as a Remuneration Code firm. By virtue of its influence over Ignis Asset Management, the Remuneration Committee has determined that the Company is also a Remuneration Code firm. The Company has been identified as Tier 4 Remuneration Code firm and Ignis Asset Management has been identified as a Tier 4 Remuneration Code firm. As the date of this Prospectus, the Remuneration Committee has determined that 22 staff within Ignis Asset Management qualify as Remuneration Code staff ("Code Staff"). The Remuneration Committee has also determined that a further 23 Group employees, who have sufficient supervisory responsibility over Ignis Asset Management's activities, qualify as Code Staff.

Whilst not all of the Group's activities are covered by the FSA Remuneration Code, the Remuneration Committee anticipates broadly equivalent provisions will apply, in due course, via Solvency II. The Remuneration Committee considers the FSA Code to reflect best practice and has due regard to it across the Group.

2. **Code Staff criteria**

The following groups of employees have been identified within the Remuneration Code firms as meeting the FSA's criteria for Code Staff:

- Certain members of the Group Board and Executive Management Committee;
- Employees performing a Significant Influence Function in relation to the Remuneration Code firm; and
- Key control function roles.

3. **Design and structure of remuneration**

The individual elements of employees' remuneration packages at the Group comprise fixed pay (base salary, retirement and other benefits) and performance-related pay (consisting of annual incentives, deferred awards and long-term incentives).

Taking into account the expected value of long-term incentives, the performance-related elements of the package make up a significant proportion of the total remuneration of Code Staff, while maintaining an appropriate balance between fixed and variable elements.

4. **Base salary and fees**

All Code Staff receive either a base salary (employees) or fees (Non-Executive Directors) to reflect their experience, skills, competencies and contribution to the Group relative to the market for comparable roles. The Group ensures that fixed remuneration is sufficient to cover employees' key financial needs while generally seeking to pay base salary around a mid-market range.

The Group also operates a fully flexible bonus policy which allows zero bonus payments to be made when appropriate.

5. **Benefits**

Code Staff receive benefits in line with other employees that include pension provision, and may include car allowance, private medical insurance and life assurance. Non-Executive Directors who are listed as Code Staff do not receive any benefits.

6. **Annual incentives**

6.1 Rationale and eligibility criteria

All executive Code Staff are eligible to receive an annual incentive. Annual incentives are designed to reward good financial and non-financial performance that supports the business strategy, taking into account the Group's risk appetite and personal contribution.

Non-executive Code Staff are not eligible to receive annual incentives.

6.2 Performance measurement/assessment

For employees at Group-level and employees of the Group's life companies, performance assessment is normally based upon a balanced scorecard of measures related to Group and/or life company and individual targets. These targets typically include financial performance, risk, people and customer measures. Overall bonus costs are reviewed by the Committee at the year end having regard to the Group key performance indicators and non-financial measures.

Ignis Asset Management employees' bonuses are financed from a defined profit pool (subject to discretion being reserved to the Committee to adjust the percentage available). Distribution of the pool has due regard to objectives similar to those in the Group and life companies.

For senior staff in control functions (Internal Audit, Regulatory Compliance and Risk) reward will, from 1 January 2012, be linked to individual achievement against personal objectives and will exclude any direct link to financial performance.

In each case, target levels of individual reward have regard to market levels for comparable roles internally and externally.

All incentive awards to Code Staff are subject to the review and support of the Remuneration Committee.

6.3 Deferral and vesting

The Remuneration Committee requires that one-third of annual incentives awarded to the Group's senior employees be deferred into the Company's shares. Equivalent rules apply to Ignis Asset Management employees who are required to defer part of their bonus into phantom shares where the value of the outcome is determined by Ignis Asset Management's financial performance.

These deferral arrangements extend to the majority of Code Staff.

7. Long-term incentives

7.1 Group

To encourage the creation of value over the long-term and to align the rewards of the participants with the returns to shareholders, the Group provides employees in senior roles (executive level and selected senior management) the opportunity to receive annual awards of long-term incentives. Details of the LTIP are given in "—Section E: Employee Incentive Plans—The Long-term Incentive Plan".

7.2 Ignis Asset Management

Selected employees are eligible to receive awards subject to the rules of the Ignis Long-Term Phantom Option Plan ("LTOP"). Awards are typically one-off in nature and reward the growth in the notional value of Ignis Asset Management over a six year period (with one-third of the award vesting on the fourth, fifth and sixth anniversaries of the grant date). Awards take the form of a cash settled option. Awards with a grant date of 2010 reward growth over an initial value of £1 per notional share, awards granted in respect of 2011 reward growth over an initial value of £1.15 per notional share and awards with a grant date of 2012 reward growth over an initial value of £1.16 per notional share. The value per notional share at 31 December 2011 was £1.16. Where it has been necessary and as a part of the recruitment process, the Remuneration Committee has provided an underpin to the value of the award to reflect the value forfeited by employees due to leaving previous employers.

8. Risk adjustment

To manage the risk aspects of the remuneration policy, the Remuneration Committee considers the performance of the Group and individual businesses against risk objectives in determining the bonus pool and requires the Chief Risk Officer to report to the Remuneration Committee on this.

9. Quantitative Remuneration Disclosure

The Group is required to disclose aggregate quantitative remuneration information for Code Staff.

As at 31 December 2011, there were 23 Code Staff that have been classified as Group and 22 as Ignis Asset Management. Aggregate remuneration expenditure for the year ended 31 December 2011 (which includes any form of remuneration, including salaries, discretionary pension benefits and benefits of any kind) is broken down as follows:

	Number of Staff	£m
Non-executive Director	17	4.18
Senior Management	9	14.33
Other	20	12.38
Total	**46**	**30.89**

	Number of Staff	£m
Ignis Asset Management	23	18.30
Group	23	12.59
Total	**46**	**30.89**

SECTION D: EMPLOYEES

The Group had approximately 1,153 full-time equivalent employees on 30 September 2012.

The Group has collective consultation agreements in place with Unite, the largest UK trade union, covering certain categories of employees.

SECTION E: EMPLOYEE INCENTIVE PLANS

The Group's Long-Term Incentive Plan, Bonus Share Plan, the Restricted Share Plan, the Sharesave Scheme, the Share Incentive Plan and the Deferred Bonus Share Scheme have been introduced for the purpose of incentivising and motivating the Company's employees by reference to the Company's shares. The Sharesave Scheme and the SIP are intended to give participants favourable tax treatment on the acquisition of the Company's shares under those plans. The DBSS has been introduced to facilitate the bonus deferral of all or part of any annual bonuses earned by members of the Executive Committee and for the 2012 Annual Incentive Plan period this will be extended to those Senior Managers who will continue to receive LTIP Awards as part of their remuneration.

To date, no awards or shares have to date been granted or allocated pursuant to the RSP. Options have been granted annually since 2010 to employees under the Sharesave Scheme. The SIP was launched in 2012 to all eligible employees with the first purchase of shares in May 2012 Details of the options and awards granted to Senior Managers under the Sharesave Scheme and SIP are set out in Part XI: "Directors, Corporate Governance and Employment Matters—Senior Management—Employee Incentive Plans—Senior Managers".

1. The Long-Term Incentive Plan

1.1 Overview

The LTIP was adopted on 2 July 2009 by the Board, and approved by its shareholders with effect from 2 September 2009. An eligible employee may be granted a conditional share award (which entitles a participant to acquire or receive shares for no or only a nominal payment), a share option to acquire shares at a nil or nominal exercise price, an allocation of shares which may be forfeited in certain circumstances, or any combination of them (each an "LTIP Award").

The LTIP provides that, in countries where an award or option involving real shares or an allocation of forfeitable shares is not appropriate or feasible for legal, regulatory or tax reasons, a phantom award may be used. This delivers a cash payment equal to the net benefit a participant would have derived from the vesting or exercise of an LTIP Award. In certain circumstances, share based awards may be satisfied (in whole or in part) in cash.

1.2 Eligibility

All of the Company's employees, including its Executive Directors and those of its subsidiaries are eligible to participate in the LTIP at the discretion of the remuneration committee.

1.3 Grant of LTIP Awards

Subject to any applicable dealing restrictions, the remuneration committee may grant LTIP Awards under the LTIP at any time while the Company is listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. Grants may be made during the period of 42 days commencing on (i) the announcement of the Company's results for any period, or (ii) at such other time as the remuneration committee considers that exceptional circumstances exist which justify a grant.

No payment is required for the grant of an LTIP Award.

1.4 Individual limits

The remuneration committee determines the appropriate level of grant for participants. However, the maximum number of shares under LTIP Awards granted to a participant in any twelve month period will generally not have an aggregate market value, as measured at the date of grant, exceeding 300 per cent. of the participant's base salary. In exceptional circumstances, such as recruitment or retention, a limit of up to 400 per cent. of annual base salary will apply. Market value is based on the closing middle market quotation for a share as derived from the relevant recognised stock exchange on which the shares are listed for the dealing day on the date of grant or otherwise as determined by the remuneration committee. When determining the size of any individual grant, the remuneration committee, as far as possible, takes into account the likely impact of dividend enhancement, as described below. Where a participant is required to bear the costs of his employer's National Insurance Contributions on his LTIP Award, the number of shares under his award may, at the discretion of the remuneration committee, be increased to reflect this, subject to the maximum limit referred to above.

1.5 Dividend enhancement

The number of shares which vest under an LTIP Award is increased to reflect the value of dividends paid on shares during the vesting period.

1.6 Performance conditions

LTIP Awards are subject to performance conditions imposed by the remuneration committee at the date of grant. Performance conditions are generally measured over a period of three years. The extent to which the performance conditions are satisfied will determine how many (if any) of the shares under an LTIP Award a participant is entitled to acquire or in the case of an allocation of forfeitable shares, to retain. Performance conditions are not capable of being retested, so that any proportion of an LTIP Award which does not vest on the normal vesting date will lapse or be forfeited (as applicable).

The specific performance conditions applicable to a grant of an LTIP Award are determined by the remuneration committee at the date of grant. However, as a general matter, performance conditions will be demanding and stretching and, where appropriate, performance may be measured against a defined comparator group. Vesting levels are determined on a sliding scale by reference to achievement of the performance conditions. The remuneration committee may determine that an LTIP Award should be subject to multiple conditions or that an LTIP Award should be sub-divided and that each part be subject to a different condition. The remuneration committee is required to give due regard to best practice and any applicable codes published by regulators when setting performance conditions.

The remuneration committee may set different performance conditions for LTIP Awards granted in different years provided that, in the reasonable opinion of the remuneration committee, the targets are not materially less challenging in any year.

The remuneration committee may vary the performance conditions applying to existing LTIP Awards if an event occurs which results in the conditions no longer being a fair measure of performance provided that, in the reasonable opinion of the remuneration committee, the new conditions are not materially less challenging than the original conditions would have been but for the event in question.

1.7 Release or exercise of LTIP Awards

Subject to satisfaction of the applicable performance conditions the vesting period for LTIP Awards is three years after the date of their grant. Vested share awards are released to participants automatically within 30 days of the date the shares vest. Vested share options are exercisable up until the tenth anniversary of the date of grant, after which they lapse. Vested forfeitable shares will cease to be subject to the risk of forfeiture on vesting.

LTIP Awards normally only vest if the participant remains in employment with the Company or any of its subsidiaries. If a participant leaves the Company's employment during the vesting period, vested and unvested parts of the LTIP Awards will normally lapse or be forfeited. However, if the reason for leaving is death, injury, disability, ill health, redundancy or any other reason at the remuneration committee's discretion, LTIP Awards will not lapse but will vest on the normal vesting date, to the extent that the remuneration committee determines that the performance conditions have been satisfied over the full vesting period but subject to a time pro rating reduction (based on the total number of complete months from the date of grant to the cessation of employment relative to a period of 36 months). Alternatively, the remuneration committee may, in its absolute discretion, determine that LTIP Awards should vest on the date of cessation of employment, subject to the satisfaction of the performance conditions at that date and to a time pro rating reduction. In either circumstance, the remuneration committee may determine that the pro rating reduction should not apply at all or should apply to a lesser extent. In the event of a participant's death, an LTIP Award will vest and the shares may be released or acquired by his or her personal representatives within twelve months of such event.

1.8 Corporate events

In the event of a change of control, scheme of arrangement or voluntary winding-up, unvested LTIP Awards will vest to the extent that the performance conditions have been satisfied at the time of the relevant event but subject to a time pro rating reduction (based on the number of complete months from the date of grant to the date of the relevant event relative to a period of 36 months). The remuneration committee may in its discretion disapply the application of time pro rating or determine that pro rating should apply to a lesser extent. The remuneration committee may also allow or require LTIP Awards to be

exchanged for equivalent awards over shares in the acquiring company. In the event of an internal reorganisation which involves the creation of a new holding company, LTIP Awards will not vest and will be replaced by equivalent awards over shares in the new holding company.

If a demerger, special dividend or other similar event or transaction occurs which would affect the market value of a share to a material extent, then the remuneration committee may determine that LTIP Awards will vest as on a change of control.

1.9 Variation of share capital

In the event of any variation of share capital or reserves of the Company (including, without limitation, by way of capitalisation issue, rights issue, sub-division, consolidation or reduction) or the implementation by the Company of a demerger or payment of a super dividend which would otherwise materially affect the value of a LTIP Award) the Remuneration Committee may adjust the number of Ordinary Shares subject to LTIP Awards (including vested shares in respect of which any LTIP Award has been realised but Ordinary Shares have not been transferred to the participant) to such extent and in such manner as it thinks fit.

2. **The Restricted Share Plan**

2.1 Overview

The RSP was adopted on 2 July 2009 by the Board, and was approved by its shareholders with effect from 2 September 2009. An eligible employee may be granted a conditional share award (which entitles a participant to acquire or receive shares for no or only a nominal payment), a share option to acquire shares at a nil or nominal exercise price, an allocation of shares which may be forfeited in certain circumstances, or any combination of them (each a "RSP Award").

The RSP provides that, in countries where an award or option involving real shares or an allocation of forfeitable shares is not appropriate or feasible for legal, regulatory or tax reasons, a phantom award may be used. This delivers a cash payment equal to the net benefit a participant would have derived from the vesting or exercise of a RSP Award. In certain circumstances, share-based awards may be satisfied in cash.

RSP Awards are intended to be made only in special or unusual circumstances, such as where it may aid the recruitment of an individual or is necessary and/or desirable for the retention of a key employee.

2.2 Eligibility

All of the Company's employees, excluding its executive directors (other than on recruitment), and those of its subsidiaries are eligible to participate in the RSP at the discretion of the remuneration committee.

2.3 Grant of RSP Awards

Subject to any applicable dealing restrictions, the remuneration committee may grant RSP Awards under the RSP at any time while the Company is listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. Grants may be made during the period of 42 days commencing on either (i) the announcement of the Company's results for any period or (ii) at such other time as the remuneration committee considers that exceptional circumstances exist which justify a grant.

No payment is required for the grant of a RSP Award.

Vesting of RSP Awards is not generally subject to performance conditions, but the remuneration committee may, in its discretion, set performance or other objective conditions at the date of grant as conditions of vesting.

To date, no awards or shares have to date been granted or allocated pursuant to the RSP.

2.4 Individual limits

The remuneration committee determines the appropriate level of grant of RSP Awards for participants. When determining the size of any individual grant, the remuneration committee, as far as possible, takes into account the likely impact of dividend enhancement, as described below. Where a participant is required to bear the cost of his employer's National Insurance Contributions on his RSP Award, the number of shares under his award may, at the discretion of the remuneration committee, be increased to reflect this subject to any limits imposed by the remuneration committee as referred to above.

2.5 Dividend enhancement

The number of shares that vest under a RSP Award is increased to reflect the value of dividends paid on shares during the vesting period.

2.6 Release or exercise of RSP Awards

Subject to satisfaction of any vesting conditions, RSP Awards vest three years after the date of their grant. Vested share awards are released to participants automatically within 30 days of the date the shares vest. Vested share options are exercisable up until the tenth anniversary of the date of grant, after which they will lapse. Vested forfeitable shares cease to be subject to the risk of forfeiture on vesting.

RSP Awards normally only vest if the participant remains in employment with the Company or any of its subsidiaries. If a participant leaves the Company's employment during the vesting period, vested and unvested parts of RSP Awards will normally lapse or will be forfeited. However, if the reason for leaving is death, injury, disability, ill health, redundancy or any other reason at the remuneration committee's discretion, RSP Awards will vest on the normal vesting date, subject to a time pro rating reduction (based on the total number of complete months from the date of grant to the cessation of employment relative to a period of 36 months). Alternatively, the remuneration committee may, in its absolute discretion, determine that RSP Awards should vest on the date of the cessation of employment, subject to a time pro rating adjustment. In either circumstance, the remuneration committee may determine that the pro rating reduction should not apply at all or should apply to a lesser extent. In the event of a participant's death, a RSP Award will vest and the shares may be released or acquired by his or her personal representatives within 12 months of such event.

2.7 Corporate events

In the event of a change of control, scheme of arrangement or voluntary winding-up of the Company, unvested RSP Awards will vest subject to a time pro rating reduction based on the number of complete months from the date of grant to the date of the relevant event relative to a period of 36 months. The remuneration committee may, in its discretion, disapply the application of time pro rating or determine that time pro rating should apply to a lesser extent. The remuneration committee may also allow or require RSP Awards to be exchanged for equivalent awards over shares in any acquiring company. In the event of an internal reorganisation which involves the creation of a new holding company, RSP Awards will not vest and will be replaced by equivalent awards over shares in the new holding company.

If a demerger, special dividend or other similar event or transaction occurs, which would affect the market value of the Company's shares to a material extent, then the remuneration committee may determine that RSP Awards will vest as on a change of control.

2.8 Variation of share capital

In the event of any variation of share capital or reserves of the Company (including, without limitation, by way of capitalisation issue, rights issue, sub-division, consolidation or reduction) or the implementation by the Company of a demerger or payment of a super dividend which would otherwise materially affect the value of a RSP Award) the Remuneration Committee may adjust the number of Ordinary Shares subject to RSP Awards (including vested shares in respect of which any RSP Award has been realised but Ordinary Shares have not been transferred to the participant) to such extent and in such manner as it thinks fit.

3. **The Bonus Share Plan**

3.1 Overview

The BSP was adopted on 2 July 2009 by the Board, and approved by its shareholders with effect from 2 September 2009. The BSP was designed to reward selected employees for their efforts and performance during the process of the acquisition of the former Pearl Group by the Company which occurred in September 2009. Subject to 7.4 below, ("Overall Plan Limits"), BSP Awards may be granted over a maximum of 500,000 shares. An eligible employee may be granted a conditional share award (which entitles a participant to acquire or receive shares for no or only a nominal payment), a share option to acquire shares at a nil or nominal exercise price, an allocation of shares which may be forfeited in certain circumstances or any combination of them (each a "BSP Award"). In 2009 and 2010, allocations were made in respect of a total of 443,750 Ordinary Shares. No further BSP Awards or allocations are intended to be made under the BSP. All of these awards have now either vested or lapsed.

3.2 Eligibility

All the Company's employees, including its Executive Directors and those of its subsidiaries were eligible to participate in the BSP at the discretion of the remuneration committee. Several of the Senior Managers had been invited to participate in the BSP, with all awards having now either vested or lapsed.

3.3 Grant of BSP Awards

Subject to any applicable dealing restrictions, the remuneration committee may grant BSP Awards under the BSP at any time while the Company is listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.

Where a BSP Award takes the form of forfeitable shares, payment of the nominal value of the shares comprised in the BSP Award may be required for the grant of a BSP Award. In all other circumstances, no payment is required for the grant of a BSP Award.

3.4 Release or exercise of BSP Awards

BSP Awards are not subject to performance conditions. The vesting period for BSP Awards is two years after the date of their grant. Vested share awards are released to participants automatically within 30 days of the date the shares vest. Vested share options are exercisable up until the tenth anniversary of the date of grant, after which they lapse. Vested forfeitable shares cease to be subject to the risk of forfeiture on vesting.

BSP Awards will normally only vest if the participant remains in employment with the Company or any of its subsidiaries. If a participant leaves the Company's employment during the vesting period, the BSP Award will normally lapse or be forfeited. However, if the reason for leaving is injury, disability, ill health, redundancy or any other reason at the remuneration committee's discretion, BSP Awards will not lapse but will vest in full on the date of cessation of employment. In these circumstances, where a BSP Award takes the form of forfeitable shares, the remuneration committee may require a participant to transfer the shares comprised in his BSP Award to the Company or to its order in consideration of the market value of the shares at the date of transfer.

In the event of a participant's death, a BSP Award will vest and the shares may be released or acquired by his or her personal representatives within twelve months of such event and may also be required by the remuneration committee to be transferred on the basis referred to above.

3.5 Corporate events

In the event of a change of control, scheme of arrangement or voluntary winding-up, BSP Awards will vest in full at the time of the relevant event. The remuneration committee may also allow or require BSP Awards to be exchanged for equivalent awards over shares in the acquiring company. In the event of an internal reorganisation which involves the creation of a new holding company, BSP Awards will not vest and will be replaced by equivalent awards over shares in the new holding company.

If a demerger, special dividend or other similar event or transaction occurs that would affect the market value of a share to a material extent, then the remuneration committee may determine that BSP Awards will vest in full or in part as on a change of control.

3.6 Variation of share capital

In the event of any variation of share capital or reserves of the Company (including, without limitation, by way of capitalisation issue, rights issue, sub-division, consolidation or reduction) or the implementation by the Company of a demerger or payment of a super dividend which would otherwise materially affect the value of a BSP Award) the Remuneration Committee may adjust the number of Ordinary Shares subject to BSP Awards (including vested shares in respect of which any BSP Award has been realised but Ordinary Shares have not been transferred to the participant), and the limit of 500,000 shares (referred to in paragraph 3.1. above) to such extent and in such manner as it thinks fit.

4. The Sharesave Scheme

4.1 Overview

The Sharesave Scheme was adopted on 2 July 2009 by the Board, and approved by its shareholders with effect from 2 September 2009. The Sharesave Scheme enables tax-favoured options to be granted over shares to UK resident employees. The Sharesave Scheme was approved by HMRC on 24 December 2009. As at 28 January 2013, being the latest practicable date prior to publication of this Prospectus, there were 635 employees currently participating in the Sharesave Scheme who have options over a total of 985,269 Ordinary Shares.

4.2 Eligibility

All of the Company's employees and full-time Directors who are UK resident taxpayers are eligible to participate provided that the remuneration committee may require any such person to have completed a qualifying period of employment of up to five years. The remuneration committee may allow other employees to participate. Employees who have or have had more than a 25 per cent. interest in the Company's share capital will be ineligible to participate.

4.3 Grant of options

Options can only be granted to employees who enter into an approved savings contract with a designated bank or building society, under which monthly savings are made as deductions from pay. The participant must select the date on which his or her savings will be repaid to him (the maturity date) which may be three, five or seven years after the start of the contract provided that the Board may choose to offer only one or more of those repayment dates.

Invitations to participate in the Sharesave Scheme may be issued only during the period of 42 days commencing on any of the following: the approval of the Sharesave Scheme by HMRC; the day following the announcement of the Company's results for any financial period; any changes to the legislation affecting savings-related share option schemes being announced, made or coming into effect; or a resolution by the Directors that exceptional circumstances have arisen which justify the grant of options.

4.4 Individual limits

A participant's aggregate monthly savings under all savings contracts linked to options granted under any sharesave scheme must not exceed the statutory maximum (currently £250). The remuneration committee can set a lower limit in relation to any particular grant.

The number of shares over which an option is granted is such that the total exercise price payable will correspond to the proceeds on maturity of the related savings contract (i.e., the total savings plus accrued interest).

4.5 Exercise price

The price per share payable upon the exercise of an option must not be less than 80 per cent. of the market value of a share on a date which is determined by the Board (but which may be earlier than 30 days prior to the date of grant or 42 days if applications for options are scaled down where this is an oversubscription for options). If the option is granted over Ordinary Shares which are admitted to trading on the London Stock Exchange, market value will be the average of the middle market quotations of such a share on the relevant exchange for the three consecutive dealing days immediately prior to the applicable valuation date. If the option relates to new issue shares, the exercise price must not be less than the nominal value of a share.

4.6 Exercise of options

Options are normally only exercisable during the six month period following the maturity date of the relevant savings contract. Earlier exercise is permitted if the participant leaves employment in certain specified circumstances, otherwise options will lapse on the cessation of employment.

Options granted under the Sharesave Scheme are not subject to performance conditions.

4.7 Leaving employment

Options lapse on cessation of employment with the Company or any subsidiary of the Company which has been nominated by the Board as a participating company for the purposes of the Sharesave Scheme unless the participant ceases employment for a specified reason. The participant may exercise options within six months of ceasing employment by reason of injury or disability, redundancy, retirement on reaching age 60 or the age at which a participant is bound to retire under his or her employment, the sale of the business or subsidiary company in which the participant is employed or, if the option has been held for at least three years, ceasing employment for any other reason. A participant may exercise his or her options within six months of reaching age 60 even though he or she does not leave employment. The personal representatives of a participant who dies may exercise his or her options within 12 months of the date of his or her death or if he or she dies within six months after the maturity of the relevant savings contract, 12 months from that maturity.

4.8 Corporate events

In the event of a change of control of the Company as a result of a general offer, or if a court approves a compromise or scheme of arrangement of the Company, or if there is a winding-up, options will become exercisable within limited specified periods of such events to the extent that they are exercisable with accrued savings. The Company will notify participants of the relevant corporate event so as to enable them to exercise their options or take other action. Alternatively, participants may be offered equivalent new options over shares in a new holding company in exchange for their existing options.

4.9 Variation of share capital

In the event of any variation of share capital or reserves of the Company (including, without limitation, by way of capitalisation issue, rights issue, sub-division, consolidation or reduction), the number of Ordinary Shares under option and/or the exercise price may be adjusted as the Board (or a duly authorised committee thereof) may determine, provided that: (i) HMRC gives prior approval, (ii) in respect of options under which Ordinary Shares are to be transferred, the person holding the Ordinary Shares to which the Options relate has been given prior notification and gives their prior approval, (iii) the adjustment does not result in an increase to the aggregate exercise price of any option and (iv) the adjustment does not have the effect of reducing the exercise price to less than the nominal value of an Ordinary Share.

5. **The Share Incentive Plan**

5.1 Overview

The SIP was adopted on 2 July 2009 by the Board, and approved by its shareholders with effect from 2 September 2009. The SIP received HMRC approval on 11 January 2012 and the first invitation to join was issued to employees on 14 March 2012. This initial invitation related to the purchase of Partnership Shares, Matching Shares and Dividend Shares only. The acquisition of Shares under the SIP may attract tax-favoured treatment for UK resident employees.

5.2 Eligibility

All of the Company's employees who are UK resident taxpayers would be eligible to participate in the SIP provided they satisfy any minimum service requirement that is imposed. The Company may set a minimum service requirement but that requirement cannot exceed 18 months' service. All eligible employees must be invited to participate on similar terms.

5.3 Awards

In summary, the SIP allows participants to acquire shares under the terms of three types of awards: (i) an award of free shares ("Free Shares"), (ii) the opportunity for employees to purchase shares with deductions from their pre-tax salary ("Partnership Shares") and (iii) an award of free shares ("Matching Shares") to those employees who have purchased Partnership Shares.

These elements may be operated individually or in conjunction with each other except that Matching Shares may only be awarded in conjunction with Partnership Shares. In addition, employees can be required or allowed to reinvest dividends paid on their Free Shares, Partnership Shares and Matching

Shares in further shares ("Dividend Shares"). Any shares acquired under the SIP must be held in a special trust on participants' behalf for a minimum period of time.

5.4 Free Shares

The Company may provide Free Shares to eligible employees up to a maximum value set from time to time by HMRC. The current maximum value is £3,000 per employee per annum. If the Company wishes, the award of Free Shares can be based on the achievement of personal, team, divisional or corporate performance targets which must be notified to all relevant employees. Otherwise, Free Shares must be awarded to eligible employees on the same terms subject only to variation according to an employee's remuneration, length of service or hours worked.

5.5 Partnership Shares

The Company may provide eligible employees with the opportunity to acquire Partnership Shares from their pre-tax salary up to a maximum value set from time to time by HMRC, currently the lesser of £1,500 per annum or 10 per cent. of salary. Salary for these purposes includes base salary and any bonus. The Company may set a minimum monthly deduction that may not be greater than £10. Shares are acquired on behalf of employees within 30 days after each deduction at a price equal to the market value of such shares on the date they are acquired. Alternatively, deductions can be accumulated for up to 12 months. In this case, shares are acquired on behalf of employees within 30 days of the end of the accumulation period, at the lower of the market value of the shares on the date the accumulation period commenced and the date the shares are acquired.

5.6 Matching Shares

The Company may award Matching Shares to those eligible employees who have purchased Partnership Shares. The Matching Shares must be offered on the same basis to all employees in such ratio as the Company may determine, but that ratio may not exceed two Matching Shares for every one Partnership Share purchased.

5.7 Dividend Shares

The Company may either give eligible employees the opportunity, or may require them, to re-invest dividends paid on their Free Shares, Partnership Shares and Matching Shares in further shares up to a maximum value set by HMRC. This value is currently £1,500 per annum.

5.8 Holding period

Free Shares and Matching Shares must generally be held in the SIP trust for a minimum period set by the Company, which may not be less than three years nor more than five years from the date on which such shares are allocated to employees. Partnership Shares are not subject to any specific holding period. Dividend Shares must generally be held in the SIP trust for a minimum period of not less than three years.

5.9 Leavers

The Company can provide for Free Shares and Matching Shares to be forfeited if employees cease employment with the Group within a period of up to three years from the date on which the shares were allocated other than in specified circumstances including death, redundancy, disability, injury or retirement on or after reaching age 60.

Employees may withdraw their Partnership Shares from the SIP trust at any time. However, the Company may stipulate that Matching Shares will be subject to forfeiture if the corresponding Partnership Shares are withdrawn within a specified period (not exceeding three years) of their purchase. The Company may also stipulate that Free Shares and Matching Shares may be forfeited if an employee withdraws them from the SIP trust within a specified period (not exceeding three years) from the date they were allocated. Forfeiture will not apply if the shares are withdrawn from the SIP as a result of a change of control of the Group.

5.10 Corporate events

In the event of any reconstruction or takeover of the Company, employees may direct the trustee of the SIP how to act in respect of any shares held on their behalf.

5.11 Capital Raisings

Whenever rights to acquire shares or other rights of any nature are granted by the Company in respect of its Ordinary Shares held in the SIP on behalf of participants, participants may instruct the trustee to take up all or part of the rights, to sell the rights and/or to allow all or part of the rights to lapse.

6. **The Deferred Bonus Share Scheme (the "DBSS")**

6.1 Overview

Consistent with best practice guidelines, the remuneration committee has endorsed the principle of bonus deferral. For the 2010 Annual Incentive Plan period, any annual bonus earned by members of the Executive Committee in excess of target amount was delivered in shares, the vesting of which is generally contingent on continued employment for three years. For the 2011 Annual Incentive Plan period, a third of annual bonus earned by members of the Executive Committee was delivered in shares, the vesting of which is generally contingent on continued employment for three years.

The bonus deferral is operated through the DBSS which was adopted by the remuneration committee on 1 February 2010. The DBSS allows all or part of an employee's annual bonus to be awarded on a gross of tax basis in the form of a deferred share award, which will vest subject to the employee remaining in employment during a fixed vesting period. The Company may not issue new shares to satisfy deferred share awards. Instead, it may provide monies to an employee benefit trust to enable the trust to purchase existing shares in the market to be used to satisfy the awards.

6.2 Grant and vesting of deferred share awards

Participants will be granted an award of shares having a market value equal to the gross of tax element of the annual bonus that is to be deferred. The deferred award will normally vest and become exercisable at the end of a vesting period specified by the remuneration committee at the date of grant (which may not be less than three years or longer than five years) and is generally anticipated to be three years subject to the participant's continued employment. The participant may exercise the deferred award during the six months after the end of the vesting period.

6.3 Clawback

If it is determined that a bonus to which a deferred award relates was calculated on the basis of misstated or incorrect financial information, that deferred award, to the extent that it is unvested, will lapse (unless the remuneration committee decides otherwise) in respect of such number of shares as have a value equal to the difference between the excess bonus and the bonus that would have been calculated on the basis of the restated financial information.

6.4 Cessation of employment

If a participant resigns or gives notice of his resignation or is dismissed summarily before the vesting date, his entitlement to the deferred share award will automatically lapse unless the remuneration committee, in its discretion, determines otherwise. If the remuneration committee exercises its discretion in favour of such a leaver, or if a participant's employment ceases for any other reason, the participant's deferred award will be capable of exercise during the six months following his cessation of employment (or 12 months in the event of his death). If a participant ceases employment by reason of retirement with the consent of the Company, he may exercise a deferred award during the six months following the original vesting date.

6.5 Corporate events

In the event of a takeover, scheme of arrangement or winding-up of the Company (not being an internal reorganisation) deferred share awards will vest and be exercisable for a limited period after the change of control. An internal reorganisation to create a new holding company will not result in the accelerated vesting of deferred share awards; they will be exchanged for equivalent awards over shares in the holding company and vest at the normal vesting date.

6.6 Variation of share capital

In the event of any variation of the share capital of the Company, a demerger involving the Company or a subsidiary of the Company, or the payment of a capital or other dividend or distribution which is of an

unusual nature (and which, in the opinion of the Remuneration Committee, has a material impact on the value of an Ordinary Share), the Remuneration Committee may adjust, as it considers appropriate: (i) the number of Ordinary Shares that may be acquired on the exercise of a deferred share award, (ii) the price payable for the Ordinary Shares and (iii) the number of Ordinary Shares which may be allotted or transferred pursuant to an award (where an award has been exercised or released but no Ordinary Shares have been allotted or transferred pursuant to that exercise).

7. Terms Applicable to All of the Share Plans

The terms below apply to all the Share Plans.

7.1 Time limit for grants of options and awards

Options and awards may not be granted more than ten years after the date the Share Plans were adopted by the Company's shareholders.

7.2 Satisfaction of options and awards

Options and awards (other than deferred awards granted under the DBSS) may be satisfied by the issue of new shares or the transfer of existing shares.

7.3 Overall plan limits

There is an overall limit of 3,500,000 shares in the aggregate number of shares that may be issued for the purposes of the Share Plans without the requirement for further Shareholder approval. In addition, the Company may not grant options or awards under any of the Share Plans or any other share plans adopted by the Company or any other company under its control if such grant would cause the aggregate number of shares issued or issuable pursuant to options or awards granted in the preceding ten years under those plans to exceed 10 per cent. of the Company's issued ordinary share capital at the proposed date of grant.

In addition, the Company may not grant options or awards under the LTIP, the RSP, the BSP or any other discretionary share plan adopted by the Company or any other company under its control if such grant would cause the aggregate number of shares issued or issuable pursuant to options or awards granted in the preceding ten years under those plans to exceed 5 per cent. of the Company's issued ordinary share capital at the proposed date of grant.

In addition, the Company may not grant a BSP Award if such grant would cause the aggregate number of shares subject to BSP Awards to exceed 500,000 shares.

If options and awards are to be satisfied by a transfer of existing shares, the percentage limits stated above will not apply.

Any options or awards granted, or shares allocated through trust arrangements, under the Share Plans before the Premium Listing which occurred on 5 July 2010, are not taken into account for the purposes of calculating the above limits.

7.4 Other features of options and awards

Options and awards are not transferable, except on death. Options and awards are not pensionable. Unless the remuneration committee determines otherwise, awards and options will lapse if a participant is declared bankrupt.

7.5 Rights attaching to shares

Any shares allotted when an option is exercised or an award vests will rank pari passu with shares then in issue (except for rights arising by reference to a Record Date prior to their allotment). At any time when the shares are admitted to listing on a recognised stock exchange, application will be made for any newly issued shares to be admitted to such listing and admitted to trading on the relevant exchange.

7.6 Alterations to the Share Plans

The remuneration committee may amend the Share Plans in any respect, provided that the prior approval of shareholders is obtained for any amendment to the advantage of participants to the following provisions: the individuals who may participate in the plan, the limits on the number of shares available

under the plan, the maximum entitlement of participants, the basis for determining a participant's entitlement and the adjustment of options or awards on a variation of the Company's share capital.

The requirement to obtain the prior approval of shareholders does not, however, apply to any amendment to the DBSS nor to any minor amendment of the Share Plans made to benefit the administration of the Share Plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for eligible employees, participants or for any company in the Group. Shareholder approval is also not required for any amendment to any performance conditions, provided that any such amendment is made on the basis referred to above under "—The Long-Term Incentive Plan—Performance Conditions".

Amendments that would adversely affect subsisting rights are subject to specified limitations. Amendments to plans approved by HMRC are generally subject to the prior approval of HMRC.

The Company may modify or extend any of the Share Plans to apply in different jurisdictions, having regard to securities, exchange control and tax laws in such jurisdictions. Any such amendment must conform to the basic principles of the relevant Plan and cannot enlarge the individual or overall limits applicable to that Share Plan.

8. **Impact of the Open Offer**

The Board intends to make such adjustments to the number of shares subject to share options and awards and the exercise price (if any) of such options as may be appropriate to take account of the Capital Raising in accordance with the rules of the Employee Share Schemes and guidance from HMRC (subject, where appropriate, to auditor confirmation and HMRC approval). The Remuneration Committee intends to make such adjustments to the performance conditions which apply to outstanding awards under the LTIP as may be appropriate. Participants in the Employee Share Schemes will be contacted separately with further information on how their share options and/or awards will be affected by the Capital Raising. Participants in the SIP will be eligible to participate in the Open Offer by instructing the trustee which administers the SIP. Participants in the SIP will receive a separate communication with information on what steps they may take.

SECTION F: PENSIONS

The Group operates several different pensions schemes. The two main pension schemes are the pension scheme covering the past and present employees of the Group prior to the acquisition of the Resolution Group (which is the Pearl Group Staff Pension Scheme) and the pension scheme covering the past and present employees of Impala's subsidiaries (which is the PGL Pension Scheme). Each of those two schemes has both defined benefit and defined contribution sections. As at 31 December 2012, on an IAS19 basis, the Pearl Group Staff Pension Scheme had an estimated deficit before tax of £114 million, compared with a £31 million surplus before tax as at 30 June 2012, and the PGL Pension Scheme had an estimated IAS19 surplus before tax of £344 million, compared with a surplus before tax of £456 million as at 30 June 2012, each before eliminating insurance policies effected by the PGL Pension Scheme within the Group.

Under IFRIC14, an interpretation of IAS19, where deficit reduction contributions payable into a pension scheme will not be available after they are paid, a liability is recognised when the obligation arises to make those contributions. Following the agreement of the new funding arrangements entered into with the trustee of the Pearl Group Staff Pension Scheme, an additional liability will be recognised on the Pearl Group Staff Pension Scheme in the Group's IFRS financial statements for the year ended 31 December 2012, reflecting the tax that would arise on any notional refund of the resultant IAS19 surplus following the revised contributions being paid. The estimated additional liability at 31 December 2012 is £83 million reflecting 35 per cent. tax on the resultant IAS19 surplus of £237 million (which represents £351 million present value of deficit reduction contributions less the estimated current deficit of £114 million). A deferred tax asset of £55 million will also be recognised in the Group's IFRS financial statements for the year ended 31 December 2012 to reflect tax relief at a rate of 23 per cent. that is expected to be available on the contributions, once paid into the pension scheme. The net IFRIC14 adjustment is not reflected in the Group MCEV as the Group does not anticipate that its ultimate contributions into the pension scheme will give rise to a notional refund.

As at 30 June 2012, the defined benefit sections of the Pearl Group Staff Pension Scheme had 10,799 deferred members and 9,849 pensioners and the defined contribution section had 65 active members, 1,679 deferred members and 85 pensioners. These figures include a number of 'hybrid' deferred members and

pensioners who have benefits in both the defined benefits and defined contribution sections of the scheme. As at 30 June 2012, the defined benefit section of the PGL Pension Scheme had 5,845 deferred members and 4,578 pensioners as at 30 June 2012. The defined contribution section had 982 active members and 1,781 deferred members.

Triennial funding valuations show higher funding deficits than valuations carried out on an IAS19 basis because the triennial valuations are calculated on a more prudent basis and at different valuation dates than those of the IAS19 results. The triennial valuation basis is agreed by the trustees and the employers whereas the IAS19 valuation result is set in part by the scheme actuary and in part by IAS requirements.

In particular, the scheme liabilities included in the triennial valuation of each scheme are calculated assuming investment returns calculated by reference to government bond yields. Under IAS19, the assumed investment return is set to the higher yield on AA-rated corporate bonds. Given the long-term nature of a scheme's liabilities, small changes in the assumed rate of investment return can have a significant impact on the value placed on the scheme's liabilities.

The initial estimate prepared by the actuary for the Pearl Group Staff Pension Scheme is that the deficit as at 30 June 2012 was £480 million, on the agreed technical provisions basis. The initial estimate prepared by the actuary for the PGL Pension Scheme is that the deficit was £64 million as at 30 June 2012, using the technical provisions basis underlying the 2009 valuation (updated for market conditions as at 30 June 2012). The Group has until the end of September 2013 to agree the technical provisions basis for the triennial valuation as at 30 June 2012 and a revised level of contributions for the PGL Pension Scheme. On 27 November 2012, the trustees and PGH2 signed the 2012 Pensions Agreement which sets out an agreed contractual framework for contributions to the Pearl Group Staff Pension Scheme, which will be subject to the statutory funding regime in the Pensions Act 2004. Please refer to Part XIII: "Additional Information—Material Contracts—Pearl Group Staff Pension Scheme Agreements".

The most recent completed triennial valuation of the PGL Pension Scheme showed a deficit of £255 million on technical provisions basis as at 30 June 2009. The Group and the trustees reached a funding agreement in 2010 under which the Group pays into the scheme £2.5 million per month until June 2013 and £1.25 million per month between July 2013 and August 2017. The next triennial valuation, which is as at 30 June 2012, is underway and the initial estimate by the scheme actuary, applying the technical provisions basis underlying the 2009 triennial valuation (updated for market conditions as at 30 June 2012), is that the funding deficit was approximately £64 million. As part of the triennial process, the Group expects to enter into discussions with the trustees to determine a revised level of contributions to be paid into the scheme. Having regard to the expected size of the deficit, any changes to the contributions payable as a result of those discussions are not expected to be material to the Group. Separately to the statutory requirement to agree contributions, under the trust deed and rules of the PGL Pension Scheme the scheme actuary has the power to demand increased contributions.

The Group has until the end of September 2013 to agree with the trustees the employer contributions and the recovery period required in respect of the schemes. If the Group and the trustees cannot agree such increased contributions (if any) as may be required from the employers, the Pensions Regulator has a statutory power to intervene and may fix the contribution rate.

The Group has taken a number of liability management steps in relation to these schemes. In June 2011, following formal consultation, the trustees of each scheme signed a deed of amendment to the defined benefit schemes, which closed the schemes to future accrual of benefits by active members with effect from 1 July 2011. In November 2011, the Group carried out a pension increase exchange exercise for both schemes where existing in-scope pensioners were offered the option to exchange future non-statutory pension increases in respect of benefits accrued before 6 April 1997 in return for a higher, non-increasing pension, thereby reducing longevity and inflation risk for the Group. In November 2011, as part of an enhanced transfer value exercise for the PGL Pension Scheme in-scope deferred members were offered an enhanced transfer value in exchange for the future benefits due to them under the scheme. The transfer of benefits out of the scheme reduces the longevity and inflation risk for the Group.

The Group also has another defined benefit scheme, the Phoenix Ireland SCP Staff Pension Scheme, for employees in the Republic of Ireland. Following the 31 December 2009 triennial valuation for this scheme, the Group agreed to pay contributions of €336,000 per annum for ten years, increasing with annual price inflation. The next triennial valuation is due on 31 December 2012. Under the Irish Social Welfare and Pensions Act 2012, Irish defined benefit pension schemes will be required to hold a reserve in addition to funding liabilities, known as a risk reserve. This additional reserve comes into effect from 1 January 2016 and in normal circumstances is required to be fully met by 2023. The scheme actuary has estimated, on a projected basis, that the risk reserve would be approximately €8 million with the current investment strategy.

PART XII

TAXATION

1. UK Taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Ordinary Shares. Prospective acquirers of New Ordinary Shares are advised to consult their own professional advisers concerning the tax consequences of the acquisition, ownership and disposition of New Ordinary Shares. The following statements are based on current or announced UK legislation and what is understood to be the current practice of HMRC as at the date of this Prospectus, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident, and, in the case of individuals, ordinarily resident and domiciled for tax purposes in (and only in) the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold their New Ordinary Shares as an investment (other than under an individual savings account), and who are the absolute beneficial owners of both their New Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their New Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered. In addition the summary below may not apply to: (i) a person who holds Ordinary Shares as part of or pertaining to or attributable to a fixed base or permanent establishment in a non-UK jurisdiction or (ii) any Shareholders who, either alone or together with one or more associated persons, such as personal trusts and connected persons, hold or control directly or indirectly at least 10 per cent. of, or of the voting rights in, any share capital (or any class of share capital) of the Company.

Prospective acquirers of New Ordinary Shares who are in any doubt about their taxation position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

1.1 Taxation of Chargeable Gains

1.1.1 UK tax resident Shareholders

(i) New Ordinary Shares acquired pursuant to the Open Offer

Based on what is understood to be the current practice of HMRC, it is expected that an existing Shareholder who acquires New Ordinary Shares under the Open Offer in an amount up to his Open Offer Entitlement will be treated as acquiring those Shares pursuant to a reorganisation for the purposes of UK taxation of chargeable gains ("CGT"). On that basis, a Qualifying Shareholder who acquires New Ordinary Shares up to the level of his Open Offer Entitlement should not be regarded as making any disposal of his Existing Ordinary Shares. Instead, the New Ordinary Shares acquired by the Qualifying Shareholder and the Existing Ordinary Shares in respect of which they are issued should, for CGT purposes, be treated as the same asset and as having been acquired at the same time as the Existing Ordinary Shares. The amount paid for the New Ordinary Shares should be added to the base cost of the Existing Ordinary Shares when computing any gain or loss on any subsequent disposal but, for the purposes of calculating the indexation allowance (in the case of corporate shareholders) on a subsequent disposal of Shares, the amount paid should generally be taken into account only from the time that the payment for the New Ordinary Shares was made. In the case of non-corporate Shareholders, indexation allowance is not available.

To the extent that a Qualifying Shareholder takes up New Ordinary Shares in excess of his Open Offer Entitlement pursuant to the Excess Application Facility, that will not constitute a reorganisation, and any New Ordinary Shares so acquired will be treated as acquired separately for CGT purposes from any Existing Ordinary Shares held.

(ii) New Ordinary Shares acquired pursuant to the First Placing and the Second Placing

The issue of New Ordinary Shares under the First Placing and the Second Placing will not constitute a reorganisation of share capital for CGT purposes and, accordingly, any New Ordinary Shares acquired pursuant to the First Placing and the Second Placing will be treated as acquired separately for CGT purposes from any Existing Ordinary Shares held.

(iii) Disposals

If a Shareholder sells or otherwise disposes (or is deemed to dispose) of all or some of the New Ordinary Shares, he may, depending on his circumstances and subject to any available exemption or relief, incur a liability to CGT.

1.1.2 Non-UK tax resident Shareholders

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not generally be subject to CGT on a disposal of New Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the New Ordinary Shares are used, held or acquired.

An individual Shareholder who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his New Ordinary Shares during that period may be liable to CGT on his return to the UK, subject to available exemptions or reliefs.

1.2 Taxation of Dividends

Under current UK tax law, the Company is not required to withhold tax at source when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company on the New Ordinary Shares will generally be entitled to a tax credit equal to one-ninth of the amount of the dividend received, which is equivalent to ten per cent. of the aggregate of the dividend received and the tax credit (the "*gross dividend*"), and will be subject to income tax on the gross dividend.

An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of ten per cent., so that the tax credit will satisfy the income tax liability of such a Shareholder in full. Where the tax credit exceeds the Shareholder's tax liability the Shareholder cannot claim repayment of the tax credit from HMRC.

An individual UK resident Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent. to the extent that such sum, when treated as the top slice of that Shareholder's income, falls above the threshold for higher rate income tax. After taking into account the ten per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

An individual UK resident Shareholder who is subject to income tax at the additional rate will be liable to income tax on the gross dividend at the rate of 42.5 per cent. (37.5 per cent. from 6 April 2013) to the extent that such sum, when treated as the top slice of that Shareholder's income, falls above the threshold for additional rate income tax. In the same way as in relation to a Shareholder who is subject to income tax at the higher rate, the ten per cent. tax credit may be set off against part of his liability. This will have the effect that the Shareholder will have to account for tax equal to 32.5 per cent. of the gross dividend, or 36.1 per cent. of the net dividend (27.5 per cent. and 30.6 per cent, respectively, from 6 April 2013).

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

For UK resident corporate Shareholders, it is likely that most dividends paid on the New Ordinary Shares will fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However the exemptions are not comprehensive and are also subject to anti-avoidance rules. In particular, dividends paid on the New Ordinary Shares to Shareholders which are 'small' companies (broadly, companies which employ fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million) will not qualify for exemption from corporation tax. Where a dividend paid by the Company is treated as exempt, the holder will not be entitled to claim relief by way of credit in the UK for any tax paid by the holder under the laws of Jersey, either directly or by deduction, in respect of that dividend. Shareholders within the charge to corporation tax should consult their own professional advisers.

1.3 UK Stamp Duty and UK Stamp Duty Reserve Tax

No UK stamp duty or UK SDRT will be payable on the issue of New Ordinary Shares pursuant to the First Placing, the Second Placing or the Open Offer.

UK stamp duty will not normally be payable in connection with a transfer of New Ordinary Shares, provided that the instrument of transfer is executed outside the UK and no other action is taken in the UK by the transferor or transferee.

No UK SDRT will be payable in respect of any agreement to transfer New Ordinary Shares or Depositary Interests in respect of them provided that the New Ordinary Shares are not registered in a register kept in the UK by or on behalf of the Company and (in the case of agreements to transfer the Depositary Interests) provided that the Company is not centrally managed and controlled in the UK.

The statements in this paragraph 1.3 apply to any holders of Shares irrespective of their residence, summarise the current position and are intended as a general guide only.

2. Certain Cayman Islands tax considerations

The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.

The Company is registered as an "exempted company" pursuant to the Companies Law. The Company has received an undertaking from the Governor-in-Cabinet of the Cayman Islands that in accordance with section 6 of the Tax Concession Law (as amended) of the Cayman Islands that, for a period of 30 years from 11 May 2010, no law enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and in addition that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares, debentures or other obligations of the Company or (ii) by way of the withholding in whole or in part of any payment of dividend or other distribution of income or capital by the Company to its members or any payment of principal or interest or other sums due under a debenture or other obligation of the Company. Accordingly, it is not envisaged that the Company will be subject to any taxation in the Cayman Islands other than in relation to incidental registry fees and stamp duties on certain instruments entered into by it.

There are no foreign exchange controls or foreign exchange regulations under the currently applicable laws of the Cayman Islands.

3. Certain Jersey tax considerations

The Company is subject to a zero per cent. rate of corporation/income tax in Jersey as a "non-financial services company" for the purposes of the Income Tax (Jersey) Law 1961, as amended (the "Income Tax Law").

Holders of shares or warrants who are not resident for income tax purposes in Jersey are not subject to taxation in Jersey in respect of any income or gains arising in respect of shares or warrants held by them. Holders of shares who are resident for income tax purposes in Jersey will be subject to income tax in Jersey on any dividends paid on shares held by them or on their behalf. Under current law the Company is not obliged to withhold income tax from these payments. No duties are payable in Jersey on the issue, conversion, redemption or transfer of shares or warrants. Stamp duty is payable at a rate up to approximately 0.75 per cent. of the value of shares or warrants on the registration of Jersey probate or letters of administration which may be required in order to transfer, convert, redeem or make payments in respect of shares or warrants held by a deceased individual sole holder of shares and/or warrants. There is no capital gains tax, estate duty or inheritance tax in Jersey.

The attention of investors who are resident in Jersey is drawn to the provisions of Article 134A of the Income Tax Law which may, in certain circumstances, render such a resident liable to income tax on the undistributable income of the Company.

The Company has received approval as an International Services Entity under part 12 of the Goods and Services Tax (Jersey) Law 2007, as amended (the "GST Law"), and as such, for so long as it maintains that status, is entitled, to purchase goods and services for business use, free of Goods and Services Tax, save that:

(a) where a taxable supply made to the Company by a person registered as a taxable person under the GST Law has a value of less than £1,000, the Company will be required to pay goods and services tax in Jersey (at 5 per cent. of the value of the supply) on such supply if the supply is made under the retail scheme established under Article 43 of the GST Law and the supplier elects to charge goods and

services tax on such supply. The Company may be entitled to a refund of such goods and services tax, subject to compliance with the relevant provisions of the GST Law; and

(b) where a taxable supply made to the Company by a person registered as a taxable person under the GST Law is a supply of goods for onward re-supply of such goods in Jersey in the same state in which they existed when supplied to the Company, the Company will be required to pay goods and services tax in Jersey (at 5 per cent. of the value of the supply) on such supply.

Holders of shares or warrants who are individuals resident in a Member State of the EU or certain other jurisdictions referred to below should be aware of the provisions of the EU Directive 2003/48/ EC of 3 June 2003 on taxation of savings income in the form of interest payments (the "Savings Directive") pursuant to which income realised upon the sale or redemption of shares or warrants in undertakings for collective investment, as well as any income in the form of dividends or other distributions made by such undertakings for collective investment, may (depending upon the location, classification and investment portfolio of the undertaking) become subject to the reporting regime or withholding tax regime imposed by the Savings Directive, if such payment is made by a paying agent established either in a Member State of the EU or in certain other jurisdictions such as Jersey which have agreed to introduce an equivalent reporting or withholding tax regime in respect of such payments. The Savings Directive itself is applicable to EU Member States, together with Norway, Iceland, Liechtenstein and Switzerland.

PART XIII

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names are set out in the "Directors, Secretary and Advisers" section of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and Share Capital

2.1 Incorporation

Phoenix Group Holdings (defined above as the "Company"), previously named Liberty International Acquisition Company, Liberty Acquisition Holdings (International) Company and Pearl Group, was incorporated under the laws of the Cayman Islands with registered Number 202172 as an exempted company with limited liability on 2 January 2008.

(a) On 13 February 2008, the Company changed its name to Liberty Acquisition Holdings (International) Company. On 2 September 2009, the Company changed its name to Pearl Group. On 15 March 2010, the Company changed its name a further time to Phoenix Group Holdings.

(b) The Company's registered office is at c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is at 1st Floor, 32 Commercial Street, St. Helier, Jersey, JE2 3RU, Channel Islands. The telephone number is +44 1534 715430.

(c) The principal legislation under which the Company operates is the Companies Law and the Ordinary Shares are issued pursuant to the terms of the Articles of Association and the Companies Law.

2.2 Share capital

2.2.1 History

The share capital history of the Company is as follows:

The Company was incorporated with an authorised share capital of €30,100, divided into 300,000,000 Ordinary Shares and 1,000,000 preferred shares, each having a par value of €0.0001.

On incorporation, 1 Ordinary Share was issued for €0.0001 to Maples Corporate Services Limited and subsequently transferred to a third party on 4 January 2008 before being purchased by the Company on 15 January 2008.

On 4 January 2008, 1 Ordinary Share was issued and allotted for €0.0001 before being purchased by the Company on 15 January 2008.

On 10 January 2008, 20,125,000 Ordinary Shares were issued and allotted.

On 15 January 2008, 2 Ordinary Shares were repurchased by the Company.

On 7 February 2008, 2,875,000 Ordinary Shares were repurchased by the Company.

On 13 February 2008, an additional 60,000,000 Ordinary Shares were issued and allotted by the Company pursuant to its initial public offering.

On 11 March 2008, 2,250,000 Ordinary Shares were automatically redeemed by the Company.

By resolution of the Company's members passed on 24 July 2009, on 2 September 2009 the authorised share capital of the Company was decreased from €30,100, divided into 300,000,000 Ordinary Shares and 1,000,000 preferred shares, each having a par value of €0.0001, to €30,000, divided into 300,000,000 Ordinary Shares of a par value of €0.0001 each.

By resolution of the Company's members passed on 24 July 2009, on 2 September 2009 the authorised share capital of the Company was increased from €30,000, divided into 300,000,000 Ordinary Shares of a par value of €0.0001, to €41,000, divided into 300,000,000 Ordinary Shares and 110,000,000 Class B Ordinary Shares each having a par value of €0.0001.

On 2 September 2009, the Company issued and allotted 49,770,000 Class B Ordinary Shares and 7,499,997 Ordinary Shares, the Company repurchased 63,600 Ordinary Shares and the Company redeemed 5,974,744 Ordinary Shares.

On 5 January 2010, the Company issued and allotted 3,969,079 Ordinary Shares pursuant to the exchange invitation for the Public Warrants. On 13 January 2010, the Company issued and allotted 147,925 Class B Shares, and on 15 January 2010, the Company issued and allotted a further 1,937,198 Class B Shares, both issues being pursuant to the exchange invitation for the Company's insider warrants.

On 31 March 2010, the Company issued and allotted a further 177,000 Class B Shares, pursuant to Ron Sandler's letter of appointment.

On 2 July 2010, 52,032,123 Class B Shares of the Company were converted by variation of rights and re-designation into 52,032,123 Ordinary Shares.

On 5 July 2010, the Company issued and allotted a further 32,400,000 Ordinary Shares pursuant the conversion of Contingent Rights under the Contingent Rights agreements.

On 4 October 2010, the Company issued and allotted a further 5,029 Ordinary Shares pursuant to allotments under the Company's Sharesave Scheme.

On 15 October 2010, the Company issued and allotted a further 1,567,416 Ordinary Shares pursuant to allotments made resulting from the scrip dividend scheme elections submitted for the 2010 interim dividend payment.

On 27 October 2010, the Company issued and allotted a further 5,020,000 Ordinary Shares pursuant to a placing of Shares in relation to the ACSM.

On 5 November 2010, the Company issued and allotted a further 310 Ordinary Shares pursuant to allotments under the Company's Sharesave Scheme.

On 14 January 2011, the Company issued and allotted a further 444 Ordinary Shares pursuant to allotments under the Company's Sharesave Scheme.

On 11 February 2011, the Company issued and allotted a further 2,200 Ordinary Shares pursuant to allotments under the Company's Sharesave Scheme.

On 11 March 2011, the Company issued and allotted a further 933 Ordinary Shares pursuant to allotments under the Company's Sharesave Scheme.

On 13 May 2011, the Company issued and allotted a further 4,061 Ordinary Shares pursuant to allotments under the Company's Sharesave Scheme.

On 17 May 2011, the Company issued and allotted a further 1,086,927 Ordinary Shares pursuant to allotments made resulting from the scrip dividend scheme elections submitted for the 2010 final dividend payment.

On 25 May 2011, the Company issued and allotted a further 231 Ordinary Shares pursuant to allotments under the Company's Sharesave Scheme.

On 14 July 2011, the Company issued and allotted a further 3,309 Ordinary Shares pursuant to allotments under the Company's Sharesave Scheme.

On 22 July 2011, the Company issued and allotted a further 934 Ordinary Shares pursuant to allotments under the Company's Sharesave Scheme.

On 7 October 2011, the Company issued and allotted a further 1,918,166 Ordinary Shares pursuant to allotments made resulting from the scrip dividend scheme elections submitted for the 2011 interim dividend payment.

On 8 May 2012, the Company issued and allotted a further 114,333 Ordinary Shares pursuant to allotments made resulting from the scrip dividend scheme elections submitted for the 2011 final dividend payment.

Since 8 May 2012 there have been no changes in the share capital of the Company.

2.2.2 Existing Shareholder Authorities

At an AGM of the Company convened and held on 3 May 2012 (the "2012 AGM"), the following resolutions, among others, were passed.

The first resolution provided the Directors' the authority to allot Ordinary Shares pursuant to the Articles of Association in accordance with the Association of British Insurers Institutional Voting Information Services guidelines. Paragraph A of the resolution provides the Directors with the authority to allot Ordinary Shares up to an aggregate nominal amount equal to €5,815.76 (representing 58,157,605 Ordinary Shares). This represents approximately one-third of the Company's issued ordinary share capital as at the date of the 2012 AGM. In line with the guidance issued by the Association of British Insurers, paragraph B of the resolution gives the Directors the authority to allot further Ordinary Shares in connection with a rights issue in favour of holders of Ordinary Shares (or interest therein) up to an aggregate nominal amount, including the Ordinary Shares referred to in paragraph A of the resolution, of €11,631.52 (representing 116,315,210 Ordinary Shares). This amount represents approximately two-thirds of the Company's issued ordinary share capital as at the date of the 2012 AGM. The authority provided under the resolution will expire at the conclusion of the 2013 annual general meeting of the Company (or, if earlier, at the close of business on the date which is 15 months after 3 May 2012).

The second resolution provided the Directors the authority to allot equity securities (as that term is defined in Article 13 of the Articles of Association) for cash without first being required to offer such securities to existing holders of equity securities in proportion to their existing holdings. This authority would be limited to allotments in connection with an offer of equity securities (but in the case of the authority granted under Article 14(b) of the Articles of Association by way of a pre-emptive issue only), up to an aggregate nominal amount of €872.36 (representing 8,723,640 Ordinary Shares). This aggregate nominal amount represents approximately 5 per cent. of the Company's issued ordinary share capital as at the date of the 2012 AGM and is in accordance with the guidance for UK institutional investors and will expire at the conclusion of the 2013 AGM of the Company (or, if earlier, at the close of business on the date which is 15 months after 3 May 2012).

2.2.3 Shareholder Authorities Proposed at the EGM

The Capital Raising Resolutions are set out in the Circular and it is proposed that the Capital Raising Resolutions (summarised below) will be voted on at the EGM on 19 February 2013.

The Ordinary Resolution proposes to resolve that, pursuant to Article 14 of the Articles of Association, the Board be generally and unconditionally authorised to allot and issue equity securities pursuant to and in connection with the Second Placing and the Open Offer in an aggregate nominal amount of up to €4,220 (representing 42,200,000 Ordinary Shares). This authority would relate to Ordinary Shares representing approximately 24.2 per cent. of the issued ordinary share capital of the Company as at 28 January 2013 (being the last practicable date prior to publication of the Circular). This authority shall be for a period expiring on 31 May 2013.

In addition, the Ordinary Resolution also proposes to resolve that, pursuant to Article 14 of the Articles of Association, the Board be generally and unconditionally authorised to allot and issue the New Ordinary Shares on the terms described in the Circular at an issue price of 500 pence per New Ordinary Share, such issue price representing a 91.0 pence (15.4 per cent.) discount to the Closing Price of 591.0 pence per Ordinary Share on 29 January 2013 (being the last Dealing Day before the announcement of the Capital Raising) and a discount of 58.7 pence (10.5 per cent.) to the average of the volume weighted average price of the Ordinary Shares for the 30 Dealing Day period ending on 29 January 2013 (the last Dealing Day prior to the announcement of the Capital Raising) which is 558.7 pence.

The Special Resolution proposes to resolve that, pursuant to Article 16 of the Articles of Association, the Board be generally and unconditionally authorised to allot and issue equity securities for cash without first being required to offer such equity securities to existing holders of equity securities in proportion to their existing holdings pursuant to and in connection with the Second Placing in an aggregate nominal amount of up to €820 (representing 8,200,000 Ordinary Shares). This authority would relate to Ordinary Shares representing approximately 4.7 per cent. of the issued ordinary share capital of the Company as at 28 January 2013 (being the last practicable date prior to publication of the Circular). This authority shall be for a period expiring on 31 May 2013.

The authorities in the Ordinary Resolution apply in substitution of all previous authorities pursuant to Article 14 of the Articles of Association except for the Existing Shareholder Authority granted by ordinary resolution 3 passed by the Shareholders at the Company's AGM held on 3 May 2012 which shall continue to apply and be in addition to the authority granted by such Ordinary Resolution. The authorities in the Special Resolution apply in substitution of all previous authorities pursuant to Article 16 of the Articles of Association except for the Existing Shareholder Authority granted by special resolution 4 passed by the

Shareholders at the Company's AGM held on 3 May 2012 which shall continue to apply and be in addition to the authority granted by such Special Resolution. However (i) if the First Placing has not become unconditional by 28 February 2013 or if the First Placing has been terminated in accordance with its terms, the Ordinary Resolution shall cease to have effect and (ii) if the Second Placing and the Open Offer have not become unconditional by 28 February 2013 or if the Second Placing or the Open Offer have been terminated in accordance with their respective terms, the Special Resolution shall cease to have effect.

If each of the Ordinary Resolution and the Special Resolution is passed and the First Placing, the Second Placing and the Open Offer are effected, the Directors intend to (i) exercise the Shareholder authorities granted pursuant to the Ordinary Resolution in relation to the issue of the New Ordinary Shares pursuant to the Second Placing and the Open Offer and (ii) exercise the Shareholder authorities granted pursuant to the Special Resolution in relation to the issue of the New Ordinary Shares pursuant to the Second Placing.

2.2.4 Authorised share capital

Immediately prior to the publication of this Prospectus, the authorised share capital of the Company was €41,000, comprising 410,000,000 Ordinary Shares of €0.0001 each, of which 174,587,148 Shares were issued (all of which were fully paid or credited as fully paid).

2.2.5 Outstanding Public Warrants, Royal London Warrants, Lender Warrants, share scheme options and unissued and unreserved share capital

As at 28 January 2013 (being the latest practicable date prior to publication of this Prospectus) there were outstanding 8,169,868 Public Warrants, 12,360,000 Royal London Warrants and 5,000,000 Lender Warrants.

2.2.6 Share or loan capital

Save as disclosed above and in "—Related Party Transactions", "—Major Shareholders" "—Material Contracts" and "—Takeovers" below, and in Part XI: "Directors, Corporate Governance and Employment Matters" of the document:

(a) no share or loan capital of the Company, other than intercompany loans, has, since the date of incorporation of the Company on 2 January 2008, been issued or agreed to be issued, or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash, to any person;

(b) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and

(c) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

2.2.7 Description of the Company's Share Capital and Warrants

Set out below is a description of the Ordinary Shares, the Warrants (including the Public Warrants, Royal London Warrants and Lender Warrants), and summaries of certain provisions of the Articles of Association. Also provided is a summary of the Contingent Rights over Shares.

(i) Ordinary Shares

Shareholders have voting rights for the election of the Directors and all other matters requiring Shareholder action. Shareholders are entitled to one vote per share on matters to be voted on by Shareholders and also are entitled to receive such dividends, if any, as may be declared from time to time by the Board in its discretion out of funds legally available therefore. There is no cumulative voting with respect to the election of Directors, with the result that the holders of more than 50 per cent. of the shares voted for the election of Directors can elect all of the Directors.

Other than as provided in the Articles of Association, the Shareholders have no conversion, pre-emptive or other subscription rights, and there are no sinking fund or redemption provisions applicable to the shares, except that the Lender Shareholders and the SRA Sellers and the Restructuring Selling Shareholders have pre-emptive rights under the Lender Relationship Agreement and the Sellers' Relationship Agreement. For information on Shareholders' pre-emption rights, see "—Memorandum and Articles of Association—

Fifth amended and restated memorandum and articles of association—Pre-emption rights" and "—Disapplication of pre-emption rights" below.

The Ordinary Shares are in registered form and may be held in certificated form or in uncertificated form as Depositary Interests in CREST.

(ii) Warrants

(a) Public Warrants

As at the date of this Prospectus, there are 8,169,868 Public Warrants listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. Each Public Warrant entitles the registered holder to purchase 1.027873 Ordinary Shares at a price of €10.70 per Ordinary Share, subject to adjustment as discussed below. If all Public Warrants were exercised, 8,397,586 additional Ordinary Shares would be issued.

The Public Warrants will expire at the close of trading on Euronext Amsterdam (5:30 p.m., Central European Time) on the five year anniversary of the closing date of the Restructuring or earlier upon redemption or liquidation.

The Company may call the Public Warrants for redemption (i) in whole but not in part; (ii) at a price of €0.01 per warrant; (iii) upon not less than 30 days' prior written notice of redemption to each warrant holder; and (iv) if, and only if, the reported last sale price of the share equals or exceeds €16.05 per share on each of 20 trading days within any 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders.

If the foregoing conditions are satisfied and the Company issues notice of redemption of the Public Warrants, each warrant holder shall be entitled to exercise its warrant prior to the scheduled redemption date and will have the option to do so on a "cashless basis". However, the price of the shares may fall below the redemption trigger price or the warrant exercise price after the redemption notice is issued.

If the Company calls the Public Warrants for redemption as described above, the Company will have the option to require any holder to exercise its warrant on a "cashless basis". If the Company takes advantage of this option, or if a warrant holder chooses to exercise its warrant on a "cashless basis" after the Company issues notice of redemption, the exercise price would be paid by a warrant holder surrendering its Public Warrants for that number of Ordinary Shares equal to the quotient obtained by dividing (x) the product of the number of Ordinary Shares underlying the Public Warrants, multiplied by the difference between the exercise price of the Public Warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of the Ordinary Shares for the ten consecutive trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of Public Warrants. If the Company takes advantage of this option, the notice of redemption will contain the information necessary to calculate the number of Ordinary Shares to be received upon exercise of the Public Warrants, including the "fair market value" in such case. Requiring a cashless exercise in this manner will reduce the number of shares to be issued and thereby lessen the dilutive effect of a warrant redemption.

The exercise price and number of Ordinary Shares issuable on exercise of the Public Warrants may be adjusted in certain circumstances including in the event of a share dividend, sub-division of shares, reverse share split or a recapitalisation, reorganisation, merger or consolidation. The Capital Raising will not result in any adjustment to the exercise price or the number of Ordinary Shares issuable on the exercise of the Public Warrants.

The Public Warrants contain a provision that requires the Company to notify holders of the Public Warrants of the Capital Raising at least 10 days prior to the Record Date for Open Offer Entitlements. The Company announced details of the Capital Raising on 30 January 2013, which is less than 10 days before the Record Date and the Company is therefore not complying with the notice provisions applicable to the Public Warrants. The current exercise price of the Public Warrants is €10.70 per Ordinary Share, which is approximately 83.2 per cent. higher than the Issue Price and 55.0 per cent. higher than the Closing Price of 591.0 pence per Ordinary Share on 29 January 2013 (being the last Dealing Day before the announcement of the Capital Raising) (each based on an exchange rate between Pound sterling and Euro on 29 January 2013 (being the last Dealing Day before the announcement of the Capital Raising)). The Company does not expect that the failure to comply with the notice provisions applicable to the Public Warrants would be disadvantageous to holders of the Public Warrants due to the significant difference between the Company's assessment of the economically rational price at which to exercise the Public

Warrants and the current trading price of the Ordinary Shares. If there is a significant increase in the current trading price of the Ordinary Shares after announcement of the Capital Raising and such increase was of a magnitude that resulted in the Ordinary Shares trading at or around the price at which it would be economically rational for holders of the Public Warrants to exercise the Public Warrants, such holders may suffer a loss as a result of the Company's failure to comply with the notice provisions applicable to the Public Warrants. In these circumstances, the Company may be subject to claims from holders of the Public Warrants.

The Public Warrants are in registered form and may be held in certificated form or in uncertificated form as Depositary Interests in CREST.

The Public Warrants have been created under, and their terms are governed by, the laws of the Cayman Islands.

The terms of the Public Warrants were amended by the Company and the Warrant agent resulting in an Amended and Restated Warrant Agreement entered into on 4 June 2010. Following the de-listing of the Public Warrants from Euronext Amsterdam on 18 November 2010, the Public Warrants are solely listed on the Official List and admitted to the London Stock Exchange's main market for listed securities.

(b) Royal London Warrants

Royal London holds 2,000,000 transferable warrants and 10,360,000 non-transferable warrants. The transferable and non-transferable warrants issued to Royal London are identical in all respects other than the fact that the non-transferable warrants can only be transferred to subsidiaries of Royal London while the transferable warrants are freely transferable subject to applicable law.

Each Royal London Warrant entitles the holder to purchase 1.027873 Ordinary Share at a price of €10.70 per share, subject to adjustment as discussed below. If all Royal London Warrants were exercised, 12,704,510 additional Ordinary Shares would be issued. The holder of the Royal London Warrants may elect to exercise the warrant and pay the exercise price by assigning to the Company an amount of outstanding principal and/or accrued but unpaid interest of any debt that is owed to the holder of the warrant by the Company or any member of the Group on the date the Royal London Warrants are issued and/or at any time thereafter or by paying in cash by wire transfer.

The Royal London Warrants will expire at the close of trading on Euronext Amsterdam (5:30 p.m., Central European Time), or such other primary exchange as the Company's Ordinary Shares are traded, on the earliest to occur of (i) the first business day following the fifth anniversary of issuance of the warrants, (ii) the date fixed for redemption of the warrants as set forth below and (iii) the liquidation of the Company.

The Company may call the warrants for redemption: (i) in whole but not in part, (ii) at a price of €0.01 per warrant, (iii) upon not less than 30 days' prior written notice of redemption to each warrant holder and (iv) if, and only if, the last sale price of the Ordinary Shares equals or exceeds €16.05 per share on each of 20 trading days within a 30 day trading period ending on the third business day prior to the notice of redemption to warrant holders.

If the foregoing conditions are satisfied and the Company issues a notice of redemption of the warrants, each warrant holder shall be entitled to exercise its warrant prior to the scheduled redemption date. Upon a redemption the holder will have the opportunity to pay the Royal London Warrant exercise price either (i) in cash, (ii) by assigning debt in accordance with the above or (iii) by effecting a "cashless exercise" of the warrants. If the holder elects to make a cashless exercise, the holder would pay the exercise price by surrendering the warrants for that number of Ordinary Shares equal to the quotient obtained by dividing (x) the product of the number of Ordinary Shares underlying the warrants, multiplied by the difference between the exercise price of the warrants and the fair market value by (y) the fair market value. For this purpose, "fair market value" means the average reported last sale price of the Ordinary Shares for the ten consecutive trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of the warrants.

The exercise price and number of Ordinary Shares issuable on exercise of the Royal London Warrants may be adjusted in certain circumstances including in the event of a share dividend, sub-division of shares, reverse share split or a recapitalisation, reorganisation, merger or consolidation. The Capital Raising will not result in any adjustment to the exercise price or the number of Ordinary Shares issuable on the exercise of the Royal London Warrants.

The Royal London Warrants contain a provision that requires the Company to notify Royal London, the holder of the Royal London Warrants, at least 10 days prior to the Record Date for Open Offer Entitlements. The Company has obtained a waiver of the right to receive such notice of the Capital Raising from Royal London.

The Royal London Warrants have been created under, and their terms are governed by, the laws of the Cayman Islands.

(c) Lender Warrants

The Lenders hold 5,000,000 warrants. Each Lender Warrant entitles the holder to purchase 1.027873 Ordinary Shares at a price of £14.59 per share, subject to adjustment as discussed below. If all Lender Warrants were exercised, 5,139,365 additional Ordinary Shares would be issued. The holder of the Lender Warrants may elect to exercise the warrant and pay the exercise price either in cash or by assigning to the Company an amount of outstanding principal and/or accrued but unpaid interest of any debt that is owed to the holder of the Lender Warrant by the Company or any subsidiary of the Company.

The Lender Warrants will expire at the close of trading on Euronext Amsterdam (5:30 p.m., Central European Time), or such other primary exchange on which the Company's Ordinary Shares are traded, on the earliest to occur of (i) the first business day following the fifteenth anniversary of issuance of the Lender Warrants, (ii) the date fixed for redemption of the Lender Warrants as set forth below and (iii) the liquidation of the Company.

The Company may call the Lender Warrants for redemption: (i) in whole but not in part, (ii) at a price of €0.01 per Lender Warrant, (iii) upon not less than 30 days' prior written notice of redemption to each holder of Lender Warrants and (iv) if, and only if, the last sale price of the Ordinary Shares equals or exceeds £18.97 (or the euro equivalent of that price) per share for any 20 consecutive trading days during the exercise period.

If the foregoing conditions are satisfied and the Company issues a notice of redemption of the Lender Warrants, each holder of Lender Warrants shall be entitled to exercise its warrant prior to the scheduled redemption date. Upon a redemption, the holder will have the opportunity to effect a cashless exercise of the Lender Warrants. If the holder elects to make a cashless exercise, the holder would pay the exercise price by surrendering the Lender Warrants for that number of Ordinary Shares equal to the quotient obtained by dividing (i) the product of the number of Ordinary Shares underlying the Lender Warrants multiplied by the difference between the exercise price of the Lender Warrants and the fair market value by (ii) the fair market value. For this purpose, "fair market value" means the average reported last sale price of the Ordinary Shares for the ten consecutive trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of the Lender Warrants.

The exercise price and number of Ordinary Shares issuable on exercise of the Lender Warrants may be adjusted in certain circumstances including in the event of a share dividend, sub-division of shares, reverse share split or a recapitalisation, reorganisation, merger or consolidation, provided that the Company shall not do anything that would give rise to an adjustment which would cause the exercise price of the Lender Warrants to be reduced to an amount that is less than the nominal value of a Ordinary Share. The Capital Raising will not result in any adjustment to the exercise price or the number of Ordinary Shares issuable on the exercise of the Lender Warrants.

The Lender Warrants contain a provision that requires the Company to notify holders of the Lender Warrants of the Capital Raising at least 10 days prior to the Record Date for Open Offer Entitlements. The Company announced details of the Capital Raising on 30 January 2013, which is less than 10 days before the Record Date and the Company is therefore not complying with the notice provisions applicable to the Lender Warrants. However, the Company has obtained waivers of the right to receive such notice of the Capital Raising from holders of Lender Warrants holding an aggregate of 3,867,405 Lender Warrants (being 77.3 per cent. of the Lender Warrants in issue as at the date of this Prospectus). The current exercise price of the Lender Warrants is £14.59 per Ordinary Share, which is approximately 191.8 per cent. higher than the Issue Price and 146.9 per cent. higher than the Closing Price of 591.0 pence per Ordinary Share on 29 January 2013 (being the last Dealing Day before the announcement of the Capital Raising). The Company does not expect that the failure to comply with the notice provisions applicable to the Lender Warrants would be disadvantageous to holders of the Lender Warrants due to the significant difference between the Company's assessment of the economically rational price at which to exercise the Lender Warrants and the current trading price of the Ordinary Shares. If there is a significant increase in the current trading price of the Ordinary Shares after announcement of the Capital Raising and such

increase was of a magnitude that resulted in the Ordinary Shares trading at or around the price at which it would be economically rational for holders of the Lender Warrants to exercise the Lender Warrants, such holders may suffer a loss as a result of the Company's failure to comply with the notice provisions applicable to the Lender Warrants. In these circumstances, the Company may be subject to claims from holders of the Lender Warrants.

The Lender Warrants have been created under, and their terms are governed by, the laws of the Cayman Islands.

(iii) Contingent Rights over Shares

Pursuant to the Contingent Rights Agreements there are 3,600,000 remaining Contingent Rights over Ordinary Shares which will result in the issue of Ordinary Shares on a one-for-one basis following an Event as defined and described within the terms of the Contingent Rights Agreements (described in "—Material Contracts—Contingent Rights Agreements"). If such Ordinary Shares are allotted and issued, the Company would intend to make an application for such Ordinary Shares to be admitted to the Official List and trading on the main market of the London Stock Exchange.

2.2.8 Contractual undertakings pursuant to the Relationship Agreements to increase share capital as a result of the First Placing and the Second Placing

In addition to the New Ordinary Shares to be issued in connection with the Capital Raising, as a result of the Capital Raising, the Company may be required to issue up to 176,866 Additional Relationship Agreement Shares pursuant to the Relationship Agreements as a result of the First Placing and the Second Placing, which represents approximately 0.1 per cent. of the issued ordinary share capital of the Company as at 28 January 2013 (being the last practicable date prior to publication of this Prospectus). The terms upon which any issuance of Additional Relationship Agreement Shares would take place are described below.

Under the Relationship Agreements, the Company agreed to provide pre-emption rights to the Lender/Seller Shareholders. The proposed issuance of the First Placed Shares is an allotment of equity securities for cash on a non-pre-emptive basis in reliance on the Existing Shareholder Authority. The proposed issuance of the Second Placed Shares is an allotment of equity securities for cash on a non-pre-emptive basis in reliance on the passing of the proposed Special Resolution to be considered by Shareholders at the EGM. Therefore, the issuance of the Placed Shares is an issuance in respect of which the Lender/Seller Shareholders have contractual pre-existing pre-emption rights pursuant to the Relationship Agreements. See further "—Material Contracts—Lender Relationship Agreement" and "—Material Contracts—Sellers' Relationship Agreement".

A specific number of Lender/Seller Shareholders have agreed to disapply their contractual pre-emption rights under the Relationship Agreements in respect of the issuance of the Placed Shares. The Lender/Seller Shareholders who have not agreed to disapply such pre-emption rights prior to the date of this Prospectus are referred to in this Prospectus as Qualifying Lender/Seller Shareholders. In order to seek to satisfy the contractual pre-emption rights of the Qualifying Lender/Seller Shareholders in relation to the issuance of the Placed Shares, the Company has included the Excess Application Facility within the Capital Raising.

Pursuant to the Excess Application Facility, any Open Offer Shares not subscribed for by Qualifying Shareholders will be available for subscription by Qualifying Lender/Seller Shareholders under the Excess Application Facility. Each Qualifying Lender/Seller Shareholder has a specific number of Open Offer Shares for which such Qualifying/Lender Seller Shareholder is entitled to apply under the Excess Application Facility. See "Background and Information on the Capital Raising—Excess Application Facility for certain Lender/Seller Shareholders" for further information. The Company cannot guarantee that any application for Excess Shares under the Excess Application Facility will be satisfied as this will depend in part on the extent to which Qualifying Shareholders apply for less than their own Open Offer Entitlements and the extent to which other Qualifying Lender/Seller Shareholders apply for their entitlements under the Excess Application Facility. The Company may satisfy valid applications for Excess Shares by applicants in whole or in part but reserves the right not to satisfy any excess above any Open Offer Entitlement. The Board may scale back applications made in excess of Open Offer Entitlements on such basis as it reasonably considers to be appropriate.

Therefore, to the extent that the Company does not satisfy the contractual pre-emption rights of the Qualifying Lender/Seller Shareholders under the Relationship Agreements, the Company will instead

satisy such contractual pre-emption rights through the issuance of Additional Relationship Agreement Shares. The issuance of any Additional Relationship Agreement Shares by the Company would be a non-pre-emptive issuance of equity securities and any such issuance would be conducted pursuant to the existing disapplication of pre-emption rights in the Existing Shareholder Authority and not pursuant to the Special Resolution to be considered by Shareholders at the EGM.

If the Company is required to issue any Additional Relationship Agreement Shares to Qualifying Lender/Seller Shareholders, the Company would do so on the following terms:

- As referred to above, the maximum number of Additional Relationship Agreement Shares that the Company could be required to issue on one or more occasions pursuant to the Existing Shareholder Authority is 176,866 Ordinary Shares (which represents approximately 0.1 per cent. of the Company's entire issued share capital at the date of this Prospectus).
- The contractual rights of pre-emption held by the Qualifying Lender/Seller Shareholders are triggered by the offering and issue of the First Placing Shares and the Second Placing Shares. Such rights would be exercisable by Qualifying Lender/Seller Shareholders upon announcement of the Capital Raising and the Company has provided an Excess Application Facility through which such Qualifying Lender/Seller Shareholders can apply to subscribe for Ordinary Shares to satisfy their contractual pre-emption rights under the Relationship Agreements. The deadline for Qualifying Lender/Seller Shareholders to submit Excess Application Facility Application Forms is 15 February 2013, as described in this Prospectus.
- The Existing Shareholder Authority provides authority to issue any Additional Relationship Agreement Shares for a period expiring at the conclusion of the annual general meeting of the Company to be held in 2013, which is currently scheduled to take place on 2 May 2013. Therefore, any Additional Relationship Agreement Shares must be issued by the Company before 2 May 2013.
- Any Additional Relationship Agreement Shares to be issued by the Company would be issued to the relevant Qualifying Lender/Seller Shareholder at the Issue Price.
- Any Additional Relationship Agreement Shares do not form part of the Capital Raising and the offer and issue of such Additional Relationship Agreement Shares would not be pursuant to this Prospectus.
- The Company would conduct any offering, issuance and listing of Additional Relationship Agreement Shares in reliance on an exemption from the requirement to produce a prospectus pursuant to the Prospectus Directive.
- The Company may issue any Additional Relationship Agreement Shares on the date that the New Ordinary Shares are issued or at any other date before 2 May 2013, as agreed between the Company and any relevant Qualifying Lender/Seller Shareholder.
- The Company would use the proceeds from any issuances of Additional Relationship Agreement Shares for general corporate purposes.

However, the Company currently expects only to issue any Additional Relationship Agreement Shares in the event that the number of Ordinary Shares which Qualifying Lender/Seller Shareholders seek to subscribe for under the Excess Application Facility exceeds the number of Ordinary Shares available for subscription under the Excess Application Facility (as described in paragraph 2.8 ("Excess Application Facility for certain Lender/Seller Shareholders") of Part I: "Background and Information on the Capital Raising" of this Prospectus).

2.3 CREST and Depositary Interests

The Company has entered into depositary arrangements to enable investors to settle and pay for interests in the Ordinary Shares through the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by non-UK incorporated companies, such as the Company, cannot themselves be held electronically (i.e. in uncertificated form) or transferred in the CREST system. However, depositary interests, representing the securities, can be dematerialised and settled electronically. The Depositary holds, through a custodian, the Ordinary Shares and issues dematerialised depositary interests representing the underlying Ordinary Shares which are held on trust for the holders of the depositary interests.

Through the Custodian, the Depositary holds the beneficial title to the Ordinary Shares on trust for participating members to whom it issues the dematerialised depositary interests or "Depositary Interests".

The Depositary Interests are independent securities constituted under English law which are held and transferred through the CREST system.

The Depositary Interests have been created pursuant to and issued on the terms of a deed poll executed by the Depositary in favour of the holders of the Depositary Interests from time to time (the "Deed Poll"). Prospective holders of Depositary Interests should note that they will have no rights in respect of the underlying Ordinary Shares or the Depositary Interests representing them against Euroclear UK & Ireland Limited or its subsidiaries.

Although the Company's register shows the Custodian as the legal holder of the Ordinary Shares, the beneficial interest in the Ordinary Shares remains with the Depositary Interest holder, who has the benefit of all the rights attaching to the Ordinary Shares as if the Depositary Interest holder were named on the certificated Ordinary Share register itself.

Under the Deed Poll, the Depositary may require any holder of Depositary Interests to disclose information as to the capacity in which it owns Depositary Interests and the nature of its interests. In addition, the Disclosure and Transparency Rules apply to holders of Depositary Interests in the same manner as if they held legal title to the Ordinary Shares represented by their Depositary Interests.

Each Depositary Interest is treated as one Ordinary Share for the purposes of determining the rights attaching to that Depositary Interest, for example, eligibility for any dividends. The Depositary Interests have the same security code (ISIN number) as the underlying Ordinary Shares and do not require a separate listing on the Official List. The Depositary Interests are capable of being traded and settlement is within the CREST system in the same way as any other CREST securities.

The documents relating to the Depositary Interests are described below in "Material Contracts— Depositary contracts".

Depositary Interests in respect of Public Warrants have been created, issued and held in the same manner as Depositary Interests in respect of Ordinary Shares, as described above. When a Public Warrant held in the form of a Depositary Interest is exercised it will convert into Ordinary Shares and be dematerialised into a Depositary Interest.

3. Memorandum and Articles of Association

The Company's current memorandum and articles of association are the fifth amended and restated Memorandum and Articles of Association.

3.1 Fifth amended and restated memorandum and articles of association

Clause 3 of the Memorandum of Association provides that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by law as provided by the Companies Law.

The Memorandum and Articles of Association are available for inspection at the address specified in "Documents available for inspection" below.

Set out below is a summary of the provisions of the Articles of Association.

3.1.1 Share rights

Subject to the provisions of the Companies Law, and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

3.1.2 Voting rights

Subject to any rights or restrictions attached to any shares, every member who is present in person (or in the case of a corporation is present by a duly authorised representative) shall have one vote on a show of hands 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.

3.1.3 Dividends and other distributions

Subject to any rights or restrictions attached for the time being to any shares, the Directors may from time to time declare dividends (including interim dividends) and other distributions on shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefore (including, subject to the Companies Law, from the share premium account). Subject to any rights or restrictions attached for the time being to any shares, the Company by ordinary resolution may declare dividends (including interim dividends) in accordance with the respective rights of the members, provided that no dividend shall exceed the amount recommended by the Board.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. All dividends shall be apportioned and paid proportionately according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is allotted or issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

The Board may make payments in cash or in specie and the Board may make arrangements as it sees fit to settle any difficulty arising in connection with such payments.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

The Board may, if authorised by an ordinary resolution of the Company, offer any holder of shares the right to elect to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of all or any dividend specified by that resolution.

Any dividend or moneys payable in respect of the shares may be paid in any manner as the directors may determine, including by inter-bank transfer, electronic form, electronic means or other means approved by the directors directly to an account (of a type approved by the directors) nominated in writing by the member, or by cheque, warrant or other similar financial instrument made payable to the member entitled to it. Different methods of payment may apply to different members or groups of members. The directors may also decide the currency and the exchange rate for such currency.

If the directors decide that payments will be made by electronic transfer to an account (of a type approved by the directors) nominated by a member, but no such account is nominated by the member or an electronic transfer into a nominated account is rejected or refunded, the Company may credit the amount payable to an account of the Company to be held until the member nominates a valid account. An amount credited to an account under the foregoing is to be treated as having been paid to the member at the time it is credited to that account. The Company will not be a trustee of the money and no interest will accrue on the money.

The Company shall be entitled to cease sending dividend warrants and cheques by post or otherwise to a member if those instruments have been returned undelivered to, or left uncashed by, that member on at least two consecutive occasions, or, following one such occasion, reasonable enquiries have failed to establish the member's new address. The entitlement conferred on the Company by the Articles of Association in respect of any member shall cease if the member claims a dividend or cashes a dividend warrant or cheque.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

3.1.4 Variation of rights

Subject to the provisions of the Companies Law, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may (unless otherwise provided by the terms of allotment of the shares of that class) be varied or abrogated (whether the Company is being wound up or not) either with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise.

3.1.5 Lien and forfeiture

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to the Company (whether presently or not) in respect of that share. Subject to the terms of

allotment, the Board may from time to time make calls on the members in respect of any moneys unpaid on their shares. If a payment is not made when due, the Board may give not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non payment. If that notice is not complied with, any share in respect of which it was given may, at any time before the payment required by the notice has been made, be forfeited by a resolution of the Board. The forfeiture shall include all dividends or other moneys payable in respect of the forfeited share which have not been paid before the forfeiture. The forfeited share shall be cancelled, sold, re-allotted or otherwise disposed of by the Company on such terms and in such manner as the Board determines and proceeds arising from such sale shall be deemed to be the property of the Company.

3.1.6 Transfer of shares

The instrument of transfer of a share may be in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor. The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a share unless the instrument of transfer:

(a) is lodged, duly stamped (if liable to be stamped), at the registered office or other place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

(b) is in respect of only one class of shares; and

(c) is in favour of not more than four transferees.

The directors may suspend the registration of transfers provided that such registration shall not be suspended for more than 45 consecutive days in any year.

If it comes to the notice of the Board that a holder or beneficial owner of any share is a person whose holdings of, or to whom a transfer of, shares or an interest in shares would subject the Company to certain negative consequences (including, but not limited to, requiring the Company to register as an investment company under the US Investment Company Act 1940 or become subject to the registration and reporting requirements under the US Securities Exchange Act 1934, as amended, and the rules promulgated thereunder), the Board may serve notice on such persons requiring the transfer of the affected share(s) or the interest in such share(s). If the Board does not receive evidence of the transfer or is not otherwise satisfied that the requirement of the notice have been satisfied, the Company may instruct a stockbroker to sell the affected share(s).

The Board may refuse to honour any requests to transfer shares to a person whose holdings of, or to whom a transfer of, shares or an interest in shares would subject the Company to certain negative consequences (including, but not limited to, requiring the Company to register as an investment company under the US Investment Company Act 1940 or become subject to the registration and reporting requirements under the US Securities Exchange Act 1934, as amended, and the rules promulgated thereunder).

3.1.7 Depositary interests

Subject to the Companies Law and any applicable laws and regulations, the facilities and requirements of any relevant system concerned and the provisions of the Articles of Association, the directors have power to implement and/or approve any arrangements which they may, in their absolute discretion, think fit in relation to the evidencing of title to and transfer of depositary or similar interests in shares in the capital of the Company in the form of Depositary Interests or similar interests, instruments or securities. To the extent that such arrangements are implemented, subject always to the Companies Law, no provision of the Articles of Association shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer of depositary interests or the shares in the capital of the Company represented thereby. The directors may from time to time take such actions and do such things as they may in their absolute discretion think fit in relation to the operation of any such arrangements.

If and to the extent that the directors implement and/or approve any such arrangements in relation to the evidencing of title to and transfer of depositary or similar interests in shares, then the directors shall ensure, in so far as practicable, that such arrangements provide:

(a) a holder of any such depositary or similar interests in shares with the same or similar rights as a member of the Company, including in relation to the exercise of voting rights and to the provision of information;

(b) the Company and the directors with similar powers as given under the Articles of Association in respect of a member of the Company, including the power of the board to deduct or retain any dividend or other moneys payable to any member under the Articles of Association, so that such power may be exercised against a holder of a depositary or similar interest in shares and the shares represented by such depositary or similar interest.

3.1.8 Redeemable shares and alteration of share capital

Subject to the provisions of the Companies Law, and without prejudice to any rights attached to any existing shares or class of shares, shares may be issued which are to be redeemed or are to be liable to be redeemed at the option of the Company or the holder on such terms, conditions and in such manner as the Board may determine.

The Company may by ordinary resolution increase, consolidate and divide or, subject to the provisions of the Companies Law, sub divide its share capital. The Company may, by ordinary resolution, also cancel shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. The Company may by special resolution reduce its share capital in any manner authorised by the Companies Law.

3.1.9 Authority to issue shares

The directors have general and unconditional authority to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe to or to convert securities into shares in the Company up to the nominal amount equal to that, and for the period, for which they have authority in the form of an ordinary or special resolution of the members.

3.1.10 Pre-emption rights

The Company shall not allot any equity securities for cash without first having offered them to members holding Ordinary Shares on a pro rata basis to the number of Ordinary Shares held by such member in such manner as the Board may determine.

3.1.11 Disapplication of pre-emption rights

The pre-emption rights referred to above do not apply to certain types of issues including those pursuant to the Warrants and the Amended Contingent Consideration Agreement, the Amended Contingent Fee Agreement and the Amended Contingent Subscription Agreements and may be disapplied in whole or modified provided the directors are given power by special resolution and subject to the terms of such resolution.

3.1.12 Purchase of own shares

The Company may, subject to the Companies Law, purchase its own shares (including any redeemable shares), provided the members have approved the purchase by ordinary resolution. The Company may make a payment in respect of the redemption or purchase of its own shares in any manner permitted by the Companies Law, applicable law or regulation, including out of capital, profits, share premium or the proceeds of a fresh issue of shares.

3.1.13 General meetings

The Board may call general meetings whenever and at such times and places as it shall determine. General meetings shall also be convened on the requisition in writing of any shareholder or shareholders entitled to attend and vote at general meetings of the Company holding five per cent. of the paid up voting share capital of the Company deposited at the head office, specifying the objects of the meeting. Having received the requisition to call a general meeting, the directors must call a meeting within 21 days from the date on

which they become subject to the requirement, and the meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

The Company is required to call an annual general meeting each year to be held within six months following its financial year end and shall call it by at least 21 clear days' notice. Subject to the provisions of the Companies Law, all other general meetings shall be called by at least 14 clear days' notice. The notice will be sent to every member, director and the Company's auditors. The notice will specify, among other things, the time, date and place of the meeting and the general nature of the business to be dealt with. In the case of an annual general meeting, the notice shall specify the meeting as such. In the case of a meeting to pass a special resolution, the notice shall specify the intention to propose the resolution as a special resolution.

The members of the Company may require the Company to give, to the members entitled to receive notice of the next annual general meeting, notice of a resolution which may properly be proposed and is intended to be proposed at that meeting and any matter to be included in the business to be dealt with at the annual general meeting. A resolution may properly be proposed at an annual general meeting unless it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), defamatory of any person, or it is frivolous or vexatious. Any matter may properly be included in the business at an annual general meeting unless it is defamatory of any person, or it is frivolous or vexatious.

The Company shall give notice of a resolution and/or include such a matter once it has received requests that it do so from members representing at least five per cent. of the total voting rights of all the members who have a right to vote (and in the case of a notice of a resolution, the right to vote on the resolution) at the annual general meeting to which the requests relate, or at least 100 members who have a right to vote (and in the case of a notice of a resolution, the right to vote on the resolution) at the annual general meeting to which the requests relate and hold shares in the Company on which there has been paid up an average sum, per member, of at least £100.

The Company is also obliged to publish certain information in advance of a general meeting on its website.

3.1.14 Disclosure of interests in shares

The provisions of Chapter 5 (*Vote Holder and Issuer Notification Rules*) of the Disclosure and Transparency Rules apply to the Company as if the Company was a "UK issuer" (as defined in the Disclosure and Transparency Rules). This is in addition to, and separate from, any other rights or obligations arising under the Companies Law, the DFSA or otherwise.

The Board has power by notice to require any member or any other person it has reasonable cause to believe to be interested in shares or to have been so interested any time during the three years immediately preceding the date on which the notice is issued (an "interested party"), to disclose to the Company the nature of such interest and any documents to verify the identity of the interested party as the Board deems necessary.

If at any time the Board is satisfied that any member or an interested party, has been duly served with a disclosure notice under these provisions and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter by notice (a "direction notice") to such member or interested party direct that, in respect of the shares in relation to which the default occurred (the "default shares"), the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll. Also, where the default shares represent at least 0.25 per cent. (in nominal value) of the issued shares of their class, the direction notice may additionally direct that in respect of the default shares:

(a) any dividend (or any part of a dividend), distribution or other amount payable in respect of the default shares shall be withheld by the Company, which has no obligation to pay interest on it; and shall be payable (when the direction notice ceases to have effect) to the person who would but for the direction notice have been entitled to them; and/or

(b) where an offer of the right to elect to receive shares of the Company instead of cash in respect of any dividend or part thereof is or has been made by the Company, any election made thereunder by such member in respect of such default shares shall not be effective; and/or

(c) no transfer of any of the shares held by any such member shall be recognised or registered by the directors unless: (1) the transfer is an excepted transfer (as such term is defined in the Articles of Association) or (2) the member is not himself in default as regards supplying the requisite information required under the Articles of Association and, when presented for registration, the transfer is accompanied by a certificate by the member in a form satisfactory to the directors to the effect that after due and careful enquiry the member is satisfied that none of the shares the subject of the transfer are default shares.

The Company is also obliged to keep a register of the interested parties.

The Board may be required to exercise their powers on the requisition of holders of the Company holding at the date of the deposit of the requisition not less than 10 per cent. of such of the paid-up capital of the Company as carries at that date the right of voting at the general meetings of the Company. The requisition must state that the requisitionists are requiring the Company to exercise its powers under the relevant article, specify the manner in which they require those powers to be exercised, give reasonable grounds for requiring the Company to exercise those powers in the manner specified and must be signed by the requisitionists and deposited at the registered office.

Where a person who appears to be interested in shares has been served with a direction notice, and the shares he appears to be interested in are held by an approved depositary or nominee, then the direction notice will only apply to the shares held by the approved depositary or nominee in which that person appears to be interested and not to any other shares held by the approved depositary or nominee. Having been served with a direction notice, the obligations of an approved depositary or nominee as a member will be limited to disclosing to the Company any information relating to a person who appears to be interested in the shares held by it which has been recorded by it in accordance with the arrangement under which it was appointed as an approved depositary or nominee.

3.1.15 Distribution of assets on liquidation

If the Company is wound up, the liquidator may, with the sanction of an ordinary resolution, divide among the members all or any part of the Company's assets and may value any assets and determine how the division shall be carried out; vest all or any part of the assets in trustees for the benefit of the members; and determine the scope and terms of those trusts. No member shall be compelled to accept any asset on which there is a liability.

3.1.16 Directors' power to vote on contracts in which they are interested

Except as otherwise provided by the Articles of Association, a director shall not be entitled to vote on any resolution of the Board or a committee of the Board concerning a matter in which he has an interest (other than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) which (together with any interest of any person connected with him) can reasonably be regarded as likely to give rise to a conflict with the interests of the Company. This does not apply if his interest arises only because the resolution concerns one or more of the following matters:

(a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;

(b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

(c) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub underwriting of which he is to participate;

(d) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and

(e) a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any directors of the Company or for persons who include directors of the Company.

The Company may by ordinary resolution suspend or relax any provision of the Articles of Association prohibiting a director from voting at a meeting of directors or of a committee of directors to any extent, either generally or in respect of any particular matter.

Where proposals are under consideration concerning the appointment (including without limitation fixing or varying the terms of appointment) of two or more directors to offices or employments with the Company or any body corporate in which the Company is interested, the proposals may be divided and considered in relation to each director separately. In such cases each of the directors concerned shall be entitled to vote in respect of each resolution except that concerning his own appointment.

3.1.17 Board authorisation of directors' interests

The Board may authorise any matter proposed to it which would, if not so authorised, involve a breach of duty owed by a director to the Company as a matter of law, including, without limitation, any matter which relates to a situation in which a director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation will be effective only if:

(a) any requirement as to quorum at the meeting at which the matter is considered is met without counting the director in question or any other interested director; and

(b) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

Provided that he has disclosed such office to the Board and where necessary such office has been approved by the Board, a director shall not be accountable to the Company for any remuneration or other benefit which he derives from any office or employment, from any transaction or arrangement or from any interest in any body corporate.

3.1.18 Borrowing powers

The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.1.19 Directors' duties in respect of City Code

If and for so long as the Company shall not be subject to the City Code, the Board shall, in managing and conducting the business of the Company and in exercising or refraining from exercising any and all powers, rights and privileges use its reasonable endeavours to apply and to have the Company abide by the General Principles as set out in the City Code mutatis mutandis as though the Company were subject to the City Code.

In the event that circumstances arise where, if the Company were subject to the City Code, the Company would be an offeree or otherwise the subject of an approach or the subject of a third party statement of firm intention to make an offer, the Board shall use its reasonable endeavours to comply with, and procure that the Company complies with, the provisions of the City Code mutatis mutandis as though the Company were subject to the City Code.

In the event that the Board recommends to the shareholders of the Company or any class thereof any takeover offer made for shares in the Company from time to time, the Board shall use its reasonable endeavours to obtain the undertaking of the offeror(s) to comply with the provisions of the City Code in the conduct and the execution of the relevant offer mutatis mutandis as though the Company were subject to the City Code, but recognising that the Panel will not have jurisdiction (if and for so long as this may be the case).

These duties are subject to the Companies Law, to other applicable law, to any other regulation in respect of takeovers which applies to the Company at any time, and to the requirement that the Board must be satisfied that abiding by the General Principles as set out in the City Code is, in any particular case, in the best interests of the Company.

3.1.20 Remuneration of Directors

The ordinary remuneration of the directors who do not hold executive office for their services including the Chairman of the Company (excluding amounts payable under any other provision of the Articles of

Association) shall not exceed in aggregate £2,000,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Should a director who does not hold executive office perform duties or services which are outside the scope of their ordinary duties they may be paid extra remuneration as the Board shall determine.

The emoluments of any director holding executive office for his services as such shall be determined by the Board, and may be of any description, including, without limitation, admission to, or continuance of, membership of any scheme (including any share acquisition scheme) or fund instituted or established or financed or contributed to by the Company for the provision of pensions, life assurance or other benefits for employees or their dependants, or the payment of a pension or other benefits to him or his dependants on or after retirement or death, apart from membership of any such scheme or fund.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family or any person who is or was dependent on him.

The directors may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

A director shall not be required to hold any shares in the capital of the Company by way of qualification.

3.1.21 Appointment of directors

Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall be not less than five but shall not be subject to any maximum number. Directors may be appointed by the Company by ordinary resolution or by the Board.

3.1.22 Retirement of directors

At every annual general meeting, all of the directors at the date of the notice convening the annual general meeting shall retire from office, in accordance with the rules set out in the Articles of Association.

A director who retires at an annual general meeting may, if willing to act, be re-appointed. If he is not re-appointed, he shall retain office until the meeting appoints someone in his place, or if it does not do so, until the end of the meeting. If however any resolution or resolutions for the appointment or re-appointment of the persons eligible for appointment or re-appointment as directors are put to the annual general meeting and lost and at the end of the meeting the number of directors is fewer than the minimum number required then all the retiring directors who stood for re-appointment at that meeting shall be deemed to have been re-appointed as directors and shall remain in office, but they may only:

(a) act for the purpose of filling vacancies and convening general meetings of the Company; and

(b) perform such duties as are appropriate to maintain the Company as a going concern and to comply with the Company's legal and regulatory obligations,

but not for any other purpose.

3.1.23 Disqualification and removal of directors

A person ceases to be a director in a number of circumstances, including removal by notice from the Board signed by no less than three quarters of the other Directors stating that person should cease to be a director. The Company may also, by ordinary resolution, remove any director from office.

3.1.24 Indemnity

Subject to the provisions of, and so far as may be permitted by and consistent with the Companies Law and any other applicable law or regulation, but without prejudice to any indemnity to which the person concerned may already be property entitled as at the date of the adoption of the Articles of Association, every director (including for the purposes of this paragraph any alternate director appointed pursuant to the provisions of the Articles of Association), secretary, assistant secretary or other officer for the time being and from time to time of the Company (but not including the Company's auditors) and the personal representatives of the same (each an "Indemnified Person") shall be indemnified and secured harmless out

of the assets and funds of the Company against all actions, proceedings, costs, charges, claims, expenses, losses, damages or liabilities incurred or sustained by such Indemnified Person, other than by reason of such Indemnified Person's own dishonesty, wilful default or fraud, in or about the conduct of the Company's business or affairs (including as a result of any mistake of judgment) or in the execution, exercise or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such Indemnified Person in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere.

3.1.25 Takeover provisions

The Articles of Association adopt certain of the provisions of the City Code, including provisions dealing with compulsory takeover offers and shareholder treatment along the lines of the General Principles of the City Code (including "equal treatment") which are to be administered by the Board. These provisions (set out in Articles 150 and 250 to 258) have effect only during such times as the City Code does not apply to the Company.

Pursuant to the Articles of Association, a person (excluding a depositary, custodian or nominee) must not:

(a) acting by himself or with persons determined by the Board to be acting in concert, seek to acquire an interest in shares in the Company, which carry 30 per cent., or more of the voting rights attributable to the shares in the Company; or

(b) acting by himself or with persons determined by the Board to be acting in concert, and holding not less than 30 per cent., but not more than 50 per cent., of the voting rights, seek to acquire, by himself or with persons determined by the Board to be acting in concert, additional interest in shares which, taken together with the interest in shares held by the persons determined by the Board to be acting in concert with him, increase his voting rights, or

(c) effect or purport to effect an acquisition which would breach or not comply with Rules 4, 5, 6, 8 or 11 of the City Code, if the Company were subject to the City Code,

except, in the case of either (a) or (b) above, as a result of a "permitted acquisition" (meaning an acquisition either consented to by the Board, or made in compliance with Rule 9 of the City Code (as if it so applied and with such amendments as the Board may consent to), or arising from the repayment of a stock borrowing arrangement).

Where the Directors have reason to believe that any of such circumstances has taken place, then it may take all or any of certain measures:

(a) require the person(s) appearing to be interested in the shares of the Company to provide such information as the Board considers appropriate;

(b) have regard to such public filings as may be necessary to determine any of the matters under Articles 250 to 258;

(c) make any determination under Articles 250 to 258 as it thinks fit, either after calling for submissions by the relevant person(s) or without calling for any;

(d) determine that the voting rights attached to such shares acquired in breach of the Articles of Association are from a particular time incapable of being exercised for a definite or indefinite period;

(e) determine that some or all of the shares acquired in breach of the Articles of Association are to be sold either to a third party, to a member or to the Company for cancellation;

(f) determine that some or all of the shares acquired in breach of the Articles of Association will not carry any right to any dividends or other distributions from a particular time for a definite or indefinite period; and

(g) taking such actions as it thinks fit for the purposes of Articles 250 to 258, including prescribing rules not inconsistent with Articles 250 to 258, setting deadlines for the provision of information, drawing adverse inferences where information requested is not provided, making determinations or interim determinations, executing documents on behalf of a shareholder, paying costs and expenses out of proceeds of sale and changing any decision or determination or rule previously made.

The Board has the full authority to determine the application of Articles 150 and 250 to 258, including the deemed application of the whole or any part of the City Code, and such authority shall include all the

discretion that the Panel would exercise if the whole or part of the City Code applied to the Company. Any resolution or determination made by the Board or the chairman of any meeting acting in good faith is conclusive and is not open to challenge as to its validity or as to any other ground. The Board is not required to give any reason for any decision, determination or exercise of discretion or power it makes. In exercising the powers under Article 150 and 250 to 258, the Board will comply with the principle that all holders of Ordinary Shares that are in the same position shall be treated equally in respect of the rights attaching to their shares and otherwise in accordance with their duties under applicable law.

Subject to the Companies Law, any other applicable law or anything contained in the Articles of Association, an approved depositary holding shares in the capital of the Company in the form of depositary interests shall not be obliged to accept the issue or transfer to it of shares, if such issue or transfer would likely result in such depositary having to make a mandatory offer for other shares in the capital of the Company. In the event that such depositary is required to make a mandatory offer to purchase other shares in the capital of the Company under applicable law, the Company shall cooperate with such depositary in seeking an exemption or waiver of such requirement and the Company shall bear all reasonable costs of such depositary in connection with seeking such exemption or waiver.

3.1.26 Electronic communications

The Board may from time to time issue, endorse, adopt or amend terms and conditions relating to the use of electronic means for the sending of notices, other documents and proxy appointments by the Company to members or persons entitled by transmission.

3.1.27 Information rights

A member who holds shares on behalf of another person may nominate that person to enjoy "Information Rights". This is the right to receive a copy of all communications (including the accounts and reports) that the Company sends to its members generally or to any class of its members that includes the person making the nomination, and the rights of members under the Companies Law, any applicable law or regulation and the Articles of Association to require a single copy of the Company's last annual accounts, the last directors' report, the last directors' remuneration report and the auditor's report on those accounts and, free of charge, a hard copy version of a document or information provided to a member in another form. The effect of any nominations may be terminated or suspended in certain circumstances set out in the Articles of Association.

3.1.28 Right to inspect the register

Companies which are registered in the Cayman Islands are not required to file shareholder information with the Registrar of Companies in the Cayman Islands, in contrast to the requirement for companies registered in England and Wales to file certain changes to shareholder information with Companies House in the UK. Consequently, information on shareholders of Cayman Islands registered companies will not be available to the public or to shareholders of the Company. As a result of this, the Company has inserted a right within the Articles of Association of the Company to allow shareholders the right to inspect the Company's register of members during normal business hours.

4. Related Party Transactions

The Company has entered into transactions with certain of its major Shareholders, including TDR Capital and Sun Capital (whose affiliates control Xercise2 Limited and Xercise Limited). The principal related transactions with major Shareholders are summarised below. Further information on related party transactions entered into by members of the Group, the Original Pearl Business and the Resolution Group from 1 January 2009 to 31 December 2011 (including some of those summarised below) is set forth in note 45 of the Group's financial statements for the year ended 31 December 2009 and note 46 of the Group's financial statements for the year ended 31 December 2010 and 2011, respectively, which are incorporated by reference into this Prospectus. See Part XIV: "Information Incorporated by Reference" regarding information that is incorporated by reference into this Prospectus.

4.1 Drago Real Estate Partners

On 4 October 2006, Sun Capital, Drago Real Estate Partners ("Drago") and various other unrelated parties entered into a shareholders and subscription agreement pursuant to which the parties agreed to invest in Drago for investment in real estate in Iberia. Phoenix Life Assurance (then Pearl Assurance

Limited) became a shareholder in Drago and a party to the shareholders and subscription agreement on 4 July 2007. Sun Capital is also a shareholder in the management company for the real estate fund, Mare Nostrum Capital Managers Ltd who are paid a management fee by Drago. The relationship between the parties is governed by various shareholders' agreements and framework agreements that were amended and restated between October 2006 and July 2007. Phoenix Life Assurance (formerly Pearl Assurance Limited) currently owns 24.9 per cent. of, and has approximately €33 million invested in Drago, with a further undrawn capital commitment in the amount of €10.2 million.

4.2 Investment in TDR Capital II 'C' L.P.

As part of its asset management programme, the Group has a number of investments in private equity and/or alternate investment funds. One of these investments includes a commitment to TDR Capital II 'C' L.P., a private equity fund managed by TDR Capital. The total commitment to the TDR Capital fund from institutional investors is €1.75 billion of which the Group has invested approximately €44.6 million to date and has agreed to invest a further amount of approximately €8.2 million, if required. The Group's investment in the TDR Capital fund is made on the same terms as the other institutional investors.

4.3 Investment in Algeco Scotsman

Algeco Scotsman is a global modular space business which is majority owned by funds managed by TDR Capital Nominees Limited and partially owned by an entity associated with Sun Capital (the "AS Shareholders"). Algeco Scotsman was created in 2007 following the merger of Algeco and Williams Scotsman International, Inc. The merger of the two businesses was funded by equity provided by the AS Shareholders and by debt underwritten by Deutsche Bank AS and The Royal Bank of Scotland plc (the "AS Debt Providers"). Following the acquisition the AS Debt Providers syndicated part of the senior and mezzanine debt they held to a number of institutional investors including the Group. The Group's interest in the mezzanine loan was converted into an equity interest in December 2009. Following a restructuring in October 2012, the Group's interest in the senior loan was satisfied, it holds a small amount of debt and it's equity interest now represents approximately 0.4 per cent. of the shares in Algeco Scotsman.

4.4 Total return swaps between TDR Capital and Castle Hill Credit Opportunities Holdings Limited

Castle Hill Credit Opportunities Holdings Limited entered into two total return swap transactions (the "TRS Transactions") with TDR Capital Nominees Limited under total return swap confirmations dated 19 December 2008, which were amended and restated on 9 June 2009, each of which was supplemental to an ISDA master agreement and schedule.

Each TRS Transaction referenced a loan in the leveraged loan portfolio owned by Castle Hill Fixed Income Opportunities S.à.r.l., respectively the Algeco Scotsman and the Alliance Boots loans, and has the purpose of hedging part of the exposure of Castle Hill Fixed Income Opportunities S.à.r.l. to changes in the value and credit risk of such underlying loans. Following a restructuring of Algeco Scotsman's credit facilities, the Algeco Scotsman TRS was closed out in October 2012. The Alliance Boots TRS remains in place.

4.5 Banco Santander real estate portfolio

Pursuant to senior and mezzanine loan acquisition facilities entered into in November 2007 Samos Servicios y Gestiones, S.L. ("Samos Servicios") acquired the entire freehold branch network of Banco Santander in Spain.

Pearl Assurance Limited lent €50 million to Samos Servicios as part of the mezzanine loan facility. In addition, the Group's companies have a direct interest of approximately 17.8 per cent. in the ultimate holding company of Samos Servicios. On 29 November 2010, Pearl Assurance Limited (now Phoenix Life Assurance Limited) and London Life invested a total of €7,774,476 in Sant TopCo Holdings II (parent company of Samos Servicios) through "B" ordinary shares. In total, Group companies have invested approximately €166 million in shares and loans in the group.

The ultimate holding company of Samos Servicios is majority owned by Sun Capital. TDR Capital and Drago are minority shareholders. A fee based on time spent providing services is payable from Samos Servicios to Sun Capital while Samos Servicios also pays Sun Capital for additional work and expenses.

The Group's investment in Samos Servicios is governed by an investors' agreement dated 14 November 2007 between, among others, Pearl Assurance Limited (now Phoenix Life Assurance Limited), TDR Capital and a Drago entity.

5. Major Shareholders

Information provided to the Company pursuant to the FSA's Disclosure and Transparency Rules is published on a Regulatory Information Service and on the Company's website. As at 28 January 2013 (being the latest practicable date prior to the date of this Prospectus), the Company had been notified of the following significant holdings of voting rights in its shares.

Name	Number of Ordinary Shares held (including by subsidiaries) before the Capital Raising	Percentage of Ordinary Shares in issue before the Capital Raising	Number of Ordinary Shares issuable pursuant to Warrants[1]	Number of Ordinary shares issuable (including to subsidiaries) pursuant to Contingent Rights[2]
TDR Capital Nominees Limited[3]	30,206,189	17.30	—	1,141,227[7]
Hugh Edward Mark Osmond[4]	11,072,825	6.34	—	404,186[8]
Xercise2 Limited[5]	10,004,321	5.73	—	369,767[9]
Lloyds Banking Group plc	7,051,934	4.04	1,296,672	218,473
Nicholas Berggruen Charitable Trust[6]	7,028,190	4.03	—	25,000
Royal London Asset Management Limited	6,862,908	3.93	12,704,510	—
William Alan McIntosh	6,844,529	3.92	—	316,726[10]
Martin E Franklin	5,885,048	3.37	—	20,372[11]
Jeff Greene	5,752,498	3.29	—	—

Notes:

(1) There exist 25,529,868 outstanding redeemable Warrants in the Company. Each Warrant is exercisable into 1.027873 Ordinary Shares of the Company. To the extent they are exercised, the Company will be required to issue up to 26,241,461 additional Ordinary Shares. For further information, see Part XIII: "Additional Information—Incorporation and Share Capital—Share Capital—Warrants".

(2) The Company may be required to issue a total of 3,600,000 Ordinary Shares pursuant to the Contingent Rights Agreements.

(3) TDR Capital Nominees Limited is controlled by TDR Capital LLP, of which Manjit Dale is a Partner. The stated shareholding includes Ordinary Shares also held by Jambright Limited, TDR Shares Limited and Jambright Midco Limited. The number of Ordinary Shares issuable pursuant to the Contingent Rights includes the Contingent Rights held by TDR Shares Limited.

(4) 6,518,093 Ordinary Shares held by Hugh Osmond are also included in the figure for Xercise2 Limited shown above.

(5) Xercise2 Limited is controlled by affiliates of Sun Capital.

(6) Nicholas Berggruen Charitable Trust, formerly known as the Tarragona Trust.

(7) This excludes Ordinary Shares which may be issued to O-Re Holdings UK Limited pursuant to the Contingent Rights Agreements. O-Re Holdings UK Limited is subject to an arrangement whereby approximately 24% of its economic interest is accrued for the benefit of TDR Capital.

(8) Hugh Osmond's interest in Contingent Rights as disclosed are held by Xercise2 Limited and Friends Provident.

(9) This excludes Ordinary Shares which may be issued to O-Re Holdings UK Limited pursuant to the Contingent Rights Agreements. O-Re Holdings UK Limited is subject to an arrangement whereby approximately 75% of its economic interest is accrued for the benefit of Sun Capital.

(10) William Alan McIntosh's interest in Contingent Rights as disclosed are held by Xercise2 Limited, Friends Provident and in his own name.

(11) Martin Franklin's interest in Contingent Rights as disclosed is held by Marlin Equities.

Insofar as is known to the Company, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

None of the major Shareholders referred to above has different voting rights from other Shareholders.

Immediately following the Capital Raising and assuming compliance with their respective Irrevocable Commitment Undertakings and based on their existing holdings of Ordinary Shares as notified to the Company, the TDR Capital Entities will hold in aggregate 15.4 per cent. of the Fully Enlarged Issued

Share Capital and the Sun Capital Entities will hold in aggregate 12.0 per cent. of the Fully Enlarged Issued Share Capital. The individual shareholdings of the TDR Capital Entities and the Sun Capital Entities would therefore enable each of those Shareholders to control a significant portion of the voting rights in the Company.

Under the Relationship Agreements, the Lender/Seller Shareholders (as defined in E.4 below) have contractual rights of pre-emption in respect of the issuance of the First Placed Shares and the Second Placed Shares. However, certain Lender/Seller Shareholders have agreed to disapply such pre-emption rights and those Qualifying Lender/Seller Shareholders (as defined in E.4 below) who have not disapplied their pre-emption rights can choose whether to exercise their respective pre-emption rights. Therefore, as a result of the Capital Raising and the operation of the contractual pre-emption rights contained in the Relationship Agreements, the absolute and relative percentage ownership of Lender/Seller Shareholders in the Company (certain of whom are major Shareholders in the Company) may change.

6. **Takeovers**

6.1 City Code on Takeovers and Mergers

As the Company is incorporated in the Cayman Islands, the City Code does not apply to the Company. Accordingly, the Company has incorporated provisions in the Articles of Association to reflect, as far as practicable, certain provisions of the City Code (see "—Memorandum and Articles of Association" above). These provisions do not, however, provide shareholders with the full protections offered by the City Code.

In particular the Articles of Association provide that the Company will use its reasonable endeavours to apply and abide by the General Principles of the City Code as though the Company were subject to the City Code, comply with the provisions of the City Code applicable to an offeree if the Company is subject to an offer and, if the Board recommends an offer, obtain an undertaking from the offeror to comply with the provisions of City Code in relation to the conduct and execution of that offer as though the Company were subject to the City Code.

The Articles of Association also include provisions that are similar in effect to Rule 9 of the City Code, subject to certain adaptations and limitations. These provisions will apply for as long as the City Code does not apply to the Company.

For example, for so long as the Panel considers that the Company is not subject to the provisions of the City Code, the Panel will not assume responsibility for ensuring compliance with the City Code in relation to the Company. Instead, it will be a matter for the Board exercising its discretion in light of prevailing circumstances and in a manner consistent with its obligations and any specific provisions included in the Articles of Association. The Board will always exercise such powers in good faith and in a manner it believes to be in the best interests of shareholders as a whole. In attempting to fulfil the role of the Panel, the Directors would not have the same powers or have access to the same information and experience as the Panel would have on a transaction to which the City Code applies. The Articles of Association provide that in exercising its powers under the Articles of Association, the Board will comply with the principle that all Ordinary Shareholders that are in the same position shall be treated equally in respect of the rights attaching to their shares and otherwise in accordance with their duties under applicable law. The Board intends that the City Code should be observed and will exercise all discretion that the Panel would be permitted to exercise, if the City Code applied to the Company, in accordance with the practice of the Panel at the time that the discretion is so exercised so far as the Board considers it reasonably practicable and consistent with its obligations. The Company has no method of ensuring that a shareholder or other bidder that launches an offer for the Company will adhere to the principles set out in the City Code.

The City Code restricts target companies from taking frustrating action without shareholder approval when a takeover offer has been announced or is believed to be imminent, and specifies, by way of example, certain transactions that would require shareholder approval (such as the issuance of stock options, the sale of assets or the entry into contracts otherwise than in the ordinary course of business). The Company's intention to adhere to rules restricting the taking of frustrating action under the City Code will mean that the Company will be unable to take certain measures in relation to an unsolicited takeover offer that would have otherwise been available to the Company. The Company would only deviate from this principle if, acting in good faith and in the best interests of shareholders as a whole, the Directors believe that the Company's obligations required it to do so.

Neither the validity of the provisions of the City Code nor of the specific provisions that the Company has incorporated into the Articles of Association that are similar to certain provisions of the City Code have

been determined by any Cayman Islands court, and there can be no assurance that any such provisions would be upheld or enforced by a Cayman Islands court in any or all respects or, if upheld and enforced, that a Cayman Islands court would construe these provisions in the same way as an English court or the Panel might.

The Articles of Association include a provision which exempts the Board from liability in respect of any exercise in good faith of any discretion it has in respect of the application of the relevant provisions in the Articles of Association or in performing its obligations.

6.2 Squeeze-out rules

Under the Companies Law, an offeror in respect of a takeover offer for the Company may, in certain circumstances, obtain the right compulsorily to acquire shares to which the offer relates but which it has not yet acquired or contracted to acquire. The offeror may not issue a notice requiring the acquisition of minority shares unless it has acquired or contracted to acquire not less than 90 per cent. in value of the shares to which the offer relates before the end of four months beginning with the date of the offer and no notice may be given after the end of the period of two months beginning with that date. The squeeze out of minority shareholders shall be completed unless on an application made by a dissenting shareholder to the Cayman Islands court within one month from the date on which the notice was given, the Cayman Islands Court thinks fit to order otherwise. The consideration offered to those shareholders whose shares are compulsorily acquired under the Companies Law must, in general, be the same as the consideration that was available under the general offer.

7. Pre-Emption Rights

Shareholders do not, under Cayman Islands law, have pre-emption rights over further issues of shares of the Company or securities convertible into such shares unless such rights are expressly provided for in the articles of association. The Company has included provisions in the Articles of Association to require the Company to provide pre-emption rights to the Company's Shareholders in certain circumstances. The relevant provisions of the Articles of Association are summarised in "Memorandum and Articles of Association" above. In addition, see "Additional Information—Incorporation and Share Capital—Share capital—Contractual undertakings pursuant to the Relationship Agreements to increase share capital as a result of the First Placing and the Second Placing."

8. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) (i) have been entered into by the Company or another member of the Group within the two years immediately preceding the date of this Prospectus and are or may be material or (ii) have been entered into prior to such period and contain provisions under which a member of the Group has an obligation or entitlement which is material to the Group.

8.1 Contingent Rights Agreements

In connection with the Restructuring a number of agreements were entered into which provided for the issue of Ordinary Shares. As a result of the Company gaining a Premium Listing in July 2010, many of the provisions of those agreements ceased to be of relevance.

Pursuant to the Contingent Rights Agreements there are 3,600,000 remaining Contingent Rights over Ordinary Shares which will result in the issue of Ordinary Shares on a one-for-one basis if, before 22 June 2013 (i) an offer is made to acquire all or a majority of the Company's issued ordinary share capital or substantially all of the Company's assets (in each case such transaction having become unconditional in all respects); or (ii) any party or parties acting in concert becomes interested in more than 50 per cent. of the Ordinary Shares of the Company through the issue of shares by the Company. Therefore, any issuance of Ordinary Shares pursuant to the Contingent Rights would not be as a result of the Capital Raising.

The 3,600,000 Contingent Rights over Ordinary Shares arise under the following agreements:

- the Amended Contingent Consideration Agreement, which provides for the issue of 2,650,000 Ordinary Shares in the circumstances described above;
- the Amended Contingent Fee Agreement, which provides for the issue of 850,000 Ordinary Shares in the circumstances described above; and

• the Amended Contingent Subscription Agreements, which provide for the issue of 100,000 Ordinary Shares in the circumstances described above.

8.2 Sellers' Relationship Agreement

The Company has entered into a Relationship Agreement with the SRA Sellers, dated 27 June 2009 (as amended, the "Sellers' Relationship Agreement") which sets out arrangements between the Company, the SRA Sellers and the Restructuring Selling Shareholders. The Sellers' Relationship Agreement is governed by English law.

(a) Corporate governance

As required by the Sellers' Relationship Agreement, Hugh Osmond and Manjit Dale were appointed as Directors on closing of the Restructuring.

In addition, under the Sellers' Relationship Agreement, the SRA Sellers and the Restructuring Selling Shareholders have the right to nominate a person for appointment by each of PGH2 and Phoenix Life Holdings as a non-executive director of PGH2 and Phoenix Life Holdings respectively subject to the fact that, prior to such nomination, the SRA Sellers and the Restructuring Selling Shareholders must consult with the Company in good faith as to the suitability of such candidate. Further, the SRA Sellers and the Restructuring Selling Shareholders will not be entitled to nominate or appoint any individual who has any material connections with any business which is a material competitor to the Group's business or who the Company reasonably considers is likely to be adverse to the interests of the Group.

(b) Pre-emptive rights

Under the Sellers' Relationship Agreement, the Company has provided pre-emptive rights to the SRA Sellers and the Restructuring Selling Shareholders which are the same as the pre-emptive rights granted to the Lenders under the Lender Relationship Agreement (see Part XII: "Additional Information—Material Contracts—Lender Relationship Agreement—Pre-emptive rights"). As at the date of this Prospectus, Lender/Seller Shareholders holding an aggregate of 62,644,235 Ordinary Shares have agreed with the Company to waive their contractual pre-emption rights under the relevant Relationship Agreement in respect of the issue of the Placed Shares. Therefore, as at the date of this Prospectus, the maximum number of Excess Shares to which Qualifying Lender/Seller Shareholders are entitled to apply for under the Excess Application Facility is 176,866 Ordinary Shares, which represents 0.1 per cent. of the Company's existing issued share capital at the date of this Prospectus.

The Company will, upon passing of the Ordinary Resolution and the Special Resolution and the Second Placing and the Open Offer becoming unconditional, have the authority to issue a sufficient number of Ordinary Shares (whether pursuant to the Excess Application Facility or otherwise) in order to satisfy the maximum entitlement of each Qualifying Lender/Seller Shareholder to subscribe for Ordinary Shares pursuant to their contractual pre-emption rights under the relevant Relationship Agreement which arise as a result of the issuance of the First Placed Shares and the Second Placed Shares.

In circumstances where the Ordinary Resolution is passed but the Special Resolution is not passed and only the First Placing proceeds, the Company has, pursuant to the Existing Shareholder Authority, the authority to issue a sufficient number of Ordinary Shares in order to satisfy the maximum entitlement of each Qualifying Lender/Seller Shareholder to subscribe for Ordinary Shares pursuant to their contractual pre-emption rights under the relevant Relationship Agreement which arise as a result of the issuance of the First Placed Shares.

(c) Capital distributions

Under the Sellers' Relationship Agreement, the Company has agreed not to declare, make or pay any capital distributions (as defined in the Amended Contingent Consideration Agreement and which term excludes any dividends payable out of distributable profits arising from ordinary course trading revenues of the Group) without the prior consent of the SRA Sellers and the Restructuring Selling Shareholders for so long as the Amended Contingent Consideration Agreement remains in effect.

8.3 Opal Re Funding and Dividend Contribution Agreement

The Company, Opal Re and The Royal Bank of Scotland plc ("RBS"), as agent for the Pearl Lenders, have entered into the Opal Re Contribution Agreement, dated 27 June 2009, which is governed by English law.

Until such time as all amounts outstanding under the Pearl Facility Agreement have been repaid, Opal Re has agreed to declare in favour of the Company, subject to payment of such monies in accordance with the Opal Re Contribution Agreement, such dividends as the directors of Opal Re believe are commercially reasonable.

Until such time as RBS, acting as agent gives notice to Opal Re that all amounts owed by the Pearl Borrowers under the Pearl Facility Agreement have been repaid, the Company has directed that Opal Re pay to the Pearl Borrowers any amount which would otherwise have been paid by Opal Re to the Company. Moreover, the Company has agreed that it will not revoke or amend such direction without the consent of RBS. If the Company receives any amount from Opal Re at a time when there remain amounts owed by the Pearl Borrowers under the Pearl Facility Agreement, the Company will pay such amount to the Pearl Borrowers immediately by way of capital contribution.

In connection with the amendments to the Existing Impala Facility Agreement (and conditional on the occurrence of the Effective Date (as defined below) under the Impala Facility Amendment and Restatement Agreement), Opal Re has given an undertaking to the Impala Lenders that, with effect from the date on which the Pearl Facility and the Lender Loan Notes have been repaid in full, if a Target Repayment Event (as defined below) is outstanding and/or the Scheduled Impala Repayment Amounts (as defined below) have not been paid as scheduled (and the Impala Facility Agent has notified Opal Re of the same):

- it shall not distribute any dividends to the Company unless (i) the relevant amount of Target Repayment Arrears (as defined below) have been paid and the outstanding Scheduled Impala Repayment Amounts (as defined below) have been paid or (ii) the Company agrees to make (and does make) a payment (which may be structured as a capital contribution or subordinated shareholder loan) to the Impala Borrowers in an aggregate amount equal to the lesser of: (x) the aggregate amount of such dividend from Opal Re and (y) the aggregate amount of the Target Repayment Arrears and/or the outstanding Scheduled Impala Repayment Amounts, with instruction for the Impala Borrowers to apply such amounts in repayment of the amended and restated Impala Facility; and
- it shall not (unless with the consent of the Majority Lenders (as defined below) under the amended and restated Impala Facility) transfer (or permit its subsidiaries to transfer) any material assets to the Company (or other subsidiaries of the Company which are not part of the Pearl Group or the Impala Group), except on arm's length terms, at full market value and for cash consideration paid in full at completion.

8.4 Credit Facilities

In connection with the closing of the Restructuring, the Group's two main credit facilities were amended and restated as summarised below.

(a) Pearl Facility

The Pearl Borrowers are borrowers under a facility agreement dated 15 November 2006 as amended and restated (the "Pearl Facility Agreement") entered into with the Pearl Lenders, the bookrunners, the arrangers, the Pearl Facility Agent and the security trustee described therein.

Upon completion of the Restructuring, the £825 million principal amount outstanding at that time under the Pearl Facility Agreement was restructured as follows:

- the Pearl Lenders assigned to the Company all their rights, title, interest and benefit in and to £325 million of principal due under the Pearl Facility Agreement (the "Company Subordinated Debt") (subject to such debt being unsecured and subordinated as described below). Upon assignment, such amount no longer constituted part of the Pearl Facility and the Company has no rights as a lender under the Pearl Facility Agreement nor under any security granted by the Pearl Borrowers pursuant thereto. The Company Subordinated Debt may be waived, capitalised or left in place;
- the Pearl Borrowers satisfied and discharged £75 million of principal due under the Pearl Facility Agreement by issuing to the Pearl Lenders the Lender Loan Notes; and
- the remainder of the amount outstanding under the Pearl Facility Agreement which was not assigned or discharged as described above was therefore left outstanding under the Pearl Facility Agreement.

(i) Company Subordinated Debt

The Company Subordinated Debt was converted upon assignment to the Company into a specific class of intra-group debt for the purposes of the Pearl Intercreditor Agreement (as defined below) and was subordinated to the outstanding indebtedness under the Pearl Facility Agreement and the Lender Loan Notes.

(ii) Lender Loan Notes

The Lender Loan Notes were issued by the Pearl Borrowers pursuant to separate Lender Loan Note instruments. Each of the Pearl Borrowers has guaranteed the indebtedness of the other under such Lender Loan Notes and has granted a second priority pledge of all of their respective assets in support of their respective obligations under the Lender Loan Notes.

Under the original Lender Loan Note instruments, the principal amount of the Lender Loan Notes was repayable in one instalment on 2 September 2024 (the "Maturity Date"), being the fifteenth anniversary of the date of the Lender Loan Notes. The Maturity Date may be postponed at the option of any holder of Lender Loan Notes upon the occurrence of certain events, including without limitation certain mergers, reorganisations or asset dispositions by the Company (a "Major Transaction"). On the Effective Date for the amendments to the Existing Impala Facility Agreement, it is intended that, subject to the receipt of the consent of the required majority of Pearl Lenders and holders of Lender Loan Notes, a further amendment to the Lender Loan Note instruments will become effective permitting the Pearl Borrowers to voluntarily redeem the Lender Loan Notes in a minimum amount of £2,000,000 (or if less the aggregate principal amount of Lender Loan Notes then outstanding) at any time prior to the Maturity Date subject to prior discharge of all amounts outstanding under the Pearl Facility Agreement and all related hedging liabilities and payment of any capitalised interest on the principal amount of the Lender Loan Notes being redeemed, accrued unpaid interest and amounts due for late payment and break costs (if any).

The Lender Loan Notes bear interest at a rate that is equal to the sum of LIBOR plus 1.00 per cent. plus mandatory costs, if any (plus an additional 1.00 per cent. if such interest is overdue, accruing on a daily basis). Mandatory costs compensate the Lender Loan Note holders for the costs of compliance with the requirements of the Bank of England, the FSA and/or the European Central Bank. Interest is payable semi-annually in cash unless the relevant Pearl Borrower elects that interest be capitalised and added to the principal amount. As at 30 September 2012, the outstanding principal amount including capitalised interest was £80 million.

On the Maturity Date, the Pearl Borrowers shall repay principal (including any capitalised interest), accrued unpaid interest and amounts due for late payment (if any).

The Pearl Borrowers make certain representations and warranties and agree to be bound by certain covenants (including the financial covenants in the Pearl Facility Agreement) by incorporating the same by way of reference into the Lender Loan Notes. The events of default include failure to pay any amount payable pursuant to the Lender Loan Notes (which default, if caused by an administrative error only, is not cured within three business days) and a cross-default regarding certain provisions of the Pearl Facility Agreement.

(iii) Pearl Facility Agreement

As at the date of this Prospectus, the outstanding principal amount under the Pearl Facility Agreement is currently £375 million (the "Pearl Senior Debt") with a maturity date of 30 June 2016 (the "Termination Date"). The Pearl Senior Debt is repayable in annual instalments of £25 million on 30 June of each year from 2013 through 2015, with £300 million (or such lesser amount as may then be outstanding) due and payable on the Termination Date.

Neither Pearl Borrower is permitted to reborrow any part of the Pearl Senior Debt which has already been repaid. The Pearl Borrowers may from time to time voluntarily prepay the Pearl Senior Debt in whole or in part with a minimum prepayment of £2 million. Any prepayment must be made with any accrued interest on the amount to be repaid. The Pearl Senior Debt is subject to mandatory prepayments from surplus cash (as described below) and other specified proceeds.

The Pearl Senior Debt bears interest at a rate that is equal to the sum of LIBOR plus 1.25 per cent. per annum plus mandatory costs, if any. Mandatory costs compensate the Pearl Lenders for the costs of compliance with the requirements of the Bank of England, the FSA and/or the European Central Bank. The Pearl Borrowers may select interest periods of three, six, nine or 12 months.

(iv) Restricted distributions and payments

Subject to certain exceptions, including those described below, the Pearl Facility Agreement provides that neither Pearl Borrower nor any of their subsidiaries (collectively, the "Pearl Covenant Group" but excluding Impala and its subsidiaries), may:

- pay, repay or prepay any principal, interest or other amount in respect of (x) outstanding debts between the Company and the Pearl Borrowers or (y) indebtedness owing to the Company, certain other shareholders and other related parties (collectively, the "Restricted Persons"); or
- make any investment in, or pay any fee, or make an advance or other payment to, any Restricted Person.

Further, subject to certain exceptions, including those described below, each of the Pearl Borrowers may not:

- declare or pay any dividend or other distribution of any kind on or in respect of any of its shares; or
- reduce, return, purchase, repay, cancel or redeem any of its shares.

Subject to the conditions described below, such restrictions on distributions and payments do not apply to, among other things, the following payments:

- an amount of up to £2.5 million per annum for payment of head office and administrative costs of the Company;
- payment of any amount payable under the Pearl finance documents which is permitted by the Pearl Intercreditor Agreement;
- payment to the Company of up to £58 million in each year from surplus cash (defined in the Pearl Facility Agreement as "Surplus Amount", being certain net cash flows after, among other things, capital and debt servicing subject to a buffer of £50 million). If surplus cash in a year exceeds £58 million, all excess amounts shall be applied in mandatory prepayment of the Pearl Senior Debt.

  However, if a "Default" is continuing under the Pearl Facility Agreement the "Surplus Amount" must be paid into an account held by a Pearl Borrower with the Pearl Facility Agent or the security trustee which is subject to security in favour of the security trustee under the Pearl Facility.

Other than the £2.5 million per annum head office and administrative costs, no payment may be made to the Company unless the following conditions are satisfied:

- no default is continuing under the Pearl Facility Agreement;
- none of the specified financial covenants have been breached (including certain financial covenants the breach of which will not be an event of default under the Pearl Facility Agreement but which will prevent payments being made to the Company (a "Payment Suspension"));
- delivery to the Pearl Facility Agent of financial information and certificates relating to the Pearl Covenant Group as at the most recent semi-annual calculation date;
- all amounts of interest outstanding in relation to the Pearl Facility Agreement have been paid;
- the amount of the payment is not such that, if the payment had been made immediately prior to the most recent semi-annual calculation date, the value of the assets in the accounts of Phoenix Life Holdings would be less than the value required to be retained by Phoenix Life Holdings under a subordinated loan facility agreement entered into with certain of its life company subsidiaries (the "Subordinated Loan Facility Agreement");
- the FSA has not varied or cancelled the authorisation of any material member of the Pearl Covenant Group or imposed any other requirement or taken other actions, which would reasonably be expected to prevent any material member of the Pearl Covenant Group from making a payment to any other member of the Pearl Covenant Group or any Pearl Borrower from making any required payment to the Pearl Lenders.

The payments permitted to be made to the Company may be made in any manner, directly or indirectly, including but not limited to, repayment under or entry into debt arrangements with the Company and the Pearl Covenant Group or by way of dividend.

(v) Representations, warranties and covenants

The Pearl Facility Agreement contains representations and warranties, covenants, prepayment provisions and events of default customary for loan agreements for similar financings.

Affirmative covenants, subject to customary terms and conditions and other negotiated exceptions, require the Pearl Borrowers to, among other things:

- provide to the Pearl Facility Agent annual and semi-annual financial statements and relevant compliance certificates relating to (among other things) compliance with financial covenants;
- provide monthly certificates giving financial information;
- maintain all Pearl Covenant Group pension schemes substantially in accordance with the governing provisions of such scheme where failure to do so would reasonably be expected to have a material adverse effect;
- ensure that the financial covenants are met, including that:
  - (i) at each semi-annual calculation date the ratio of (a) the aggregate principal amount of the Pearl Senior Debt and the net mark-to-market value of the hedging relating to the Pearl Senior Debt to (b) the sum of the embedded value of the Pearl Covenant Group adjusted by any liabilities and/or any surplus in respect of the PGL Pension Scheme minus the lower of £600 million and the Gilts-Based Deficit, is less than 70 per cent.;
  - (ii) at each semi-annual calculation date for the relevant projection period the ratio of (a) certain projected Pearl Covenant Group cash flows and free cash to (b) certain scheduled Pearl Covenant Group debt payment obligations is greater than 125 per cent.;
  - (iii) at each semi-annual calculation date for the relevant period the ratio of (a) certain Pearl Covenant Group historical cash flows to (b) certain Pearl Covenant Group historical debt service is greater than 105 per cent.;
  - (iv) the capital resources of each insurance subsidiary are greater than the higher of its capital resources requirement and its ICA requirement;
  - (v) the embedded value of PGH2 (excluding any interest in Impala) will be at least (a) 140 per cent. of whichever is the lower of £600,000,000 and 60 per cent. of the Gilts Based Deficit (as defined in Part XIII: "Additional Information—Material Contracts—Pearl Group Staff Pension Scheme Agreements") and (b) 110 per cent. of the Gilts Based Deficit less 50 per cent. of the projected investment outperformance over gilts to 30 June 2031;
  - (vi) the aggregate capital resources of the insurance subsidiaries exceed the aggregate of (a) the aggregate ICA requirement of the insurance subsidiaries and (b) the aggregate ICG requirement of the Pearl Covenant Group; and
  - (vii) the EEA GCR is greater than 105 per cent. of the EEA GCRR.

A breach of these affirmative covenants will trigger an event of default and breach of related financial covenants at a higher threshold will result in a Payment Suspension.

Restrictive covenants, subject to customary terms and conditions and other negotiated exceptions, include limitations, including between the silos, on:

- amalgamation, demerger, merger, consolidation or corporate reconstruction (other than a permitted merger as set out under the Pearl Facility Agreement);
- changes in business (including underwriting any new business that is not long-term insurance business);
- acquisitions, investments, loans and guarantees;
- entering into, or investing in, any joint venture;
- granting security over any assets;
- asset disposals;
- amending certain inter-company loan agreements or entering into outsourcing arrangements;
- entering into or amending certain reinsurance arrangements;
- entering into certain hedging arrangements;
- transactions with affiliates; and
- Phoenix Life Holdings conducting business or holding assets and incurring liabilities.

(vi) Events of default

The events of default under the Pearl Facility Agreement are customary, and include the following:

- a Pearl Borrower fails to pay any amount payable pursuant to the Pearl Facility Agreement or related finance documents (and such default, if caused by an administrative error only, is not cured within three business days);
- a breach of certain financial covenants subject to a 45 day grace period in certain cases or an equity cure right in others;
- a Pearl Borrower does not comply with any other provision of the Pearl Facility Agreement or related finance documents (and such failure to comply is not cured within 15 business days);
- any representation or statement made or deemed to be made by a Pearl Borrower in the Pearl Facility Agreement or related finance documents or security documents is incorrect or misleading (and such misrepresentation is not cured within 15 business days);
- certain default, acceleration and/or cancellation events with regard to other financial indebtedness of members of the Pearl Covenant Group or of lender commitments with respect thereto (provided that the aggregate amount of relevant indebtedness or commitment is £5.0 million or more);
- certain bankruptcy or insolvency events occur with respect to a Pearl Borrower or a material subsidiary;
- any expropriation, attachment or analogous process affects any material asset of a Pearl Borrower or a material subsidiary in relation to indebtedness of at least £5.0 million and is not discharged within 15 business days;
- any security document or any guarantee in or any subordination under the Pearl Facility Agreement or certain related finance documents is not in full force and effect or any security document does not create for the benefit of the Pearl Lenders the security which it is expressed to create;
- any party (other than a Pearl Lender or a hedging bank) fails to comply with its obligations under the Pearl Intercreditor Agreement (as defined below) and, in the opinion of two-thirds of the Pearl Lenders, the interests of the Pearl Lenders under the Pearl Facility Agreement or any related finance document are materially prejudiced by such failure;
- any Pearl Borrower repudiates or evidences an intention to repudiate the Pearl Facility Agreement or any related financing document;
- any material subsidiary ceases to be a wholly-owned subsidiary of Phoenix Life Holdings;
- any of the constitutional documents of a Pearl Borrower, certain agreements relating to Opal Re or the Subordinated Loan Facility Agreement are terminated or breached or amended in a manner that would reasonably be expected to be materially adverse to the interests of the Pearl Lenders;
- any person (other than a Pearl Lender) breaches or repudiates any of the Contingent Fee Agreement, the Implementation Agreement or certain other agreements (unless remedied within any originally applicable grace periods under such documents);
- any party (other than a Pearl Lender or Impala Lender or a hedging bank) to the Lender Relationship Agreement breaches certain specified provisions of the Lender Relationship Agreement (unless remedied within the specified grace period);
- the auditors of the Pearl Covenant Group qualify their report on any audited consolidated financial statement of the Pearl Covenant Group or any audited financial statement of any Pearl Borrower in a manner and to an extent considered by the majority Pearl Lenders to be materially adverse to their interests under the finance documents;
- any litigation, arbitration, proceeding or dispute is started or threatened or there are any circumstances likely to give rise to any such proceeding, in each case which is reasonably likely to be adversely determined and would reasonably be expected to have a material adverse effect; and
- any event or circumstance occurs which has or would have a material adverse effect on or a material adverse change in the financial condition, assets or business of the Pearl Covenant Group taken as a whole, the ability of either Pearl Borrower to comply with its payment obligations or the financial covenants under the Pearl Facility Agreement, the validity, legality or enforceability of the Pearl Facility Agreement or certain related financing documents or the validity, legality or enforceability of any

security expressed to be created under the related security documents or the priority of any such security.

If an event of default occurs the Pearl Lenders may cancel their commitments and/or declare the loans immediately due and payable and/or payable on demand. In addition the Pearl Lenders may enforce their security referred to below and such enforcement could constitute a change of control for the purpose of the Existing Impala Facility Agreement or, from the Effective Date, the amended and restated Impala Facility, allowing the Impala Lenders to instruct the Impala Agent to cancel their commitments and declare all amounts owed to them under the Existing Impala Facility Agreement or, from the Effective Date, the Amended and Restated Impala Facility Agreement, as applicable, immediately due and payable. If the Pearl Lenders chose to appoint a receiver or administrator to sell the shares of PGH2 (but not PLHL) this could constitute a trigger event for the purposes of the 2012 Pensions Agreement which could enable the trustee of the Pearl Group Staff Pension Scheme to enforce their rights under the 2012 Pensions Agreement and related security documents.

(vii) Change of Control

The Pearl Facility Agreement and Lender Loan Notes contain change of control clauses. Upon a change of control of the Company or certain other changes to the structure of the Group, each Pearl Lender shall be entitled to declare the principal amounts outstanding and the accrued interest on its participation under each of these agreements immediately repayable or require that the Lender Loan Notes it holds are immediately redeemed.

(viii) Guarantees and security

Each of the Pearl Borrowers have guaranteed the indebtedness and obligations of the other Pearl Borrowers under the Pearl Facility Agreement and certain related financing documents, and have charged all of their assets, including without limitation their respective bank accounts and all book or other debts, together with the shares of PLHL and PGH2, in support of their respective obligations under the Pearl Facility Agreement. The obligations of the Pearl Borrowers under the Lender Loan Notes are also secured by a second-ranking charge executed by the Pearl Borrowers with respect to such assets.

(ix) Intercreditor Agreement

The Pearl Borrowers have entered into an amended and restated Intercreditor Agreement (the "Pearl Intercreditor Agreement") with the Company and PGH2, the Pearl Lenders, the Pearl Facility Agent, the security trustee and the counterparties to certain hedging agreements entered into with certain members of the Pearl Covenant Group. The Pearl Intercreditor Agreement provides that the obligations of the Pearl Borrowers under the Pearl Senior Debt and such hedging agreements are senior in right of payment to the Lender Loan Notes (including those held by the Company and its affiliates), the Company Subordinated Debt and certain other intercompany debt of the Company and its subsidiaries (the "Company Intercompany Debt"). The Lender Loan Notes are subordinated to the Pearl Senior Debt, but the Lender Loan Notes held by parties other than the Company and its affiliates are senior to the Lender Loan Notes held by the Company or its affiliates, the Company Subordinated Debt and all other Company Intercompany Debt. The Lender Loan Notes held by the Company and its affiliates are subordinated to the Lender Loan Notes held by parties other than the Company and its affiliates and the Pearl Senior Debt, but senior to the Company Subordinated Debt and all other Company Intercompany Debt. The Company Subordinated Debt and the Company Intercompany Debt rank pari passu between themselves and are subordinated to the Lender Loan Notes and the Pearl Senior Debt. Neither the holders of the Lender Loan Notes, the Company Subordinated Debt nor the holders of any Company Intercompany Debt may take any enforcement action or certain other specified actions with respect to such indebtedness so long as the Pearl Senior Debt is outstanding without the consent of the holders of two-thirds of the outstanding principal amount of the Pearl Senior Debt. Following the retirement of the Pearl Senior Debt and so long as any Lender Loan Notes held by parties other than the Company or its affiliates remain outstanding, neither the Lender Loan Notes held by the Company and its affiliates, the Company Subordinated Debt nor the holders of Company Intercompany Debt may take any enforcement action or certain other specified actions with respect to such indebtedness without the consent of the holders (other than the Company and its affiliates) of two-thirds of the outstanding principal amount of the Lender Loan Notes. Following the retirement of the Pearl Senior Debt and the redemption of the Lender Loan Notes held by parties other than the Company and its affiliates and so long as any Lender Loan Notes held by the Company and its affiliates remain outstanding, neither the Company Subordinated Debt nor the holders of

Company Intercompany Debt may take any enforcement action or certain other specified actions with respect to such indebtedness without the consent of Company (and/or its relevant affiliates).

(b) Impala Facility

The Impala Borrowers are borrowers under a facility agreement dated 10 October 2007 (as previously amended from time to time), entered into among the Impala Borrowers, the Impala Lenders, the bookrunners, the arrangers, the Impala Facility Agent and the security trustee described therein (the "Existing Impala Facility Agreement").

As at the date of this Prospectus, £1,851.5 million is outstanding under the Existing Impala Facility Agreement.

On 30 January 2013, the Impala Borrowers entered into an amendment and restatement agreement with the Impala Lenders, the Impala Facility Agent and the other parties to the Existing Impala Facility Agreement (the "Impala Facility Amendment and Restatement Agreement") pursuant to which the Existing Impala Facility Agreement is to be amended and restated upon the date (the "Effective Date") on which the applicable conditions precedent (the "Amendment Conditions Precedent") are satisfied, including:

(i) the delivery by the Impala Borrowers to the Impala Facility Agent of a certificate confirming that the Company has raised at least £250 million of gross proceeds from the Capital Raising and that the net proceeds (after deducting the costs, expenses, fees and commissions that are permitted to be deducted pursuant to the terms of the Impala Facility Amendment and Restatement Agreement) have been either: (A) contributed by the Company to the Impala Borrowers; or (B) applied in prepayment of amounts outstanding under the Existing Impala Facility Agreement;

(ii) the payment of an arrangement fee in an amount equal to 0.75 per cent. of the total aggregate principal amount outstanding under the Impala Facility on or before the Effective Date (after taking into account any prepayment on or prior to the Effective Date);

(iii) the payment of a structuring fee in an amount equal to 0.75 per cent. of the total aggregate principal amount outstanding under the Impala Facility on or before the Effective Date (after taking into account any prepayment on or prior to the Effective Date); and

(iv) the payment of the other costs and expenses required to be paid by the Impala Borrowers pursuant to the terms of the Impala Facility Amendment and Restatement Agreement.

As at the date of this Prospectus, all Amendment Conditions Precedent have been satisfied except those referred to in (i), (ii), (iii) and (iv) above. Details of the Impala Facility Amendment and Restatement Agreement are set forth under "—Amendments to the Impala Facility" below. The net proceeds receivable by the Company from the Capital Raising after deduction of commissions, fees and expenses incurred in relation to the Capital Raising (expected to be approximately £232 million) will be used, alongside existing cash resources held in the Holding Companies, to prepay £450 million of the Impala Facility, which is expected to take place within two business days following completion of the Capital Raising. The Impala Borrowers are required to use their best endeavours to ensure that the conditions precedent are satisfied within five business days of receipt by the Company of the net proceeds of the Capital Raising. If the Amendment Conditions Precedent are not satisfied for any reason on or before 21 March 2013 (or such later date as two thirds (by aggregate principal amount of indebtedness) of the Impala Lenders (the "Majority Lenders") under the Existing Impala Facility Agreement may agree), the Impala Facility will continue to be governed by the terms of the Existing Impala Facility Agreement. The Company expects to satisfy the Amendment Conditions Precedent referred to in (i), (ii), (iii) and (iv) above within two business days following completion of the Capital Raising. For the avoidance of doubt, at and after Admission, the Impala Lenders will not have the ability to modify or otherwise amend the Amendment Conditions Precedent without the agreement of the Impala Borrowers.

The Impala Borrowers together own 25 per cent. of Impala and PGH2 owns 75 per cent. of Impala. PGH2 has granted a fixed charge over its shares in, and distributions from, Impala for the benefit of the Impala Borrowers.

(i) Existing Impala Facility Agreement

As at the date of this Prospectus, the outstanding principal amount under the Existing Impala Facility Agreement is £1,851.5 million (the "Impala Senior Debt"), comprising the following three tranches:

- Facility A with a principal amount outstanding of £866.5 million with a maturity date of 30 November 2014 ("Facility A Termination Date");
- Facility B with a principal amount outstanding of £492.5 million with a maturity date of 30 November 2015; and
- Facility C with a principal amount outstanding of £492.5 million with a maturity date of 30 November 2016.

Under the Existing Impala Facility Agreement, Facility A is repayable in equal semi-annual instalments of £62.5 million each, from 30 April 2013 through 31 October 2014, with the remaining balance due and payable on the Facility A Termination Date. Facility B and Facility C are repayable in single instalments on the relevant maturity date. The Impala Borrowers are permitted from time to time to voluntarily prepay the Impala Senior Debt in whole or in part, with a minimum prepayment of £2 million. The Impala Borrowers may not reborrow any amount under any of the facilities that has already been repaid. The Impala Senior Debt is subject to mandatory prepayments from surplus cash (as described below) and other specified proceeds. Under the Existing Impala Facility Agreement, both voluntary and mandatory prepayments are required to be applied first to prepay the Facility A loans in full, second to prepay the Facility B loans in full and last to prepay the Facility C loans in full.

Under the Existing Impala Facility Agreement, until 2 September 2013, the tranches bear interest as follows:

- Facility A: the sum of LIBOR plus 1 per cent. per annum plus 1 per cent. per annum PIK margin plus mandatory costs. Mandatory costs compensate the Impala Lenders for the costs of compliance with the requirements of the Bank of England, the FSA and/or the European Central Bank.
- Facility B: the sum of LIBOR plus 1.25 per cent. per annum plus 0.75 per cent. per annum PIK margin plus mandatory costs.
- Facility C: the sum of LIBOR plus 1.75 per cent. per annum plus 0.25 per cent. per annum PIK margin plus mandatory costs.

Under the Existing Impala Facility Agreement, from and after 2 September 2013, the tranches bear interest as follows:

- Facility A: the sum of LIBOR plus 2.5 per cent. per annum plus mandatory costs.
- Facility B: the sum of LIBOR plus 3.25 per cent. per annum plus mandatory costs.
- Facility C: the sum of LIBOR plus 3.75 per cent. per annum plus mandatory costs

(ii) Restricted distributions and payments

Subject to the exceptions described below, the Existing Impala Facility Agreement provides that none of the Impala Borrowers, Impala nor their respective subsidiaries (collectively, the "Impala Covenant Group"), may:

- pay, repay or prepay any principal amount, interest or other amount in respect of (x) outstanding debts between the Company and the Impala Borrowers, (y) indebtedness owing to the Company, certain other shareholders and other related parties (collectively, the "Restricted Persons"), or (z) any of the Tier 1 Bonds, save for (subject to the conditions described below) an annual coupon payment of up to 6.5864 per cent. per annum on the Tier 1 Bonds not held by any Restricted Person or any member of the Group (unless held on behalf of third parties) becoming payable (each a "Permitted Coupon"); or
- make any investment in, or pay any fee, or make an advance or other payments to, any Restricted Person.

Further, subject to the exceptions described below, each of the Impala Borrowers may not:

- declare or pay any dividend or other distribution of any kind on or in respect of any of its shares; or
- reduce, return, purchase, repay, cancel or redeem any of its shares.

Subject to the conditions described below, such restrictions on distributions and payments do not apply to, among other things, the following payments:

- an amount of up to £2.5 million per annum for payment of head office and administrative costs of the Company;
- payment of any amount payable under the Impala finance documents which is permitted by the Impala Intercreditor Agreement;
- payment to the Company of an amount of up to 50 per cent. in each year of surplus cash (defined in the Existing Impala Facility Agreement as "Surplus Amount", being certain net cash flows after, among other things, capital and debt servicing and subject to a buffer of £100 million) provided that:
  - (i) the maximum amount payable by the Impala Borrowers to the Company in each such year is capped at an aggregate amount equal to the lesser of:
    - (A) £14 million plus "X" (where "X" is the amount by which (i) the amount which the Company is permitted to receive from the Pearl Borrowers under the Pearl Facility Agreement in the same year is less than (ii) £58 million); and
    - (B) £48 million;
  - (ii) an amount equal to the amount that the Impala Borrowers are permitted to pay the Company shall be applied in mandatory prepayment of the Impala Senior Debt; and
  - (iii) the balance of surplus cash, which is not permitted to be paid to the Company and which has not already been paid in to the prepayment account, shall be applied in mandatory prepayment of the Impala Senior Debt.

  However, if a Default is continuing under the Existing Impala Facility Agreement the "Surplus Amount" must be paid into an account held by an Impala Borrower with the Impala Facility Agent which is subject to security in favour of the security trustee under the Impala Facility.

Other than the £2.5 million per annum head office and administrative costs, no payments may be made to the Company, or in respect of a Permitted Coupon, unless the following conditions are satisfied:

- no default is continuing under the Existing Impala Facility Agreement;
- none of the specified financial covenants have been breached (including certain financial covenants, the breach of which will not be an event of default under the Existing Impala Facility Agreement, but which will prevent payments being made to the Company) (a "Payment Suspension");
- delivery to the Impala Facility Agent of financial information and certificates relating to the Impala Covenant Group as at the most recent semi-annual calculation date;
- all amounts of interest outstanding in relation to the Existing Impala Facility Agreement have been paid;
- where the payment is to be made to the Company the amount of the payment is not such that, if the payment had been made immediately prior to the most recent semi-annual calculation date, the value of the assets held in the accounts of Impala would be less than the value required to be retained by Impala in accordance with any requirement of the FSA;
- where the payment is to be made in respect of a Permitted Coupon, the amount of the payment is not such that the value of the assets held in the accounts of Impala at the time of such payment would be less than the value required to be retained by Impala in accordance with any requirement of the FSA;
- the FSA has not varied or cancelled the authorisation of any material member of the Impala Covenant Group or imposed any requirement, or taken other actions, which would reasonably be expected to prevent any material member of the Impala Covenant Group from making a payment to any other member of the Impala Covenant Group or any Impala Borrower from making any required payment to the Impala Lenders.

The payments permitted to be made to the Company may be made in any manner, directly or indirectly, including but not limited to, repayment under or entry into any debt arrangements with the Company and the Impala Covenant Group or by way of dividend. However, no dividend or other distribution may be paid by Impala at any time.

(iii) Representations, warranties and covenants

The Existing Impala Facility Agreement contains representations and warranties, covenants, prepayment provisions and events of default customary for loan agreements for similar financings.

Affirmative covenants, subject to customary terms and conditions and other negotiated exceptions, require the Impala Borrowers to, among other things:

- provide to the Impala Facility Agent annual and semi-annual financial statements;
- provide compliance certificates relating to (among other things) compliance with financial covenants;
- provide monthly certificates giving financial information;
- maintain all Impala group pension schemes substantially in accordance with the governing provisions of such scheme where failure to do so would reasonably be expected to have a material adverse effect;
- ensure that the financial covenants are met, including that:
  - (i) at each semi-annual calculation date the ratio of (a) the aggregate principal amount of the Impala Senior Debt and the net mark-to-market value of the hedging relating to the Impala Senior Debt to (b) the sum of the embedded value of the Impala Covenant Group adjusted by any liabilities and/or any surplus in respect of the PGL Pension Scheme minus the pension deficit in respect of the PGL Pension Scheme, is less than a specified percentage ranging from 75 per cent. in 2013 to 65 per cent. on 30 June 2015 and subsequent semi-annual calculation dates thereafter;
  - (ii) at each semi-annual calculation date for the relevant projection periods the ratio of (a) certain projected Impala Covenant Group cash flows and free cash to (b) certain scheduled Impala Covenant Group debt payment obligations is greater than 105 per cent.; and
  - (iii) at each semi-annual calculation date for the relevant period the ratio of (a) certain Impala Covenant Group historical cash flows to (b) certain Impala Covenant Group historical debt service is greater than 105 per cent;
- ensure that the capital resources of each insurance subsidiary are greater than the higher of its capital resources requirement and its ICA requirement;
- ensure that the aggregate capital resources of the insurance subsidiaries exceed the aggregate of (a) the aggregate ICA requirement of the insurance subsidiaries and (b) the aggregate ICG requirement of the Impala Covenant Group; and
- ensure that the EEA GCR is greater than 105 per cent. of the EEA GCRR.

The breach of these affirmative covenants will trigger an event of default and breach of similar financial covenants at a higher threshold will result in a Payment Suspension.

Restrictive covenants, subject to customary terms and conditions and other negotiated exceptions, include limitations, including between the silos, on:

- amalgamation, demerger, merger, consolidation or corporate reconstruction (other than a permitted merger) as set out in the Existing Impala Facility Agreement;
- changes in business (including underwriting any new business that is not long-term insurance business);
- acquisitions, investments, loans and guarantees;
- entering into, or investing in, any joint venture;
- granting security over any assets;
- asset disposals;
- amending certain inter-company loan agreements or entering into outsourcing arrangements;
- entering into certain hedging arrangements;
- entering into or amending certain reinsurance arrangements; and
- transactions with affiliates.

(iv) Events of default

The events of default under the Existing Impala Facility Agreement are customary, and include the following:

- an Impala Borrower fails to pay any amount payable pursuant to the Existing Impala Facility Agreement or related finance documents when due (and such default if caused by an administrative error only is not cured within three business days);
- a breach of certain specified financial covenants subject to a 45 day grace period in certain cases or an equity cure right in others;
- an Impala Borrower or PGH2 does not comply with any other provision of the Existing Impala Facility Agreement or related finance documents (and such default is not cured within 15 business days);
- any representation or statement made or deemed to be made by an Impala Borrower or PGH2 in the Existing Impala Facility Agreement or related finance or security documents is incorrect or misleading (and such misrepresentation is not cured within 15 business days);
- certain default, acceleration and/or cancellation events with regards to other financial indebtedness of members of the Impala Covenant Group, of lender commitments with respect thereto (provided that the aggregate amount of relevant indebtedness or commitment is £5 million or more);
- certain bankruptcy or insolvency events occur with respect to an Impala Borrower or a material subsidiary;
- any expropriation, attachment or analogous process affects any material asset of an Impala Borrower or a material subsidiary in relation to indebtedness of at least £5 million and is not discharged within 15 business days;
- any security document or any guarantee in or any subordination under the Existing Impala Facility Agreement or related finance documents is not in full force and effect or any security document does not create for the benefit of the Impala Lenders the security which it is expressed to create;
- any party (other than an Impala Lender or a hedging bank) fails to comply with its obligations under the Impala Intercreditor Agreement (as defined below) and, in the opinion of the majority of the Impala Lenders, the interests of the Impala Lenders under the Existing Impala Facility Agreement or any related finance document are materially prejudiced by such failure;
- any Impala Borrower or PGH2 repudiates or evidences an intention to repudiate any of the Existing Impala Facility Agreement or related financing documents;
- any of the constitutional documents of an Impala Borrower or certain agreements relating to the Restructuring are terminated or breached or amended in a manner that would reasonably be expected to materially adversely affect the interests of the Impala Lenders;
- any person (other than an Impala Lender) breaches or repudiates any of the Contingent Fee Agreement or the Implementation Agreement (unless remedied within any originally applicable grace periods under such documents);
- any material subsidiary ceases to be a wholly owned subsidiary of Impala;
- any party (other than a Pearl Lender, Impala Lender or a hedging bank) to the Lender Relationship Agreement breaches certain specified provisions of clauses of the Lender Relationship Agreement (unless remedied within the specified grace period);
- the auditors of the Impala Covenant Group qualify their report on any audited consolidated financial statement of the Impala Covenant Group or any audited financial statement of any Impala Borrower in a manner and to an extent considered by the majority Impala Lenders to be materially adverse to their interests under the finance documents;
- any litigation, arbitration, proceeding or dispute is started or threatened or there are any circumstances likely to give rise to any such proceeding, in each case which is reasonably likely to be adversely determined and would reasonably be expected to have a material adverse effect; and
- any event or circumstance occurs which has or would have a material adverse effect on or a materially adverse change to: the financial condition, assets or business of the Impala Covenant Group taken as a whole, the ability of either Impala Borrower to comply with its payment obligations or financial covenants under the Existing Impala Facility Agreement, the validity, legality or enforceability of the

Existing Impala Facility Agreement or certain related financing documents or the validity, legality or enforceability of any security expressed to be created under the related security documents or the priority of any such security.

If an event of default occurs the Impala Lenders may cancel their commitments and/or declare the loans immediately due and payable and/or declare the loans payable on demand. In addition the Impala Lenders may enforce their security referred to below. The enforcement of the limited recourse share pledge executed by PGH2 over all of the shares it owns in Impala could constitute an event of default under the Pearl Facility Agreement (on the basis that the shares of Impala held by PGH2 are assets of PGH2 and such action would constitute insolvency proceedings or a creditors process in respect of such assets for the purpose of the Pearl Facility Agreement) and consequently the Pearl Borrowers could take enforcement action in accordance with the Pearl Facility Agreement and certain related financing documents.

(v) Change of Control

Upon a change of control of the Company or certain other changes to the structure of the Group, the principal amounts outstanding and the accrued interest under each of these agreements would become repayable at the election of the Impala Lenders.

(vi) Guarantees and security

Each of the Impala Borrowers have guaranteed the indebtedness and obligations of the other Impala Borrowers under the Existing Impala Facility Agreement and certain related financing documents, and have charged all of their assets including, without limitation, their respective bank accounts and all book or other debts in support of their respective obligations under the Existing Impala Facility Agreement. The obligations of the Impala Borrowers under the Existing Impala Facility Agreement are also secured by a limited recourse share pledge executed by PGH2 over all of the shares it owns in Impala (and any related distributions). Existing security will be re-granted in connection with the Impala Facility Amendment and Restatement Agreement.

New security (on similar terms to the existing security (as set out above)) will be re-granted by the Impala Borrowers and PGH2 in connection with the Impala Facility Amendment and Restatement Agreement. The obligations of the Impala Borrowers under the Existing Impala Facility Agreement will also be secured by a charge to be granted by the Company over the notes issued by Pearl Group Holdings (No. 1) Limited to the Company pursuant to a Deed of Covenant dated 22 April 2010 and any payments and rights received or to be received by the Company in connection with such notes.

(vii) The Impala Intercreditor Agreement

The Impala Borrowers have entered into an amended and restated Intercreditor Agreement (the "Impala Intercreditor Agreement") with certain parent entities and other affiliates of the Impala Borrowers, the Impala Lenders, the administrative agent, the security trustee and the counterparties to hedging agreements entered into with certain members of the Impala Covenant Group. The Impala Intercreditor Agreement provides that the obligations of the Impala Borrowers under the Existing Impala Facility Agreement and such hedging agreements are senior in right of payment to certain intercompany debt of the Company and its affiliates (the "Impala Intercompany Debt"). The holders of the Impala Intercompany Debt may not take any enforcement action or certain other specified actions with respect to such Impala Intercompany Debt so long as the senior debt of Impala Borrowers is outstanding, without the consent of the holders of two thirds of the outstanding principal amount of the senior debt. The Impala Intercreditor Agreement will be amended and restated in connection with the Impala Facility Amendment and Restatement Agreement.

(viii) Amendments to the Impala Facility

On 30 January 2013, the Impala Borrowers entered into the Impala Facility Amendment and Restatement Agreement pursuant to which the Existing Impala Facility Agreement is to be amended and restated upon the Effective Date. Set forth below is a summary of the key terms of the Impala Facility that would be amended under the Impala Facility Amendment and Restatement Agreement:

- Facility A, Facility B and Facility C would be converted into a £1,851.5 million single tranche term loan facility repayable by an initial prepayment of £450 million payable on or before 28 March 2013 and then in repayment instalments of £30 million semi-annually on 30 June and 31 December each year from

30 June 2013 (until the balance of such facility is repaid in full on or before the final maturity date (as described below) (the "Scheduled Impala Repayment Amounts");

- the final maturity date would be amended to 31 December 2017 and the Impala Borrowers would have an option to extend the final maturity date further to 30 June 2019 on written notice to the Impala Facility Agent (such notice to be served in the period from 1 August 2017 to 1 October 2017), subject to no event of default being outstanding under the amended and restated Impala Facility at the time such notice is served and no event of default under the amended and restated Impala Facility or Target Repayment Event (as defined below) being outstanding on 31 December 2017;
- the Impala Facility would bear interest at LIBOR plus a margin of 4.75 per cent. per annum plus mandatory costs, which would increase by (i) 2.25 per cent. per annum after the scheduled final maturity date of 31 December 2017 if the option to extend the final maturity date to 30 June 2019 is exercised; and (ii) 0.50 per cent. per annum if a Target Repayment Event (as defined below) has occurred and is continuing;
- the amended and restated Impala Facility would permit the Impala Borrowers to request (in a selection notice) that a loan be divided in two to facilitate, *inter alia*, the making of matching dividend prepayments without incurring break costs. The Impala Borrowers would then be entitled to select interest periods of one, three or six months (or any other period agreed by the Impala Facility Agent) in relation to the loan created by the division (however the aggregate amount of loans with an interest period of one month would not be permitted to exceed £100 million);
- the rate of interest on the Impala Facility shall be reduced by 0.25 per cent. per annum with effect from 1 January 2015 if by that date the Impala Borrowers have repaid the facility in an aggregate amount equal to or greater than the aggregate amount of the following (i) the £450 million initial prepayment of the Impala Facility, described above; (ii) the Target Repayment Amount for the year ending 31 December 2013; (iii) the Target Repayment Amount for the year ending 31 December 2014; and (iv) voluntary prepayments in an aggregate amount not less than £200 million (which the Impala Borrowers have elected to count towards such amount);
- the Impala Borrowers would agree to target repayments of the Impala Facility described above in an aggregate amount of at least £60 million (the "Target Repayment Amount") for each successive 12 month period starting with the year ending 31 December 2013 (each, a "Relevant Period");
- the Impala Borrowers would agree, in addition to the obligations to make the initial £450 million prepayment, to repay the Scheduled Impala Repayment Amounts, to target the repayment of the Target Repayment Amount and to prepay or repay any other amounts required to be prepaid or repaid under the amended and restated Impala Facility, to use all reasonable endeavours to voluntarily prepay the Impala Facility in an amount of at least £100 million (the "2013 Voluntary Prepayment") on or before 31 December 2013. Failure to make the 2013 Voluntary Prepayment would not constitute a Target Repayment Event (as defined below) or an event of default;
- the amended and restated Impala Facility would permit the Impala Borrowers to apply, at their discretion, disposal proceeds which the Impala Borrowers are obliged to apply in prepayment of the Impala Facility and voluntary prepayments (including the 2013 Voluntary Prepayment to the extent such prepayment is made) against target repayments or mandatory amortisations (and if prepayments are applied to target repayments in inverse order of maturity such prepayments may be offset against matching dividend prepayments or applied towards the aggregate amount required to qualify for the 0.25 per cent. margin step down);
- a new structural adjustment provision, would be added to the Impala Facility to enable: (i) the introduction of a new tranche; (ii) the transfer of an existing tranche into a new tranche; (iii) an extension in the date of payment of any amount; or (iv) a reduction in the margin or of any other payment of principal, interest, fees or commission, in each case with the consent of the super majority lenders (90 per cent. of Impala Lenders) and each affected Impala Lender;
- if the Impala Borrowers failed to repay the Target Repayment Amount in respect of any Relevant Period (a "Target Repayment Event"), this would not constitute a default under the amended and restated Impala Facility, but would result in (i) a 0.50 per cent. per annum increase in the interest rate while the Target Repayment Event is continuing and (ii) a temporary block on the payment of dividends or other distributions by the Impala Borrowers ("Impala Dividends");

- once any arrears of the Target Repayment Amount (such arrears being "Target Repayment Arrears") have been paid in full, the Impala Borrowers would be able to catch up with a payment of Impala Dividends matching those arrears provided that payment is made on a 1:1:1 basis in respect of (i) matching dividend prepayments for that current Relevant Period, (ii) Impala Dividends for that Relevant Period and (iii) arrears on Impala Dividends which would have been payable in any previous Relevant Period (but which were not paid due to the relevant Target Repayment Event);
- the Impala Borrowers would be required to make matching dividend prepayments prior to paying any Impala Dividends (the "Impala Dividend Restriction"), with the amount required to be prepaid determined as follows:
  - (the "Impala Dividend Restriction"): prior to the In/Out Adjustment Date (as described below), the ratio of prepayments to Impala Dividends would be determined as follows by reference to the aggregate amount of Impala Dividends in a Relevant Period:
    - up to £65 million (increasing by £5 million per annum): £0.923 of prepayment for each £1 of dividends up to £65 million of dividends and £1.00 of prepayment for each £1 of dividends paid under this exception in excess of £65 million;
    - the next £10 million: £10 of prepayment for each £5 of dividends;
    - the next £10 million: £10 of prepayment for each £3 of dividends; and
    - thereafter: £10 of prepayment for each £1 of dividends, or

    provided that, with effect from the In/Out Adjustment Date (as described below), the amount of Impala Dividends paid in any subsequent Relevant Period would not be permitted to exceed £38 million and thereafter the ratio of prepayments to Impala Dividends would be determined by reference to a ratio of £1.5789 of prepayment for each £1 of dividends;
  - the "In-Out Adjustment Date" would occur on the date on which the Incremental Impala Dividend Amount exceeds £250 million, where:
    - "Incremental Impala Dividend Amount" means the aggregate of the Surplus Amount for each Relevant Period up to and including the current Relevant Period; and
    - "Surplus Amount" means, in respect of any Relevant Period, the amount (if any) by which the aggregate amount of Impala Dividends paid in that Relevant Period exceeds £27.5 million;
  - (the "Group Dividend Restriction"): the ratio of prepayments to dividends would be determined as follows by reference to the aggregate amount in a Relevant Period of (i) Impala Dividends (provided that the aggregate amount of Impala Dividends taken into account for such purposes is capped at £65 million in 2013, with such capped amount increasing thereafter by £5 million per annum) and (ii) dividends and other distributions paid by any member of the Pearl Covenant Group and (after the Pearl Facility and Lender Loan Notes have been repaid in full) Opal Re (the "Pearl and Opal Dividends"):
    - up to £120 million in 2013 (increasing by £10 million per annum thereafter): no matching dividend prepayment required
    - the next £20 million: £10 of prepayment for each £5 of dividends
    - the next £20 million: £10 of prepayment for each £3 of dividends
    - thereafter: £10 of prepayment for each £1 of dividends,

    provided that the Group dividend restriction will cease to apply for so long as (i) the Company holds a long term unsecured senior debt rating of not less than BBB−/Baa3 or equivalent from one or both of Standard & Poor's or Moody's; and (ii) financial leverage of the Impala Group (calculated using Standard & Poor's methodology) is less than or equal to the then applicable target level for an investment grade rating (or if the Company's rating is from Moody's, calculated using Moody's methodology);
- prior to payment of Impala Dividends or Pearl and Opal Dividends, the Impala Borrowers would be required to certify to the Impala Lenders, among other things, the amount and date of such payments

and the aggregate amount of matching dividend prepayments and the Incremental Impala Dividend Amount;

- the matching dividend prepayments and thresholds outlined above in Impala dividend restriction and Group dividend restriction would replace the restrictions on dividends contained in the Existing Impala Facility Agreement;
- the amended and restated Impala Facility would include provisions to make clear that:
  - the aggregate amount of Impala Dividends taken into account for the purposes of the Group Dividend Restriction is capped at £65 million in 2013, with such capped amount increasing thereafter by £5 million per annum; and
  - the Target Repayment Amount and the thresholds applicable to the Impala dividend restriction and Group dividend restriction would be adjusted pro rata to the extent that any Relevant Period is less than 12 months;
- the information covenants under the Existing Impala Facility Agreement would be reduced in scope and, in particular, from the Effective Date there would be: (i) no requirement to provide updated cashflow models and sensitivities on a quarterly basis, (ii) no requirement to provide independent actuary certificates on a semi-annual basis or for semi-annual compliance certificates to be commented upon by the Company's auditors and (iii) no co-ordination committee;
- the financial covenants under the Existing Impala Facility Agreement would be amended to:
  - delete certain of the forward and backward looking tests set out in the Existing Impala Facility Agreement;
  - amend the leverage covenants in the Existing Impala Facility Agreement so that the relevant threshold is set:
    - from the Effective Date to 31 December 2013 the relevant percentage shall be 63 per cent.;
    - from 1 January 2014 to 31 December 2015 the relevant percentage shall be 60 per cent.; and
    - from 1 January 2016 until the Final Maturity Date the relevant percentage shall be 58 per cent.;
- the definition of Permitted Financial Indebtedness under the amended and restated Impala Facility would be expanded to permit:
  - working capital facilities (established for settlement purposes only) of up to £100 million;
  - existing financial indebtedness other than the Impala Facility and third party financial indebtedness used for refinancing of certain indebtedness provided that under the terms of such refinancing (i) no amount of third party indebtedness can be repaid or prepaid prior to 1 January 2020; (ii) the relevant borrowers are not structurally senior to the Impala Borrowers; (iii) any guarantees, security and credit support granted by the Impala Group in respect of the refinanced indebtedness do not exceed the existing guarantees, security or credit support for such indebtedness; and (iv) to the extent that such refinancing is for a greater amount than the existing indebtedness being refinanced, such excess amount would be applied in prepayment of the Impala Facility;
  - third party financial indebtedness on arm's length terms issued or incurred by a member of the Impala Group comprising cash borrowed or raised by that member of the Impala Group ranking pari passu or junior to the Impala Facility, provided that under the terms of such financial indebtedness (i) the maturity date is later than 1 January 2020; (ii) the relevant borrowers are not structurally senior to the Impala Borrowers; (iii) no guarantees, security or credit support is granted to the creditors of such financial indebtedness which has not also been granted to the Impala Lenders under the Impala Facility and (iv) such financial indebtedness would be applied in prepayment of the Impala Facility; and
  - financial indebtedness issued or incurred for LTIP grants as set out in the annual operating plan;

- the amended and restated Impala Facility would permit Phoenix Life Limited to enter into reinsurance arrangements and Part VII transfers of all or part of its annuity portfolio subject to a cap of £1 billion per annum;
- the amended and restated Impala Facility will allow disposals of any subsidiary with consent from more than 51 per cent. of the Impala Lenders; and
- the amended and restated Impala Facility would also require:
  - a written undertaking from the Pearl Borrowers and Opal Re that, with effect from the date on which the Pearl Facility and the Lender Loan Notes have been repaid in full, if a Target Repayment Event is outstanding and/or the Scheduled Impala Repayment Amounts have not been paid as scheduled (and the Impala Facility Agent has notified the Pearl Borrowers and Opal Re of the same):
    - the Pearl Borrowers and Opal Re shall not make any dividends to the Company unless (i) the relevant amount of Target Repayment Arrears have been paid and the Scheduled Impala Repayment Amounts have been paid or (ii) the Company agrees to make (and does make) a payment (which may be structured as a capital contribution or a shareholder loan, provided that it is subordinated on terms acceptable to the Majority Lenders) to the Impala Borrowers in an aggregate amount equal to the lesser of: (x) the aggregate amount of such dividend from the Pearl Borrowers or Opal Re and (y) the aggregate amount of the Target Repayment Arrears and/or the outstanding Scheduled Impala Repayment Amounts, with instruction for the Impala Borrowers to apply such amounts in repayment of the amended and restated Impala Facility; and
    - the Pearl Borrowers and Opal Re shall not (unless with the consent of the Majority Lenders under the amended and restated Impala Facility) transfer (or permit their subsidiaries to transfer) any material assets to the Company (or other subsidiaries of the Company which are not part of the Pearl Group or the Impala Group), except on arm's length terms, at full market value and for cash consideration paid in full at completion;
    - consent of the Majority Lenders under the Existing Impala Facility Agreement in relation to any acquisition of any company, business or undertaking (directly or indirectly) by the Company, unless:
      - the acquisition is made by the Pearl Covenant Group or the Impala Group in compliance with the relevant facility agreement, or
      - (i) the target is established in and has its principal business in the UK or Ireland (other than asset management investments and holding company arrangements), and (ii) not less than 3 business days before completion of the acquisition, the directors of the Impala Borrowers demonstrate that such acquisition will not increase the leverage of the Group calculated as the gross shareholder debt of the Group divided by the gross MCEV of the Group, where: (A) gross shareholder debt means the sum of the IFRS carrying value of all shareholder debt of the Group and 50 per cent. of the IFRS carrying value of the Tier 1 Bonds; and (B) gross MCEV means the sum of: (I) the market consistent embedded value of the Group as calculated in accordance with the Group's published methodology; and (II) the value of the shareholder debt and hybrid debt as included in the market consistent embedded value, provided that (x) the requirement set out in (ii) above shall not apply if the directors of the Impala Borrowers demonstrate not less than 3 business days prior to the date on which binding documentation in relation to the relevant acquisition is signed that the leverage of the Group immediately after the acquisition (calculated using Standard & Poor's methodology) is expected to be less than or equal to the then applicable target financial leverage ratio for an investment grade rating as published by S&P for closed life assurance businesses; and (y) if the Company (directly or indirectly) makes an acquisition without obtaining Majority Lender consent when required in accordance with the above, an event of default shall be triggered under the Impala Facility;
  - a written undertaking from the Pearl Borrowers that, after the Pearl Facility and the Lender Loan Notes have been repaid in full, the restrictions on acquisitions contained in the Pearl Facilities Agreement would continue to apply to the Pearl Borrowers and their subsidiaries

(unless the consent of the Majority Lenders under the Impala Facility Agreement is obtained); and

- subject to existing contractual arrangements and all necessary regulatory consents and approvals, Ignis Asset Management and PGMS would be used as primary asset manager and primary service provider for any company acquired by a member of the Impala Group for so long as that entity and Ignis Asset Management or PGMS (as the case may be) remained a member of the Impala Group; and

- pursuant to the amended and restated Impala Facility, a breach by Opal Re, the Pearl Borrowers or any of their subsidiaries of the dividend, transfer and acquisition restrictions set out above will be an event of default.

(c) Repayment Schedule for the Group's Credit Facilities

The amendments to the Impala Facility as described in "—Amendments to the Impala Facility" above have made certain amendments to the contractually scheduled and target repayments of the Group's credit facilities. The table below sets out the contractually scheduled and target repayments in respect of the Pearl Facility and the Impala Facility as amended by the amendments made to the Impala Facility, which are conditional on the Amendment Conditions Precedent.

The contractually scheduled and target repayments in respect of the Impala Facility set out in the table below assume that the Group will make the £450 million debt prepayment of the Impala Facility on or before 28 March 2013. The Group expects to make the £450 million debt prepayment within two business days following completion of the Capital Raising. The contractually scheduled and target repayments in respect of the Impala Facility set out in the table below are also described on the assumption that the Impala Borrowers have exercised the option to extend the final maturity date of the Impala Facility to 30 June 2019, which the Impala Borrowers can do on written notice to the Impala Facility Agent (such notice to be served in the period from 1 August 2017 to 1 October 2017), subject to no event of default being outstanding under the amended and restated Impala Facility at the time such notice is served and no event of default under the amended and restated Impala Facility or Target Repayment Event being outstanding on 31 December 2017.

		Contractually scheduled and target repayments								
	Balance at 30 June 2012	During six months ended 31 December 2012	During the year ended 31 December							
			2013	2014	2015	2016	2017	2018	2019	Total
				£ millions						
Contractually scheduled and target repayments:										
Pearl Facility contractually scheduled repayments:										
Pearl Bank Facility	375	—	25	25	25	300	—	—	—	**375**
Subordinated Lender Loan Notes	79	—	—	—	—	—	—	—	—	**79**[(1)]
Total Pearl Facility	**454**	**—**	**25**	**25**	**25**	**300**	**—**	**—**	**—**	**454**
Impala Facility:										
Contractually scheduled repayments	N/A	62.5	60	60	60	60	60	60	—	**423**
Additional target repayments	N/A		60	60	60	60	60	60	—	**360**
Aggregate contractually scheduled and target repayments	N/A	62.5	120	120	120	120	120	120	—	**783**
Initial prepayment and final repayment	N/A	—	450	—	—	—	—	—	682	**1,132**
Total Impala Facility[(2)]	**1,915**	**62.5**	**570**	**120**	**120**	**120**	**120**	**120**	**682**	**1,915**
Total contractually scheduled and target repayments	**2,369**	**62.5**	**595**	**145**	**145**	**420**	**120**	**120**	**682**	**2,369**

Notes:

(1) This loan note is repayable in 2024.

(2) Upon the Effective Date, the Impala Facility Amendment and Restatement Agreement amends the maturity date of the principal amount of the Impala Facility (currently due for repayment by way of scheduled bullet repayments in 2014, 2015 and 2016) to extend it to a final maturity of 31 December 2017 (subject to extension to 30 June 2019 at the option of the Impala Borrowers).

8.5 Lender Relationship Agreement

The Company entered into a lender relationship agreement with the Lenders which also hold shares in the Company (collectively, the "Lender Shareholders") dated 27 June 2009 (as amended, the "Lender Relationship Agreement"). The Lender Relationship Agreement is governed by English law.

(a) Corporate governance and related matters

Under the Lender Relationship Agreement, the Company agreed to afford the Lender Shareholders significant corporate governance rights and approvals.

Notwithstanding that, following its Premium Listing, the Company is not required by the Listing Rules to comply with the UK Corporate Governance Code, the Company agreed contractually, prior to achieving the Premium Listing, to comply as far as reasonably practicable with the main principles, supporting principles and provisions of the UK Corporate Governance Code, except to the extent that doing so would conflict with the Company's obligations under the Lender Relationship Agreement.

The Company is also required to fully cooperate with each of the reviews recommended in connection with any FSA guidance provided to the Company and to use reasonable endeavours to implement, to the satisfaction of the FSA, any of the steps recommended by the FSA from time to time.

No person may be appointed as Chairman unless the Lender Shareholders have approved such appointment. If the person appointed as Chairman ceases to hold office for any reason, the Company is required to (i) consult with the Lender Shareholders as to the choice of candidates for such office and (ii) unless the Lender Shareholders agree otherwise, appoint one of the independent Non-Executive Directors of the Board to act as Chairman pending the appointment of a new Chairman. If no independent Non-Executive Director accepts such appointment, the appointment by the Company of an interim Chairman will be subject to the approval of the Lender Shareholders.

Under the Lender Relationship Agreement, the Lender Shareholders have the right:

- to nominate a person for appointment by the Board as a Non-Executive Director (the "Lender Non-Executive Director"), and to nominate any replacement thereof;
- to nominate a person, expected to be the Lender Non-Executive Director, for appointment by the Board to serve on all committees of the Group's boards, and to nominate any replacement thereof;
- to nominate a person for appointment by PGH2 and Phoenix Life Holdings as a non-executive director of PGH2 and Phoenix Life Holdings respectively; and
- to appoint a representative to attend any meeting of the Board, or any committee thereof, as an observer (the "Observer"). The Lender Shareholders appointed the Observer on 5 November 2009.

Subject to the views of the FSA, the Lender Shareholders must, prior to the nomination of the Lender Non-Executive Director, the PGH2 non-executive director or the appointment of the Observer, consult with the Company as to the suitability of the candidates. The Lender Shareholders may not nominate or appoint anyone with any material connections with any material competitor to the Group or who the Company reasonably considers is likely to be adverse to the interests of the Group.

Under the Lender Relationship Agreement the Company must, among other things, ensure that:

- the Chairman shall, at all times, be "Independent" under the criteria set out in Provision A.3.1 of the UK Corporate Governance Code;
- Independent Non-Executive Directors will at all times comprise no less than half of the Board;
- if any person appointed as a Lender Non-Executive Director is required under the Articles of Association to submit himself for re-election at any annual general meeting of the Company, the Board will include such person in the notice of such annual general meeting sent to the shareholders of the Company as being subject to re-election and the Board will not knowingly take any action to prejudice the re-appointment of such person;
- the Chairman has the powers and duties specified in the Lender Relationship Agreement (including, without limitation, the right to: (i) chair the Board and general meetings of the Company and meetings of the nomination committee, including setting the agenda of such meetings, (ii) challenge and contribute to the development of strategy, (iii) scrutinise the performance of management, (iv) satisfy himself that financial information is accurate and that financial controls and systems of risk management

are robust and defensible, (v) be responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing senior management and in succession planning and (vi) serve on the remuneration committee of the Board and attend all such committee meetings); and

- the Lender Non-Executive Director will receive copies of all correspondence with the FSA relating to the solvency position of the Company or any of its subsidiaries or the non-compliance by the Company or any of its subsidiaries with any applicable law or regulation.

Further, under the Lender Relationship Agreement the Company must, among other things, ensure that:

- the appointment of any person (other than the Lender Non-Executive Director) as a director or member of any committee of the Company or its subsidiaries is approved in writing by the Chairman;
- the entry by any member of the Group into any agreement, transaction or arrangement with any of TDR Capital and Sun Capital or any of their respective affiliates or other related parties, or the amendment of the terms of any such related party transaction, will be subject to the prior approval of the Lender Shareholders; and
- any amendment of the terms of reference of any committee of the Board of any member of the Group will be subject to the prior written approval of the Lender Shareholders.

The Company must also adopt and cause the other members of the Group to adopt the charter referred to in FSA guidance (setting out the extent of the permitted involvement of any shareholders of the Company in the activities of the Group and putting in place procedures to monitor compliance) as soon as practicable and in any event prior to any deadline set by the FSA for implementation. Thereafter the Company must use all reasonable endeavours to comply, and to cause the other members of the Group to comply, with such charter.

(b) Amendment to the Articles of Association

The Lender Relationship Agreement provides that if the Company adopts any amendments to articles 176, 179 and 250-258 of the Articles of Association, then the Company will be in breach of the Lender Relationship Agreement. In addition, the Company must use all reasonable endeavours to prevent any amendment to the Articles of Association which would restrict the rights of the Lender Shareholders under the Lender Relationship Agreement.

(c) Pre-emptive rights

Under the Lender Relationship Agreement, the Company agreed to provide certain pre-emptive rights to the Lender Shareholders in relation to certain shares held by them. If any member of the Group proposes to offer, issue or grant any Relevant Securities (as defined below) for cash or no consideration or as consideration for the shares or other equity securities of an entity that was formed principally for the purpose of raising cash, such Relevant Securities may not be issued or granted unless the Company or the applicable member of the Group first offers such Relevant Securities to the Lender Shareholders (on a pro rata basis), on the same terms and at the same price (where applicable).

"Relevant Securities" means any shares of any class in any member of the Group (the "Company Shares") or securities which carry rights of conversion into or exchange or subscription for the Company Shares or any options, warrants or other rights to subscribe for or purchase or otherwise acquire the Company Shares which are issued or granted after completion of the Restructuring, other than certain specified securities and warrants, including:

- the warrants and any shares which are issued on exercise thereof;
- all the Company Shares and other securities convertible into or exchangeable or exercisable for the Company Shares as either outstanding or to be issued at or after completion of the Restructuring and all securities arising from the conversion, exercise or exchange thereof;
- any shares or securities convertible into shares or options over shares issued or granted pursuant to any management incentive scheme that has been approved by the Company's shareholders; and
- any shares or other securities issued by one member of the Group to another member of the Group.

(d) Capital distributions

Under the Lender Relationship Agreement, the Company has agreed not to make any capital distributions (as defined in the Contingent Fee Agreement and which term excludes any dividends payable out of distributable profits arising from ordinary course trading revenues of the Group) without the prior consent of the Lender Shareholders for so long as (i) any Lender Warrants remain outstanding or (ii) the Contingent Fee Agreement remains in force.

(e) Approval mechanism

The Lender Relationship Agreement requires the Lender Shareholders to appoint an agent to exercise the rights of the Lender Shareholders under the Lender Relationship Agreement, and such agent is authorised to give or make all waivers, approvals, nominations or consents, and be party to all consultations on behalf, of the Lender Shareholders thereunder. This agent may only exercise such rights in accordance with the instructions of Lender Shareholders who together hold more than two-thirds of their aggregate commitments under the Existing Impala Facility Agreement and the Pearl Facility Agreement.

8.6 Implementation Agreement

The Company has entered into an Implementation Agreement dated 27 June 2009 (as amended, the "Implementation Agreement") with the Lenders, the Pearl Borrowers, the Impala Borrowers, certain Sellers and PGH2, with respect to, among other things, the implementation of certain of the transactions contemplated by the various transaction documents. The Implementation Agreement is governed by English law. Pursuant to the Implementation Agreement, upon completion of the Implementation Agreement after the Restructuring, the Company issued to the Lenders warrants to purchase 5,000,000 Class B Shares. The terms of these warrants are more fully described in "—Incorporation and Share Capital—Share Capital—Description of the Company's Share Capital and Warrants".

8.7 Royal London Agreements

In connection with the acquisition of the Resolution Group, Royal London entered into the following two agreements:

- An amended and restated PIK Facility Agreement was entered into by MC2 as borrower, MC1 as guarantor and Royal London as lender in the principal amount of £154.5 million; and
- MC1 entered into a notes subscription agreement as amended and restated with MC2 as guarantor and Royal London as the initial noteholder, pursuant to which MC1 (as issuer) and MC2 (as guarantor) executed the PIK Notes Instrument pursuant to which PIK Notes of £154.5 million were issued to Royal London,

together, the "PIK Documents".

In connection with the Restructuring, the PIK Documents were amended and restated to reflect the revised terms agreed with Royal London, including the restructuring of the repayment provisions to provide for a bullet repayment on 30 June 2019 and the payment of a coupon of 2 per cent. per annum plus LIBOR (with an increased coupon of 3.5 per cent. per annum on capitalised interest if elected by MC1 or MC2). Additional amendments were made to the PIK Documents as were considered appropriate to reflect the changes effected by the restructuring of the Group.

The PIK Documents contain undertakings and covenants customary for instruments of this nature. Aside from certain specific provisions, a consent or waiver obtained under the Existing Impala Facility Agreement will be deemed to be a consent or waiver for the purposes of the PIK Documents.

There are however a limited number of events which, if they occurred such as a change of control of the company or breach of certain provisions of the PIK Documents, would entitle Royal London to require immediate repayment of the principal amounts outstanding and the accrued interest under the PIK Documents would become immediately repayable or be required to be immediately redeemed (as the case may be).

The non-transferable warrants and the transferable warrants issued to Royal London are more fully described in "—Incorporation and Share Capital—Share Capital—Description of the Company's Share Capital and Warrants—Warrants—Royal London Warrants".

8.8 Pearl Group Staff Pension Scheme Agreements

On 27 November 2012, PGH2 entered into an agreement with the trustee of the Pearl Group Staff Pension Scheme which sets out an agreed contractual framework for contributions to the Pearl Group Staff Pension Scheme (the "2012 Pensions Agreement"), which replaces a previous funding agreement dated 26 June 2009 (the "2009 Pensions Agreement").

Under the 2012 Pensions Agreement:

- PGH2 will make certain specific payments to the Pearl Group Staff Pension Scheme. The first two payments are contributions of £70 million each, to be paid on 30 September in 2013 and 2014, followed by payments of £40 million to the scheme on 30 September of each year from 2015 until 2021. These contributions can be increased and further contributions may become payable after 2021 in certain circumstances under the 2012 Pensions Agreement if the scheme is not anticipated to meet two agreed funding targets. The funding targets are to reach full funding on the technical provisions basis by 30 June 2022 and to reach full funding on a gilts flat basis by 30 June 2031. The scheme actuary's initial estimate of the deficit on the technical provisions basis as at 30 June 2012 is £480 million and their initial estimate of the Gilts Based Deficit as at 30 June 2012 is £842 million.
- There is a sharing mechanism that, in certain circumstances, allows for an acceleration of the contributions to be paid to the Pearl Group Staff Pension Scheme. This mechanism shall cease to apply if the trustees cease to follow a new investment strategy, which is a lower risk investment strategy than the previous investment strategy.
- PGH2 has agreed that two covenant tests shall be maintained:
    - PGH2's embedded value (excluding any interest in Impala) will be maintained at greater than the higher of:

        (1) 1.3 times the lower of £600 million and 60 per cent of the Gilts Based Deficit; and

        (2) the Gilts Based Deficit less 50 per cent. of the projected investment outperformance over gilts to 30 June 2031.

        If this test is not met, restrictions on debt and dividend payments (in each case from the Pearl silo) will apply; and
    - PGH2's embedded value shall be greater than:

        (1) if, after finalising the 2012 triennial valuation, the Gilts Based Deficit is less than or equal to £958 million as at 30 June 2012, the scheme deficit (where liabilities are discounted at the aggregate of gilts plus 0.3 per cent. per annum in 2013 stepping down each year, on a linear basis, to gilts flat per annum in 2016 and later); or

        (2) if, after finalising the 2012 triennial valuation, the Gilts Based Deficit is greater than £958 million as at 30 June 2012, the scheme deficit (where liabilities are discounted at the aggregate of gilts plus 0.4 per cent. per annum in 2013 stepping down each year, on a linear basis, to gilts flat per annum in 2017 and later).

        If this test is not met, PGH2 is restricted from making payments of greater than £58 million that reduce its embedded value where those payments are used to fund its shareholder dividends. The initial estimate prepared by the actuary for the Pearl Group Staff Pension Scheme is that the Gilts Based Deficit as at 30 June 2012 was £842 million and accordingly the Group expects that the first limb of the above covenant will apply.

    The "Gilts Based Deficit" for the purposes of the 2012 Pensions Agreement is the scheme deficit calculated on a basis linked to UK government securities.

    Failure to maintain the embedded value ratios does not automatically entitle the trustees to exercise their security unless the ratio of PGH2's embedded value to the value of the trustee's security claim falls below 1.05:1 for two consecutive months and is not cured. Elements of the covenant tests and triggered payments will no longer apply if the trustees cease to follow the new investment strategy.
- Charges over the shares in Phoenix Life Assurance Limited, London Life, NPLL, PGS and PGS2 Limited that were granted to the trustee of the Pearl Group Staff Pension Scheme under the 2009 Pensions Agreement remain in place. The value of the security claim granted under the share charges is currently capped at the lower of £600 million and 60 per cent. of the Gilts Based Deficit. Immediately

following the repayment of the Pearl Facility and the Pearl C Loans Notes, the 2012 Pensions Agreement provides for an increase to the value of the security claim to 100 per cent. of the Gilts Based Deficit revalued every three years, subject to a £600 million cap. This increase shall cease to apply if the trustees breach the new investment strategy.

- The occurrence of certain events will entitle the trustee of the Pearl Group Staff Pension Scheme to enforce its security under the share charges described above. These events include PGH2 failing to comply with certain provisions of the 2012 Pensions Agreement including without limitation to pay amounts when due, failing to meet the embedded value ratio test and customary events in connection with such security documents. Enforcement action by the trustee of the Pearl Group Staff Pension Scheme would permit the Pearl Lenders to enforce their security in connection with the Pearl Facility Agreement. These security arrangements also include certain restrictions on transfer, including to other parts of the Group.

The agreement reached in the 2012 Pensions Agreement will be subject to the statutory funding regime in the Pensions Act 2004.

The agreement reached with the trustee of the Pearl Group Staff Pension Scheme in the 2012 Pensions Agreement resulted in a £0.3 billion increase in the Group's PLHL ICA surplus. The sensitivity of the Group's PLHL ICA surplus to external market stresses is significantly reduced as a consequence of agreement reached with the trustee of the Pearl Group Staff Pension Scheme in the 2012 Pensions Agreement.

8.9 PGL Pension Scheme Guarantees

Pearl Life Holdings Limited has guaranteed to the trustees of the PGL Pension Scheme the obligations and liabilities of the participating employers to make payments to the PGL Pension Scheme. As at 31 December 2012 the principal obligations that are subject to the guarantee are cash contributions totalling £107.5 million over the period to August 2017. The performance of Pearl Life Holdings Limited under the guarantee has been guaranteed by PGH1.

8.10 Tier 1 Bonds

On 15 November 2005, PGH1 issued a series of £500 million 6.5864 per cent. fixed/floating rate perpetual reset capital securities (the "Tier 1 Bonds"). The Tier 1 Bonds are admitted to the official list of the UK Listing Authority and to trading on the London Stock Exchange. The Tier 1 Bonds are unsecured obligations of PGH1 and are subordinate to the claims of senior creditors. Payment in respect of the Tier 1 Bonds is conditional on PGH1 being solvent at the time of payment and immediately following such payment and also, in respect of coupon payments, having sufficient distributable reserves.

The Tier 1 Bonds have no fixed maturity date and coupon payments may be deferred at the option of Pearl Group Holdings (No.1) Limited, and accordingly the Tier 1 Bonds meet the definition of equity for financial reporting purposes. The Tier 1 Bonds also meet the conditions for Innovative Tier 1 capital treatment in the calculation of group capital resources under the FSA rules.

The Tier 1 Bonds may be redeemed (in their entirety but not in part) at par at the option of PGH1 on the first reset date of 25 April 2016 or on any coupon payment date thereafter. Redemption is subject to FSA consent and notification requirements having been met, and is conditional on all deferred coupon payments being satisfied in full. In certain circumstances, PGH1 has the right to substitute the Tier 1 Bonds or to redeem the Tier 1 Bonds before the first reset date.

Coupons are payable annually in arrears on 25 April each year at the rate of 6.5864 per cent. per annum, until the first reset date. Thereafter, coupons are payable semi-annually at 2.73 per cent. per annum over the then prevailing offered rate for six month sterling deposits. On 25 March 2009, PGH1 announced that it was deferring the coupon payment on the Tier 1 Bonds of approximately £33 million, which would otherwise have been due for payment on 25 April 2009. On 23 March 2010, PGH1 announced its intention to defer the coupon payment due to be made on 25 April 2010.

The Tier 1 Bonds stipulated that if PGH1 opts to defer a coupon payment, the deferred coupon payment may only be satisfied through the alternative coupon satisfaction mechanism (the "ACSM"). For so long as a deferred coupon payment has not been satisfied, PGH1 may not declare, pay or distribute a dividend on its securities in issue ranking junior to, or at the same level as, the Tier 1 Bonds or, except in particular circumstances, redeem, purchase or otherwise acquire any of its securities in issue ranking junior to the Tier 1 Bonds (the "Dividend and Capital Restriction").

On 22 April 2010, at a meeting of the holders of the Tier 1 Bonds a special resolution was passed which made certain amendments to the terms of the Tier 1 Bonds including (a) amending the ACSM so that it operates at both the level of PGH1 and the Company (b) amending the Dividend and Capital Restriction so that it operates at both the level of PGH1 and the Company, (c) including a carve out to the Dividend and Capital Restriction to allow certain dividend payments in 2010 by the Company to its shareholders, (d) the pro rata reduction of the outstanding principal amount of the Tier 1 Bonds from £500,000,000 to £425,000,000, and (e) incorporating an undertaking from PGH1 and the Group to operate the ACSM in respect of the 2009 deferred coupon so that it conclude no later than 31 December 2010. Following the passing of the special resolution on 22 April 2010, PGH1 revoked the notification dated 23 March 2010 by which it had elected to defer the 2010 coupon payment and the 2010 coupon was paid on 26 April 2010.

On 22 October 2010, the Company implemented a placing in connection with the operation of the ACSM in respect of the 2009 deferred coupon on the Tier 1 Bonds. The Company issued 5,020,000 new Ordinary Shares on 27 October 2010 and the 2009 deferred coupon was paid in full on 18 November 2010. Both the 2011 and 2012 coupons have been settled in full other than to certain members of the Group that hold Tier 1 Bonds.

In order to retain the same level of regulatory capital PGH1 entered into a balancing instrument under which notes with a principal amount of £75,000,000 equal to the amount of the reduction in principal amount of the Tier 1 Bonds were issued to the Company. The terms of such notes are substantially the same as the terms of the Tier 1 Bonds but they are subordinated to the Tier 1 Bonds.

As at 30 June 2012, the market value of the Tier 1 Bonds recognised on the Company's balance sheet was £247 million, compared with a market value of £256 million as at 31 December 2011.

8.11 Tier 2 Bonds

In July 2001, Scottish Mutual Assurance Limited (which was then known as Scottish Mutual Assurance plc) issued £200 million 7.25 per cent. undated, unsecured subordinated notes (the "Tier 2 Bonds"). For further details on the Tier 2 Bonds, see note 22 to the Group's audited financial statements for the year ended 31 December 2011 which is incorporated by reference into this Prospectus.

8.12 Mutual Securitisation Bonds

In 1998, National Provident Institution raised approximately £260 million of capital through the securitisation of embedded value on blocks of existing unit linked and unitised with profit life and pension policies. The issuer of the underlying bonds (the "Mutual Securitisation Bonds") is Mutual Securitisation plc, which is not a member of the Group, but is consolidated for accounting purposes.

The Mutual Securitisation Bonds were issued in two classes which rank pari passu, being £140 million of 7.39169 per cent. Class A1 limited recourse bonds which were redeemed in September 2012, and £120 million of 7.5873 per cent. Class A2 limited recourse bonds due in 2022 (with an outstanding principal of £120 million as at 30 June 2012). The Class A2 limited recourse bonds are listed on the Irish Stock Exchange and on the London Stock Exchange. The bonds are repaid out of surplus emerging from the securitised block of business and a collateral fund is in place to support this.

Proceeds of the issue of the Mutual Securitisation Bonds were lent to National Provident Institution pursuant to a loan agreement between, amongst others, National Provident Institution and Mutual Securitisation plc dated 16 April 1998. The loan is secured pursuant to certain security documents between National Provident Institution and Mutual Securitisation plc which were entered into on or around the same date.

Following the demutualisation of National Provident Institution and a subsequent insurance business transfer scheme in 1999, the obligations in relation to these bonds have been assumed by National Provident Life.

8.13 Eurobond Notes

On 22 March 2010 LCA, LCB, MC1 and MC2 issued an aggregate amount of approximately £575 million subordinated variable rate Eurobond notes (the "Eurobond Notes") to the Company. The Eurobond Notes are due in 2025 and carry an interest coupon of LIBOR plus 2.5 per cent. per annum. The Eurobond Notes are listed on the Channel Islands Stock Exchange and the Company is the only holder of the Eurobond Notes.

The Company may not transfer any of the Eurobond Notes without the prior written consent of the Pearl Lenders (in the case of Eurobond Notes issued by the Pearl Borrowers) or Royal London (in the case of Notes issued by MC1 and MC2).

8.14 Henderson arrangements

In June 2006, PGH2 entered into various contractual arrangements with Henderson Global Investors Limited in connection with the investment management agreements that members of the Group have with Henderson Global Investors Limited. Under these arrangements PGH2 and the Phoenix Life Companies have agreed to make payments to Henderson Global Investors Limited in the event that the actual fees paid to Henderson Global Investors Limited under the investment management agreements fall beneath a certain threshold for each calendar year until 2015 (and in 2015 for the period to 12 April 2015).

In order to promote the return to policyholders, certain funds have been withdrawn since 2008 and may continue to be withdrawn from the scope of the investment management agreements. As a result, payments have been made to Henderson Global Investors Limited by PGH2 as the actual fees earned by Henderson Global Investors Limited fell beneath the contractual threshold.

8.15 Annuity business transfer agreements

On 26 June 2012, Guardian Assurance agreed to reinsure approximately £5 billion of annuity in-payment effective 1 July 2012 (the "Effective Date"). The liabilities were reinsured pursuant to five collateralised reinsurance agreement in the following amounts: Phoenix Life Limited (£3.4 billion, which is the aggregate of two collateralised reinsurance agreements), Phoenix Life Assurance (£1.0 billion, which is the aggregate of two collateralised reinsurance agreements) and National Provident Life (£0.6 billion).

Each of Phoenix Life Limited, National Provident Life and Phoenix Life Assurance transferred to Guardian Assurance assets totalling approximately £5 billion (the "Assets"). Each life company has security over certain of the Assets and Guardian Assurance is subject to certain restrictions relating to the manner in which the Assets can be invested during the tenor of the reinsurance agreements.

Guardian Assurance and each of Phoenix Life Limited, National Provident Life and Phoenix Life Assurance have entered into an Annuity Business Transfer Agreement ("BTA") pursuant to which they have each agreed to use reasonable endeavours to obtain the order of the Court sanctioning a scheme (the "Scheme") under Part VII of FSMA transferring the annuity policies which are the subject of the reinsurance agreements by 1 October 2013. There is no guarantee that the Scheme will be sanctioned and, if the Schemes are not sanctioned, the reinsurance will continue indefinitely unless it is terminated.

Each life company has provided certain warranties in the BTA. The Company has provided certain indemnities in the BTA and liability, including the indemnities is capped at £23 million for Phoenix Life, £8 million for Phoenix Life Assurance and £4 million for National Provident Life.

Guardian Assurance has agreed terms with Ignis Asset Management for them to provide investment management services in respect of the majority of the assets transferred pursuant to the reinsurance agreements.

8.16 Underwriting and Sponsors' Agreement

Pursuant to the Underwriting and Sponsors' Agreement dated 30 January 2013, between the Company, Deutsche Bank and J.P. Morgan Cazenove, the company has appointed (i) Deutsche Bank and J.P. Morgan Cazenove as joint sponsors, joint global coordinators and joint bookrunners (in such capacity, the "Joint Sponsors, Joint Global Coordinators and Joint Bookrunners") in relating to the Capital Raising and the Admission of the New Ordinary Shares to be issued in the Capital Raising and (ii) Deutsche Bank and J.P. Morgan Cazenove as joint underwriters (in such capacity, the "Joint Underwriters") in relation to the Open Offer.

Under the terms of the Underwriting and Sponsors' Agreement, the Open Offer is to be fully underwritten by the Joint Underwriters. The Joint Underwriters have agreed, subject to their respective obligations under the Underwriting and Sponsors' Agreement having become unconditional and the Underwriting and Sponsors' Agreement not having been terminated, to subscribe, subject to the terms and conditions set out in the Underwriting and Sponsors' Agreement, at the Issue Price, for such number of Open Offer Shares that are not subscribed for by Qualifying Shareholders in the Open Offer or subscribed for by Qualifying

Lender/Seller Shareholders pursuant to the Excess Application Facility (such number of Open Offer Shares not so subscribed being referred to as the Open Offer Placement Shares).

In consideration of their agreements under the Underwriting and Sponsors' Agreement, and subject to their respective obligations under the Underwriting and Sponsors' Agreement having become unconditional and the Underwriting and Sponsors' Agreement not having been terminated, the Company has agreed to pay the Joint Underwriters a commission of 1.75 per cent. of the Issue Price multiplied by the number of Open Offer Shares and to pay certain expenses. The Company has also agreed to pay, or to reimburse to the Joint Underwriters (in such capacity and also in their capacity as Joint Sponsors, Joint Global Coordinators and Joint Bookrunners) all costs, charges and expenses in connection with Admission of the Open Offer Shares and the transactions contemplated by the Underwriting and Sponsors' Agreement as well as all applicable taxes on all amounts paid to the Joint Underwriters.

The Company has acknowledged in the Underwriting and Sponsors' Agreement that the Joint Underwriters (or their affiliates) are entitled, in their absolute discretion, to pay to the Och-Ziff Funds, certain of the TDR Capital Entities, certain of the Sun Capital Entities, any of their respective affiliates or any other Shareholder of the Company, a portion of the commission (by way of a fee or otherwise) that the Company pays to the Joint Underwriters pursuant to the Underwriting and Sponsors' Agreement. The Company has been notified by the Joint Underwriters that the Joint Underwriters will (i) retain for the own account of the Joint Underwriters an aggregate commission of 0.75 per cent. of the Issue Price multiplied by the number of Open Offer Shares, (ii) pay to the Irrevocably Committed Shareholders, whose Irrevocable Commitment Undertaking provides for the payment of a fee, a fee of 1.0 per cent. of the Issue Price multiplied by the number of Ordinary Shares which are the subject of the Irrevocable Commitment Undertakings and (iii) pay to the Och-Ziff Funds an exposure fee of 1.0 per cent. of the Issue Price multiplied by the number of Open Offer Shares less the number of Open Offer Shares which are the subject of the Irrevocable Commitment Undertakings which provide for the payment of a fee to the relevant Irrevocably Committed Shareholder.

The obligations of the Joint Sponsors, Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters under the Underwriting and Sponsors' Agreement are conditional on:

- the passing of the Ordinary Resolution and the Special Resolution by Shareholders at the EGM;
- the Admission of the Open Offer Shares occurring by no later than 8:00 a.m. (London time) on 21 February 2013 or such later time or date (not later than 28 February 2013) as the parties to the Underwriting and Sponsors' Agreement may agree;
- the First Placing and the Second Placing having become unconditional (save in respect of Admission);
- the Subscription Agreement (as it relates to the subscription of the Second Placed Shares) having become unconditional in all respects (save in respect of Admission) and not having been terminated in accordance with its terms;
- the Impala Facility Amendment and Restatement Agreement being in full force and effect and not having been amended or terminated at Admission (notwithstanding that the amendments to be made to the Existing Impala Facility Agreement by the Impala Facility Amendment and Restatement Agreement shall only become effective upon the satisfaction of the Amendment Conditions Precedent);
- at Admission, the only conditions to the amendments to be made to the Existing Impala Facility Agreement by the Impala Facility Amendment and Restatement Agreement being (i) the delivery by the Impala Borrowers to the Impala Facility Agent of a certificate confirming that the Company has raised at least £250 million of gross proceeds from the Capital Raising and that the net proceeds (after deducting the costs, expenses, fees and commissions that are permitted to be deducted pursuant to the terms of the Impala Facility Amendment and Restatement Agreement) have been either (A) contributed by the Company to one or more of the Impala Borrowers or (B) applied in prepayment of amounts outstanding under the Existing Impala Facility Agreement, and (ii) the payment by the Impala Borrowers of the fees, costs and expenses required to be paid by the Impala Borrowers pursuant to the terms of the Impala Facility Amendment and Restatement Agreement;
- there being no termination rights contained in the Impala Facility Amendment and Restatement Agreement that would give the lenders a right to terminate the Impala Facility Amendment and Restatement Agreement, save that, upon the occurrence of the 21 March 2013 long-stop date (and unless the Majority Lenders under the Existing Impala Facility Agreement otherwise agree), the Impala

Facility Amendment and Restatement Agreement will automatically lapse if the conditions to the amendment and restatement have not been satisfied; and

- customary documentary and other conditions precedent, comprising the publication of the required regulatory announcement giving details of the Capital Raising, the formal approval of the Prospectus by the AFM, the Prospectus having been filed and published in accordance with regulatory requirements, the Circular having been posted to the relevant Shareholders in accordance with its terms, the allotment of the First Placed Shares and the Second Placed Shares, the Swap Commitment Agreements having been executed by all parties thereto, the Swap Commitment Agreements not having terminated and the Total Return Swaps having become effective, no supplementary prospectus being published by or on behalf of the Company before Admission of the Open Offer Shares, the approval and delivery of specified documents, the satisfaction of conditions precedent enabling the admission of the Open Offer Shares in CREST and the issuance of Depositary Interests in the Open Offer Shares.

The Company has given certain customary representations, warranties, undertakings and indemnities to the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Underwriters in relation to which the Company's liability is unlimited. The Company has agreed, in the Underwriting and Sponsors' Agreement, to a lock-up under which it will refrain from offering, pledging, selling, contracting to sell, granting, transfer of dispose of Ordinary Shares or any right over Ordinary Shares for a period of 120 days from the date of the Underwriting and Sponsors' Agreement, with exceptions for any issuance of Additional Relationship Agreement Shares, employee incentive schemes and pre-existing contractual obligations.

The Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Underwriters may terminate the Underwriting and Sponsors' Agreement on or prior to Admission of the Open Offer Shares in circumstances that are typical for an agreement of this nature, including, among other things, if the Company fails to comply with any obligation under the Underwriting and Sponsors' Agreement, or any representation or warranty given by the Company in the Underwriting and Sponsors' Agreement was not, when given, true, accurate and not misleading or there has been a material adverse change in the condition, earnings, business affairs or business prospects of the Group, in each case, in a way which the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Underwriters consider, acting in good faith, to be material in the context of the Capital Raising.

8.17 Subscription Agreement

The Company has entered into the Subscription Agreement dated 30 January 2013 with the Placees in connection with the First Placing and the Second Placing.

Under the Subscription Agreement, the Placees have undertaken to subscribe for the First Placed Shares on 21 February 2013 at the Issue Price. In consideration of their agreements under the Subscription Agreement, the Company has agreed to pay the Och-Ziff Funds a structuring fee of £5 million in consideration of their assistance in becoming part of the arrangements for the re-terming of the Impala Facility.

Under the Subscription Agreement, the Placees have undertaken to subscribe for the Second Placed Shares at the Issue Price.

The First Placing is conditional on:

- the passing of the Ordinary Resolution by Shareholders at the EGM;
- the Admission of the First Placed Shares occurring by no later than 8:00 a.m. (London time) on 21 February 2013 or such later time or date (not later than 28 February 2013) as the parties to the Subscription Agreement may agree;
- the Underwriting and Sponsors' Agreement, the Swap Commitment Agreements, the Lock-Up Deeds and the Irrevocable Commitment Undertakings having been executed by all parties thereto and not having been amended or terminated (other than, in each case, a termination as a result of the Special Resolution not having been passed by Shareholders at the EGM);
- the Impala Facility Amendment and Restatement Agreement being in full force and effect and not having been amended or terminated at Admission (notwithstanding that the amendments to be made to the Existing Impala Facility Agreement by the Impala Facility Amendment and Restatement Agreement shall only become effective upon the satisfaction of the Amendment Conditions Precedent);

- at Admission, the only conditions to the amendments to be made to the Existing Impala Facility Agreement by the Impala Facility Amendment and Restatement Agreement being (i) the delivery by the Impala Borrowers to the Impala Facility Agent of a certificate confirming that the Company has raised at least £250 million of gross proceeds from the Capital Raising and that the net proceeds (after deducting the costs, expenses, fees and commissions that are permitted to be deducted pursuant to the terms of the Impala Facility Amendment and Restatement Agreement) have been either (A) contributed by the Company to one or more of the Impala Borrowers or (B) applied in prepayment of amounts outstanding under the Existing Impala Facility Agreement, and (ii) the payment by the Impala Borrowers of the fees, costs and expenses required to be paid by the Impala Borrowers pursuant to the terms of the Impala Facility Amendment and Restatement Agreement;
- there being no termination rights contained in the Impala Facility Amendment and Restatement Agreement that would give the lenders a right to terminate the Impala Facility Amendment and Restatement Agreement, save that, upon the occurrence of the 21 March 2013 long-stop date (and unless the Majority Lenders under the Existing Impala Facility Agreement otherwise agree), the Impala Facility Amendment and Restatement Agreement will automatically lapse if the conditions to the amendment and restatement have not been satisfied; and
- customary documentary and administrative conditions precedent, comprising the publication of the required regulatory announcement giving details of the Capital Raising and the formal approval of this Prospectus by the AFM and the formal approval of the Circular by the FSA.

The Second Placing is conditional on:

- the passing of the Ordinary Resolution and the Special Resolution by Shareholders at the EGM;
- the Admission of the Second Placed Shares occurring by no later than 8:00 a.m. (London time) on 21 February 2013 or such later time or date (not later than 28 February 2013) as the parties to the Subscription Agreement may agree;
- the First Placing and Open Offer having become unconditional (save in respect of Admission);
- the Total Return Swaps having been executed by all parties thereto and not having been amended or terminated prior to Admission; and
- customary documentary and administrative conditions precedent comprising the publication of the required regulatory announcement giving details of the Capital Raising, the Underwriting and Sponsors' Agreement and the Irrevocable Commitment Undertakings having been executed by all parties thereto and not having been amended or terminated and the formal approval of this Prospectus by the AFM and the formal approval of the Circular by the FSA.

Therefore, the Second Placing will not proceed unless the First Placing has completed and the Open Offer become unconditional in all respects.

In consideration of their agreements under the Subscription Agreement, and subject to their obligations under the Subscription Agreement having become unconditional and the Subscription Agreement not having been terminated, the Company has agreed to pay the Placees an equity commitment fee of £2 million and reimbursement of transaction expenses of £1 million.

The Company has given certain customary representations, warranties, undertakings and indemnities to the Placees and the Placees in relation to which the Company's liability is unlimited. The Placees have given certain customary representations, warranties and undertakings to the Company in connection with the Subscription Agreement. The Company has agreed, in the Subscription Agreement, to a lock-up under which it will refrain from offering, allotting, issuing, pledging, selling or making other transfers or dispositions of Ordinary Shares or rights over Ordinary Shares or a period of 180 days from the date of Admission of the New Ordinary Shares, with exceptions for any issuance of Additional Relationship Agreement Shares, employee incentive schemes, the Contingent Rights and Warrants.

The Subscription Agreement may be terminated by the Placees upon the occurrence of certain specified events, which are standard for an agreement of this nature, including, but limited to, failure to satisfy the conditions contained in the Subscription Agreement, a breach by the Company of its obligations under the Subscription Agreement, the applications for Admission of the New Ordinary Shares being refused or withdrawn, or if any representation or warranty given by the Company in the Subscription Agreement was not, when given, true, accurate and not misleading. The Subscription Agreement can only be terminated prior to such Admission.

8.18 Receiving Agent Agreement

The Company has entered into a receiving agent agreement dated 24 January 2013 with the Receiving Agent pursuant to which the Receiving Agent has agreed to act as receiving agent in connection with the Open Offer. Under the terms of the agreement, the Receiving Agent is entitled to certain fixed and variable fees for its services under the agreement. The Receiving Agent will also be entitled to reimbursement of all out of pocket expenses reasonably incurred by it in connection with its duties. The Company has given certain customary indemnities in favour of the Receiving Agent in respect of the Receiving Agent's potential losses in carrying on its responsibilities under the agreement. The Receiving Agent's liabilities under the agreement are subject to a cap. The agreement is governed by English law.

9. **Depositary Contracts**

Depositary Interests in respect of Public Warrants were created, issued and held in the same manner as Depositary Interests in respect of Ordinary Shares. As such, the documents described below in relation to Ordinary Shares represented by Depositary Interests also apply in broadly the same way to Public Warrants represented by Depositary Interests.

(a) Deed Poll

The Depositary Interests were created pursuant to, and issued on the terms of, the Deed Poll dated 2 June 2010.

Each Depositary Interest will be treated by the Depositary as one Ordinary Share for the purposes of determining, for example, eligibility for any distributions. The Depositary has agreed to pass on to holders of Depositary Interests any stock or cash benefits received by it as holder of Ordinary Shares on trust for such Depositary Interest holder.

In summary, the Deed Poll contains, among other things, provisions to the following effect:

- The Depositary, which is regulated by the FSA, will hold (itself or through the Custodian), as bare trustee, the underlying Ordinary Shares issued by the Company and all and any rights and other securities, property and cash attributable to the underlying Ordinary Shares for the time being held by the Depositary or Custodian pertaining to the Depositary Interests for the benefit of the Depositary Interest holders.
- The Depositary will re-allocate securities or distributions allocated to the Depositary or the Custodian pro rata to the Ordinary Shares held for the respective accounts of the holders of Depositary Interests but will not be required to account for fractional entitlements arising from such re-allocation.
- Each Depositary Interest holder warrants, among other things, that the Ordinary Shares transferred or issued to the Depositary or Custodian for the account of such Depositary Interest holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Articles of Association or any contractual obligation, or applicable law or regulations binding or affecting such holder.
- The Depositary and any Custodian must pass on to Depositary Interest holders all rights and entitlements received by the Depositary or the Custodian in respect of the Ordinary Shares. However, there can be no assurance that all such rights and entitlements will at all times be duly and timely passed on. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings must, subject to the Deed Poll, be passed on in the form which they are received, together with amendments and additional documentation necessary to effect such passing-on. If arrangements are made which allow a Depositary Interest holder to take up rights in Ordinary Shares requiring further payment, the Depositary Interest holder must put the Depositary in cleared funds before the relevant payment date or other date notified by the Depositary if it wishes the Depositary to exercise such rights.
- The Depositary will be entitled to cancel Depositary Interests and treat the Depositary Interest holder as having requested a withdrawal of the Ordinary Shares in certain circumstances, including where a Depositary Interest holder is a person whose holding of or to whom a transfer of, Depositary Interests might, in the Depositary's opinion, require the registration of the Company as an investment company under the US Investment Company Act or where a Depositary Interest holder fails to furnish to the Depositary such certificates or representations as to material matters of fact, including his identity, as the Depositary deems appropriate.

- The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any Depositary Interest holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, the Depositary's liability to a Depositary Interest holder will be limited to the lesser of:
    - the value of the shares and other deposited property properly attributable to the Depositary Interests to which the liability relates; and
    - that proportion of £5 million which corresponds to the proportion which the amount the Depositary would otherwise be liable to pay to the Depositary Interest holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission, or event or, if there are no such amounts, £5 million.
- The Depositary is entitled to charge Depositary Interest holders fees and expenses for the provision of its services under the Deed Poll.
- The Depositary Interest holders are required to agree and acknowledge with the Depositary that it is their responsibility to ensure that any transfer of Depositary Interests by them which is identified by the CREST system as exempt from SDRT is so exempt, and to notify the Depositary if this is not the case, and to pay to Euroclear any interest, charges or penalties arising from non-payment of SDRT in respect of such transaction.
- Each Depositary Interest holder is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the Depositary Interests (and any property or rights held by the Depositary or Custodian in connection with the Depositary Interests) held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or agent if such Custodian or agent is a member of the Depositary's group or if, not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent.
- The Depositary is entitled to make deductions from any income or capital arising from the Ordinary Shares, or to sell such Ordinary Shares and make deductions from the sale proceeds therefrom, in order to discharge the indemnification obligations of Depositary Interest holders.
- The Depositary may terminate the Deed Poll by giving 30 days' notice. During such notice period holders may cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after termination, the Depositary must, among other things, deliver the deposited property in respect of the Depositary Interests to the relevant Depositary Interest holders or, at its discretion, sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll pro rata to holders of Depositary Interests in respect of their Depositary Interests.
- The Depositary or the Custodian may require from any holder information as to the capacity in which Depositary Interests are or were owned and the identity of any other person with or previously having any interest in such Depositary Interests and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of Depositary Interests and such information as is required for the transfer of the relevant Ordinary Shares to the Depositary Interest holders. Depositary Interest holders agree to provide such information requested and consent to the disclosure of such information by the Depositary or Custodian to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that the Articles of Association require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of the Ordinary Shares, the Depositary Interest holders are to comply with the Company's instructions with respect thereto.

It should also be noted that the Depositary Interest holders will not have the opportunity to exercise all of the rights and entitlements which Cayman Islands law and the Articles of Association confer on Shareholders, such as the ability to vote on a show of hands. In relation to voting it will be important for

Depositary Interest holders to give prompt instructions to the Depositary to vote the Ordinary Shares on their behalf.

(b) Depositary Agreement

Under the terms of the depositary agreement dated 2 June 2010 between the Company and the Depositary (the "Depositary Agreement"), the Company appoints the Depositary to constitute and issue from time to time, upon the terms of the Deed Poll (summarised above), Depositary Interests representing Ordinary Shares and to provide certain other services in connection with such Depositary Interests (including custody services).

The Depositary agrees that it will provide the various services in good faith and with all reasonable skill and care. The depositary services to be provided by the Depositary include, for example, to maintain the register of Depositary Interests, to issue Depositary Interests to CREST members and to effect transactions relating to the Depositary Interests on behalf of CREST members and the Custodian.

The Custodian, to be appointed by the Depositary, will provide custody services including the holding of the Ordinary Shares in respect of which Depositary Interests are issued by the Depositary and the execution of instructions received from CREST members in relation to the Ordinary Shares held on their behalf.

In addition, the Depositary Agreement sets out the procedures to be followed where the Company is to pay or make a dividend or other distribution.

The Company agrees to provide such assistance, information and documentation to the Depositary as is reasonably required by the Depositary for the purposes of performing the services under the Depositary Agreement.

The Depositary is to indemnify the Company and its directors against any loss which they may incur as a result of the fraud, negligence or wilful default of the Depositary or the Custodian. The appointment of the Depositary will be for a fixed period of three years, subject to early termination, and thereafter by either party giving to the other not less than six months' notice. If one party is in persistent or material breach, which (if capable of remedy) is not remedied within 21 days, or if it goes into insolvency or liquidation or ceases to have the appropriate authorisations, the other party may terminate the Depositary Agreement early by notice in writing.

The Company is to pay certain fees and charges including, among other things, an annual fee, a registrar fee, a fee based on the number of Depositary Interests which are deposited, transferred or cancelled and certain CREST related fees. The Depositary is also entitled to recover reasonable out-of-pocket fees and expenses.

(c) Cayman Registrar Agreement

The Company has entered into a Cayman Registrar Agreement dated 2 June 2010 with Computershare Investor Services (Cayman) Limited (the "Registrar").

Under the terms of the Cayman Registrar Agreement, the Registrar will act as the registrar of the register of members of the Company kept in the Cayman Islands (the "Offshore Register") and provide registration services to the Company which will include maintenance of the Offshore Register, registering dealings of Ordinary Shares via CREST and maintenance of dividend payment instructions.

Under the Cayman Registrar Agreement, the Registrar is entitled to receive a basic annual fee as well as additional fees for specific actions.

The Cayman Registrar Agreement has an effective initial term of three years, subject to early termination, after which the agreement will continue until terminated by the Company giving the Registrar not less that six months' notice. The Cayman Registrar Agreement may be terminated immediately by either party if the other party becomes insolvent or commits a material breach which (if capable of remedy) is not remedied within 30 days.

The Company has agreed to indemnify the Registrar and its officers and employees against all and any liabilities which may be suffered or incurred by the Registrar or its officers and employees in connection with the performance of its or their obligations under the Cayman Registrar Agreement save to the extent that such liabilities may be due to the fraud, negligence or wilful default of the Registrar or its officers or employees.

The liability of the Registrar to the Company under the Cayman Registrar Agreement is limited to the fees payable to the Registrar in any 12 month period.

The Cayman Registrar Agreement is governed by the laws of the Cayman Islands.

10. Subsidiaries and Investments

The Company is the principal operating and holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company are as follows:

10.1 Wholly-owned subsidiaries

Name	Registered office	Class of shares	Proportion of share capital held by the Group	Nature of business
BA (GI) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £0.05	100 per cent.	General insurance company
Ignis Asset Management Limited	50 Bothwell Street Glasgow G2 6HR United Kingdom	Ordinary shares of £1	100 per cent.	Investment management holding company
Ignis Fund Managers Limited	50 Bothwell Street Glasgow G2 6HR United Kingdom	Ordinary shares of £1	100 per cent.	Unit trust management
Ignis Investment Services Limited	50 Bothwell Street Glasgow G2 6HR United Kingdom	Ordinary shares of £0.10	100 per cent.	Investment management company
Impala Holdings Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	'A' ordinary shares of £1, 'B' ordinary shares of £1, 'C' ordinary shares of £1 and 'D' ordinary shares of £1	100 per cent.	Holding company
National Provident Life Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Insurance company
NP Life Holdings Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	'A' ordinary shares of £1 and 'B' ordinary shares of £1	100 per cent.	Holding company
Opal Reassurance Limited	Clarendon House 2 Church Street Hamilton Bermuda	'A' ordinary shares of £1 and 'B' ordinary shares of £1 and preference shares of £1	100 per cent.	Long-term reinsurance
Pearl Group Holdings (No. 1) Limited	Juxon House 100 St Paul's Churchyard London EC4M 8BU United Kingdom	Ordinary shares of £0.05	100 per cent.	Finance company
Pearl Group Holdings (No. 2) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Holding company
Pearl Group Management Services Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Service company
Pearl Group Services Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Service company
Pearl Life Holdings Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Holding company
PGH (LC1) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1 and preference shares of £1	100 per cent.	Finance company
PGH (LC2) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1 and preference shares of £1	100 per cent.	Finance company
PGH (LCA) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Finance company

Name	Registered office	Class of shares	Proportion of share capital held by the Group	Nature of business
PGH (LCB) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Finance company
PGH (MC1) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1 and preference shares of £1	100 per cent.	Finance company
PGH (MC2) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1 and preference shares of £1	100 per cent.	Finance company
PGH (TC1) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1, Ordinary A shares of £1 and preference shares of £1	100 per cent.	Holding company
PGH (TC2) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1, Ordinary A shares of £1 and preference shares of £1	100 per cent.	Holding company
PGS 2 Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Finance company
Phoenix Life Assurance Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	'A' Ordinary shares of £0.05 and 'B' ordinary shares of £1	100 per cent.	Insurance company
Phoenix Life Holdings Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Holding company
Phoenix Life Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Insurance company
Scottish Mutual International Limited	International Financial Services Centre 25/28 North Wall Quay Dublin 1 Ireland	Ordinary shares of €1.25	100 per cent.	Insurance company

Although none of the share capital of Mutual Securitisation plc is held by a member of the Group, that company is consolidated for accounting purposes. For further information see Part XIII: "Additional Information—Material Contracts—Mutual Securitisation Bonds".

10.2 Subsidiary undertakings and investments

Name	Registered office	Class of shares	Partnership Interest	Proportion of share capital held	Nature of business
Argonaut Capital Partners LLP	24 Great King Street Edinburgh EH3 6QN United Kingdom	Not applicable	40 per cent.	Not applicable	Asset Management
Cartesian Capital Partners LLP	46 Melville Street Edinburgh EH3 7HF	Not applicable	50 per cent.	Not applicable	Asset Management
Castle Hill Asset Management LLC	2711 Centerville Road Suite 400 Wilmington Delaware 19808 United States	Not applicable	40 per cent.	Not applicable	Asset Management
HEXAM Capital Partners LLP	Edinburgh Quay 133 Fountain Bridge Edinburgh EH3 9AG United Kingdom	Not applicable	35 per cent.	Not applicable	Asset Management
UK Commercial Property Trust Limited	Trafalgar Court Les Banques St. Peter Port Guernsey	Ordinary Shares of £0.25	Not applicable	62 per cent.	Commercial property company

11. **Properties**

In the UK, the Group operates from leased office premises in two sites in London, one site in Glasgow and from its site in Wythall which is owned by the Group. In addition, the Group leases office premises in Dublin, Ireland and has a licence for a property in Jersey.

The Group permits parts of its premises in Glasgow and Wythall to be used by its outsourced service providers to enable them to provide services to the Group. The ongoing core site for the Group's life companies is the Wythall site.

Opal Re operates from offices in Hamilton, Bermuda.

12. **Legal and Arbitration Proceedings**

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any member of the Group is aware), during the 12 month period preceding the date of this Prospectus which may have, or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

12.1 Acquisition of the Allianz Cornhill long-term business

On 13 November 2012, HMRC issued a closure notice to a Group company, Britannic Finance Limited ("BFL"), in connection with the tax treatment of the acquisition by members of the Group of life business and assets from Allianz Cornhill Insurance plc in December 2004. The notice assesses additional tax of approximately £35m (plus interest) on BFL. The Group has lodged a formal appeal with HMRC against this assessment and has applied for payment of the tax and interest to be deferred while the appeal is on-going.

13. **Working Capital**

In the opinion of the Company, the working capital available to the Group is sufficient for the Group's present requirements, that is for the next 12 months following the date of this Prospectus.

14. **No Significant Change**

There has been no significant change in the financial or trading position of the Group since 30 June 2012.

15. **Auditor**

Ernst & Young Accountants LLP, independent auditors, have audited and rendered an unqualified auditor's report for each of the Group's financial statements for the year ended 31 December, 2009, 2010 and 2011, respectively, and have reviewed and issued a review report for the Group's interim financial statements for the half year ended 30 June 2012. The register accountants (*registeraccountants*) of Ernst & Young Accountants LLP are members of the Dutch Professional Organization for Accounts (NIVRA).

16. **Consent**

Ernst & Young LLP has given and not withdrawn its written consent to the inclusion in this Prospectus of its reports on the Pro Forma financial information contained in Part X of this Prospectus and references to them in the form and context in which they appear and has authorised the contents of its reports for the purposes of item 23.1 of Annex 1 of the Commission Regulation (EC) 809/2004.

17. **Documents Available For Inspection**

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period from and including the date of this Prospectus until the date of admission of the Open Offer Shares at the offices of the Group at Juxon House, 100 St. Pauls Churchyard, London EC4M 8BU:

(a) the Articles of Association of the Company;

(b) the Deed Poll;

(c) the unaudited pro forma financial information set out in Part X and the accountants' reports thereon; and

(d) this Prospectus and each document incorporated by reference into this Prospectus.

PART XIV

INFORMATION INCORPORATED BY REFERENCE

Copies of the 2012 Q3 Interim Management Statement, the 2012 Half Year Interim Report, the 2011 Annual Report, the 2010 Annual Report and the 2009 Annual Report have been filed with the National Storage Mechanism or announced through a Regulatory Information Service and are available on the Company's corporate website at http://www.thephoenixgroup.com and available free of charge from the Company's registered office.

Where any document listed below incorporates information from another document by reference such information does not form part of this Prospectus unless that other document is itself listed below.

Reference Document	Information incorporated by reference	Page number in the reference document
2012 Q3 Interim Management Statement		
	Financial and operational highlights	—
	Financial overview (including the sub-sections cash generation, capital, Phoenix Life Free Surplus, IGD, PLHL ICA, Ignis and Notes)	—
2012 Half Year Interim Report		
	The discussion and analysis for the half year ended 30 June 2012 contained in the "Business review" section (excluding the "Risk management" subsection)	6-18
	Auditor's review report	23
	Condensed consolidated interim financial statement	24
	Condensed statement of consolidated comprehensive income	25
	Pro forma reconciliation of Group operating profit to result attributable to owners	25
	Condensed statement of consolidated financial position	26-27
	Condensed statement of consolidated cash flows	28
	Condensed statement of consolidated changes in equity	29-31
	Notes to the condensed consolidated interim financial statements	32-49
	Auditor's review report—Independent review report to the directors of Phoenix Group Holdings on the Consolidated Phoenix Group Market Consistent Embedded Value ("MCEV")	57
	Summarised consolidated income statement—Group MCEV basis	58
	MCEV earnings per ordinary share	58
	Statement of consolidated comprehensive income—Group MCEV basis	59
	Reconciliation of movement in equity—Group MCEV basis	59
	Group MCEV analysis of earnings	60-61
	Reconciliation of Group IFRS equity to MCEV net worth	61
	Notes to the MCEV financial statements	62-71

Reference Document	Information incorporated by reference	Page number in the reference document
2011 Annual Report		
	The discussion and analysis for the financial year ended 31 December 2011 contained in the "Business review" section (excluding the "Risk management" subsections)	18-37
	Independent Auditor's report	85
	Consolidated income statement	86
	Statement of consolidated comprehensive income	87
	Pro forma reconciliation of Group operating profit to result attributable to owners	87
	Statement of consolidated financial position	88-89
	Statement of consolidated cash flows	90
	Statement of consolidated changes in equity	91-92
	Notes to the consolidated financial statements	93-164
	Independent auditor's report to the directors of Phoenix Group Holdings on the consolidated Phoenix Group Market Consistent Embedded Value ("MCEV")	174
	Summarised consolidated income statement—Group MCEV basis	175
	MCEV earnings per ordinary share	175
	Statement of consolidated comprehensive income—Group MCEV basis	176
	Reconciliation of movement in equity—Group MCEV basis	176
	Group MCEV analysis of earnings	177
	Reconciliation of Group IFRS equity to MCEV net worth	178
	Notes to the MCEV financial statements	179-187
2010 Annual Report		
	The discussion and analysis for the financial year ended 31 December 2010 contained in the "Performance" section (excluding the "Risk management" and "Principal risks and uncertainties facing the Group" subsections)	26-44
	Independent Auditor's report	89
	Consolidated income statement	90
	Statement of consolidated comprehensive income	91
	Pro forma reconciliation of Group operating profit to profit attributable to owners	91
	Statement of consolidated financial position	92- 93
	Statement of consolidated cash flows	94
	Statement of consolidated changes in equity	95-96
	Notes to the consolidated financial statements	97-169
	Independent auditor's report to the directors of Phoenix Group Holdings on the consolidated Phoenix Group Market Consistent Embedded Value ("MCEV")	173
	Summarised consolidated income statement—Group MCEV basis	174
	MCEV earnings per ordinary share	174
	Statement of consolidated comprehensive income—Group MCEV basis	175

Reference Document	Information incorporated by reference	Page number in the reference document
	Reconciliation of movement in equity—Group MCEV basis	175
	Group MCEV analysis of earnings	176
	Reconciliation of Group IFRS equity to MCEV net worth	177
	Notes to the MCEV financial statements	178-187
2009 Annual Report		
	Capital management	36-39
	Auditor's report	77
	Consolidated income statement	78
	Statement of consolidated comprehensive income	79
	Pro forma reconciliation of Group operating profit to profit before the tax attributable to owners	79
	Statement of consolidated financial position	80-81
	Statement of consolidated cash flows	82
	Statement of consolidated changes in equity	83
	Notes to the consolidated financial statements	84-157
	Auditor's report to the directors of Phoenix Group Holdings on the pro forma consolidated Phoenix Group Market Consistent Embedded Value ("MCEV")	161
	Summarised consolidated income statement—pro forma Group MCEV basis	162
	Pro Forma MCEV Earnings per Ordinary Share	162
	Statement of consolidated comprehensive income—pro forma Group MCEV basis	163
	Reconciliation of movement in pro forma Group MCEV equity	163
	Analysis of movement in pro forma Group MCEV equity	164-165
	Pro forma Group MCEV analysis of earnings	166
	Reconciliation of Group IFRS equity to MCEV net worth	167
	Notes to the pro forma MCEV financial statements	168-177

PART XV

DEFINITIONS

The following definitions apply throughout this Prospectus, unless the context otherwise requires:

"2009 Annual Report"	the annual report and the audited and consolidated financial statements (including relevant accounting policies and notes) of the Company and the audit report thereon for the year ended 31 December 2009;
"2009 Pensions Agreement"	the agreement dated 2 September 2009 between PGH2 and the trustees of the Pearl Group Staff Pension Scheme;
"2010 PD Amending Directive"	Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010;
"2010 Annual Report"	the annual report and the audited and consolidated financial statements (including relevant accounting policies and notes) of the Company and the audit report thereon for the year ended 31 December 2010;
"2011 Annual Report"	the annual report and the audited and consolidated financial statements (including relevant accounting policies and notes) of the Company and the audit report thereon for the year ended 31 December 2011;
"2012 Half Year Interim Report"	the interim report and the reviewed condensed consolidated interim financial statements (including relevant accounting policies and notes) of the Company and the review report thereon for the half year ended 30 June 2012;
"2012 Pensions Agreement"	the agreement dated 27 November 2012 between PGH2 and the trustees of the Pearl Group Staff Pension Scheme;
"2012 Q3 Interim Management Statement"	the Q3 2012 Interim Management Statement containing the Group's unaudited interim management statement for the nine months ended 30 September 2012, published on 31 October 2012;
"Acquired OPB Companies"	LCA, LCB, TC1, TC2 and Opal Re;
"ACSM"	the alternative coupon satisfaction mechanism under the Tier 1 Bonds, under which, if PGH1 opts to defer a coupon payment, the deferred coupon payment may only be satisfied through the proceeds of the issue of certain forms of securities, which may be made at any time;
"Additional Relationship Agreement Shares"	any Ordinary Shares which the Company may issue to Qualifying Lender/Seller Shareholders otherwise than pursuant to the Excess Application Facility within the Open Offer which are issued in satisfaction of pre-emption rights under the Relationship Agreements as a result of the issuance of the Placed Shares which, if issued, would be issued pursuant to the Existing Shareholder Authority and the number of Additional Relationship Agreement Shares is limited to

	approximately 0.1 per cent. of the issued share capital of the Company;
"Admission"	the admission of the First Placed Shares, the Second Placed Shares and/or the Open Offer Shares, as the case may be, to the Official List becoming effective in accordance with the Listing Rules and the admission of the New Ordinary Shares to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with the Admission Standards;
"Admission Standards"	the Admission and Disclosure Standards issued by the London Stock Exchange;
"AFM"	the Netherlands Authority for the Financial Markets (*Autoriteit Fianciële Markten*);
"AIF"	alternative investment fund;
"AIFM Directive"	the EU Alternative Investment Fund Managers Directive;
"allot" or **"allotment"**	where the context so requires, shall include references to both the allotment and subsequent issue of shares;
"Amendment Conditions Precedent"	the conditions precedent to the amendments to be made to the Existing Impala Facility Agreement by the Impala Facility Amendment and Restatement Agreement, as described in Part XIII: "Additional Information—Material Contracts—Credit Facilities —Impala Facility" and which, at and after Admission, cannot be modified or otherwise amended by the Impala Lenders without the agreement of the Impala Borrowers;
"Amended Contingent Consideration Agreement"	the agreement between the Company, the Pearl Group Sellers and the Opal Re Sellers which amends the Contingent Consideration Agreement;
"**Amended Contingent Fee Agreement**"	the agreement between the Company, the Pearl Borrowers, the Impala Borrowers and the Lenders which amends the Contingent Fee Agreement;
"Amended Contingent Subscription Agreements"	the agreements between the Company and the holders of the Contingent Rights pursuant to the Contingent Subscription Agreement;
"Annual General Meeting" or **"AGM"**	the Company's annual general meeting;
"Application Form"	the personalised application form on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer;
"ARROW"	Advanced Risk Responsive Operating Framework;
"Articles of Association"	the fifth amended and restated articles of association of the Company, a summary of which is set out in Part XIII: "Additional Information— Memorandum and Articles of Association" of this Prospectus;
"AS Debt Providers"	Deutsche Bank AS and The Royal Bank of Scotland plc;

"AS Shareholders"	funds managed by TDR Capital and an entity associated with Sun Capital, majority and partial owners, respectively, of Algeco Scotsman;
"Audit Committee"	the audit committee of the Board;
"Board" or **"Board of Directors"**	the board of directors of the Company;
"Britannic"	Britannic Group plc;
"BSP"	the Bonus Share Plan;
"BSP Award"	any of the following: a conditional share award, a share option, or an allocation of forfeitable shares or any combination of them;
"Business Day"	any day other than a Saturday or Sunday or public holiday on which banks in London are open for normal business;
"CAP"	the Phoenix Group Holdings Capital Accumulation Plan;
"Capital Raising"	the First Placing, the Second Placing and the Open Offer;
"Capital Raising Resolutions"	the resolutions set out in Part II: "Notice of Extraordinary General Meeting" of the Circular, which comprise the Ordinary Resolution and the Special Resolution;
"Cayman Registrar Agreement"	the registrar agreement dated 2 June 2010 between the Company and the Registrar;
"certificated" or **"in certificated form"**	in relation to a share or other security, a share or other security that is not in uncertificated form (that is, not in CREST);
"CFO Forum"	the European Insurance CFO Forum;
"Circular"	the circular to be issued by the Company on or about 30 January 2013 relating to the Capital Raising Resolutions to be considered by the Shareholders at the EGM;
"City Code"	UK City Code on Takeovers and Mergers;
"Class B Shares"	the Class B ordinary shares of €0.0001 each in the Company;
"Closing Price"	the closing middle market quotation of an Ordinary Share as derived from the Daily Official List published by the London Stock Exchange;
"Companies Law"	the Companies Law (as amended) of the Cayman Islands;
"Company" or **"the Company"**	Phoenix Group Holdings;
"Company Shares"	under the Lender Relationship Agreement, shares of any class in any member of the Group;
"Company Subordinated Debt"	rights, title, interest and benefit in and to £325 million of the principal due under the Pearl Facility Agreement, assigned by the Pearl Lenders to the Company;
"Contingent Consideration Agreement"	the contingent consideration agreement between the Company and TDR Capital, Hugh Osmond,

William Alan McIntosh, Edward Hawkes, Matthew Allen, Marc Jonas, O-Re Holdings (Netherlands) B.V. and O-Re Holdings UK Limited dated 27 June 2009;

"Contingent Rights" prior to the Premium Listing, the right, under the Contingent Consideration Agreement, the Contingent Fee Agreement or the Contingent Subscription Agreement, to receive Ordinary Shares (subject to certain adjustments) on satisfaction of specified criteria and, upon the Premium Listing, the right, under the Amended Contingent Rights Agreements, to receive Ordinary Shares (subject to certain adjustments) on satisfaction of specified criteria (which do not relate to, and are not connected with, the Capital Raising);

"Contingent Fee Agreement" the contingent fee agreement dated 27 June 2009 between the Company, the Pearl Borrowers, the Impala Borrowers and the Lenders;

"Contingent Rights Agreements" the Amended Contingent Consideration Agreement, Amended Contingent Fee Agreement and the Amended Contingent Subscription Agreements;

"Contingent Subscription Agreement" the contingent subscription agreement, dated 27 June 2009, between the Company and Berggruen Holdings II Ltd, and Marlin Equities IV, LLC, which term also includes the rights of the parties which were assigned the benefit thereof;

"CREST" the computerised settlement system operated by Euroclear that facilitates the transfer of shares;

"CREST Manual" the rules governing the operation of Euroclear consisting of, among other things, the "CREST Reference Manual", the "CREST Central Counterparty Service Manual", the "CREST International Manual", the "CREST Rules", the "CREST CCSS Operations Manual" and the "CREST Glossary of Terms";

"CREST member" a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations);

"CREST Participant" a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);

"CREST Regulations" the Uncertificated Securities Regulations 2001 (SI2001/3755), as amended;

"CREST Sponsor" a CREST Participant admitted to CREST as a CREST Sponsor;

"CREST Sponsored Member" A CREST Member admitted to CREST as a CREST sponsored member;

"Custodian" the custodian nominated by the Depositary;

"Daily Official List" the daily record setting out the price of all trades in shares and other securities conducted on the London Stock Exchange;

"DBSS"	the Deferred Bonus Share Scheme;
"Dealing Day"	any day on which the London Stock Exchange is open for business in the trading of securities admitted to the Official List;
"Deed Poll"	the deed poll in respect of the Depositary Interests dated 2 June 2010 executed by the Depositary;
"Depositary"	Computershare Investor Services PLC;
"Depositary Agreement"	the agreement for the provision of depositary services and custody services in respect of the Depositary Interests dated 2 June 2010 between the Company and the Depositary;
"Depositary Interest" or **"DI"**	The dematerialised depositary interests issued by the Depositary in respect of and representing on a one-for-one basis Ordinary Shares or Public Warrants, as applicable;
"Deutsche Bank"	Deutsche Bank AG, London Branch;
"Deutsche Bank Swap Counterparty"	Deutsche Bank AG, London Branch;
"Directors"	the Executive Directors and Non-Executive Directors of the Company;
"Disclosure and Transparency Rules"	the disclosure and transparency rules issued by the FSA;
"Dividend Shares"	further shares from the reinvestment of dividends paid on Free Shares, Partnership Shares and Matching Shares;
"Drago"	Drago Real Estate Partners;
"EBT"	the Phoenix Group Holdings Employee Benefit Trust;
"ECR"	the Enhanced Capital Requirement;
"EEA"	the European Economic Area;
"Employee Share Schemes"	the SIP, the LTIP, the DBSS, the Sharesave Scheme, the BSP and the RSP;
"ESOS"	the Phoenix Group Holdings Executive Share Option Scheme;
"EU"	the European Union;
"Euro" or **"euro"** or **"€"**	the lawful currency of the member states of the European Union that adopted the Euro in Stage Three of the Treaty establishing the Economic and Monetary Union on 1 January 1999;
"Eurobond Notes"	aggregate amount of approximately £575 million subordinated variable rate Eurobond notes issued by LCA, LCB, MC1 and MC2 on 22 March 2010;
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST;
"Euronext Amsterdam"	Euronext Amsterdam by NYSE Euronext;
"Excess Application Facility"	the arrangement pursuant to which Qualifying Lender/Seller Shareholders may apply for additional Open Offer Shares in excess of their Open Offer Entitlement in relation to their

	contractual pre-emption rights under the Relationship Agreements;
"Excess Application Facility Entitlement"	the number of Excess Shares for which a Qualifying Lender/Seller Shareholder is entitled to apply under the Excess Application Facility;
"Excess Application Facility Application Form"	the personalised application form on which Qualifying Lender/Seller Shareholders may apply for Excess Shares under the Excess Application Facility;
"Excess Shares"	Open Offer Shares for which Qualifying Lender/Seller Shareholders are entitled to apply under the Excess Application Facility;
"Executive Committee"	the executive committee of PLHL that provides day-to-day direction;
"Excluded Territories"	Australia, its territories and possessions, Canada, Japan, South Africa and any other jurisdiction where the extension or availability of the Capital Raising (or any transaction contemplated thereby and any activities carried out in connection therewith) would breach applicable law and "Excluded Territory" means any one of them;
"Excluded Territory Shareholder"	a Qualifying Shareholder who has a registered address in any Excluded Territory or the United States;
"Executive Directors"	the executive directors of the Company, as set out in Part XI: "Directors, Corporate Governance and Employment Matters" of this Prospectus;
"Existing Gearing Definition"	the Group's net shareholder debt as a percentage of the sum of Group MCEV, net shareholder debt and the present value of future profits of Ignis Asset Management (which is the present value of profits attributable to the shareholder of Ignis Asset Management arising from its in-force business). Net shareholder debt is defined as shareholder debt (including hybrid debt) less Holding Companies' cash and cash equivalents;
"Existing Impala Facility Agreement"	the facility agreement dated 10 October 2007 as amended and restated entered into with Impala Borrowers, the Impala Lenders, the bookrunners, the arrangers, the Impala Facility Agent and the security trustee described therein;
"Existing Ordinary Shares"	the Ordinary Shares in issue on the Record Date;
"Existing Shareholder Authority"	the existing shareholder authority granted by ordinary resolution 3 and special resolution 4, as applicable, passed by the Shareholders at the Company's AGM held on 3 May 2012;
"Extraordinary General Meeting" or **"EGM"**	the extraordinary general meeting of the Company to be held at 1:00 p.m. (London time) on 19 February 2013 in the Company's offices at 1st Floor, 32 Commercial Street, St Helier, Jersey JE2 3RU, the notice of which is set out in Part II: "Notice of Extraordinary General Meeting" of the Circular;

"FCA"	Financial Conduct Authority, which is currently expected to come into existence in April 2013;
"Financial Services Authority" or **"FSA"**	the Financial Services Authority of the UK in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of FSMA;
"First Enlarged Issued Share Capital"	the expected number of issued Ordinary Shares in the Company immediately following the issue of the First Placed Shares, based on the number of issued Ordinary Shares on 28 January 2013 (being the last practicable date prior to the date of this Prospectus), plus the number of First Placed Shares;
"First Placed Shares"	the 7,800,000 New Ordinary Shares which are to be issued in the First Placing and "First Placed Share" means one of them;
"First Placing"	the placing of 7,800,000 New Ordinary Shares with the Placees as described in this Prospectus;
"FOS"	UK Financial Ombudsman Service;
"Free Shares"	an award of free shares in connection with the SIP;
"FSMA"	the UK Financial Services and Markets Act 2000, as amended;
"Fully Enlarged Issued Share Capital"	the expected number of issued Ordinary Shares in the Company immediately following the issue of (i) the First Placed Shares, (ii) the Second Placed Shares and (iii) the Open Offer Shares, based on the number of issued Ordinary Shares on 28 January 2013 being the last practicable date prior to the date of this Prospectus, plus the number of First Placed Shares, the number of the Second Placed Shares and the number of Open Offer Shares;
"GAOs"	guaranteed annuity options;
"GCR"	Group Capital Resources;
"GCRR"	Group Capital Resources Requirement;
"gross dividend"	the gross amount of any dividend paid before the deduction of any withholding taxes;
"Group"	the Company and its subsidiary undertakings;
"GST Law"	Goods and Services Tax (Jersey) Law 2007;
"Guardian Assurance"	Guardian Assurance Limited;
"High Court"	the High Court of England and Wales;
"HMRC"	HM Revenue & Customs;
"Holding Companies"	the Company, Phoenix Life Holdings Limited, Pearl Group Holdings (No. 2) Limited, Impala Holdings Limited, Pearl Group Holdings (No. 1) Limited, PGH (TC1) Limited, PGH (TC2) Limited, PGH (MC1) Limited, PGH (MC2) Limited, PGH (LCA) Limited, PGH (LCB) Limited, PGH (LC1)

	Limited, PGH (LC2) Limited and Pearl Life Holdings Limited;
"HSBC"	HSBC Bank Plc;
"ICA"	Individual Capital Assessment;
"ICG"	Individual Capital Guidance;
"IFRS"	International Financial Reporting Standards;
"IGD"	the EU Insurance Groups Directive (98/78/EC);
"Ignis Asset Management"	the Group's asset management business segment comprising the operations of Ignis Asset Management Limited, Ignis Investment Services Limited and Ignis Fund Managers Limited;
"Impala"	Impala Holdings Limited;
"Impala Borrowers"	LC1 and LC2;
"Impala Covenant Group"	the Impala Borrowers, Impala and their respective subsidiaries;
"Impala Facility"	the credit facility made available pursuant to the Existing Impala Facility Agreement or as amended and restated by the Impala Facility Amendment and Restatement Agreement if it becomes effective;
"Impala Facility Agent"	Commerzbank AG, Filiale Luxemburg;
"Impala Facility Amendment and Restatement Agreement"	amendment and restatement agreement dated 30 January 2013 to the Existing Impala Facility Agreement, which will become effective upon the satisfaction of the Amendment Conditions Precedent;
"Impala Group"	the Impala Borrowers, Impala and each of their respective subsidiaries;
"Impala Intercreditor Agreement"	the amended and restated Intercreditor Agreement between the Impala Borrowers and certain parent entities and other affiliates of the Impala Borrowers, the Impala Lenders, the administrative agent, the security trustee and the counterparties to hedging agreements entered into with certain members of the Impala Covenant Group;
"Impala Intercompany Debt"	the intercompany debt of the Company and its affiliates under the Impala Intercreditor Agreement;
"Impala Lenders"	the lenders under the Existing Impala Facility Agreement and the Impala Facility Amendment and Restatement Agreement;
"Impala Life Companies"	Phoenix Life Limited, Phoenix & London Assurance, Phoenix Pensions and Scottish Mutual International;
"Impala Loan Notes"	approximately £72 million of floating rate unsecured loan notes issued by Impala in May 2008;
"Impala Senior Debt"	the outstanding principal amount under the Existing Impala Facility Agreement;
"Information Rights"	the right to receive a copy of all communications (including the accounts and reports) that the

	Company sends to its members generally or to any class of its members that includes the person making the nomination, and the rights of members under the Companies Law, any applicable law or regulation and the Articles of Association to require a single copy of the Company's last annual accounts, the last directors' report, the last directors' remuneration report and the auditor's report on those accounts and, free of charge, a hard copy version of a document or information provided to a member in another form;
"Initial Shares"	the nine Ordinary Shares to be allotted and issued to each of the holders of Contingent Rights, under the Amended Contingent Rights Agreements, for every ten Ordinary Shares that such holders of the Contingent Rights would have received upon crystallisation of their Contingent Rights;
"Insurance Act"	the Bermuda Insurance Act 1978 and related regulations, as amended;
"Irrevocable Commitment Undertakings"	the irrevocable commitment undertaking entered into between each of the TDR Capital Entities, the Sun Capital Entities and certain Shareholders on the one hand and the Joint Underwriters on the other hand, the existence of which the Company has been informed by the Joint Underwriters;
"Irrevocable Voting Undertakings"	the binding irrevocable voting undertaking dated 30 January 2013 executed by each of the Och-Ziff Funds, the TDR Capital Entities, the Sun Capital Entities and certain other Shareholders in favour of the Company;
"Irrevocably Voting Shareholders"	each of the TDR Capital Entities, the Sun Capital Entities and certain other Shareholders which have entered into Irrevocable Voting Undertakings;
"Irrevocably Committed Shareholders"	each of the TDR Capital Entities, the Sun Capital Entities and certain Shareholders which have entered into Irrevocable Commitment Undertakings;
"ISIN"	International Securities Identification Number;
"Issue Price"	500 pence per New Ordinary Share;
"Joint Sponsors", **"Joint Global Coordinators"**, **"Joint Bookrunners"** and **"Joint Underwriters"**	Deutsche Bank and J.P. Morgan Cazenove;
"J.P. Morgan Cazenove"	J.P. Morgan Securities plc (which conducts its UK investment banking business as "J.P. Morgan Cazenove");
"J.P. Morgan Swap Counterparty"	JPMorgan Chase Bank N.A.;
"LC1"	PGH (LC1) Limited (previously Sun Capital Investments No.2 Limited);
"LC2"	PGH (LC2) Limited (previously Hera Investments No.2 Limited);
"LCA"	PGH (LCA) Limited (previously Sun Capital Investments Limited);

"LCB"	PGH (LCB) Limited (previously Hera Investments One Limited);
"Lender/Seller Shareholders"	the Lender Shareholders and the Seller Shareholders respectively;
"Lender Loan Notes"	(i) £37.5 million of principal loan notes of LCB and (ii) £37.5 million of principal loan notes of LCA;
"Lender Non-Executive Director"	the Non-Executive Director of the Company appointed pursuant to the Lender Relationship Agreement;
"Lender Relationship Agreement"	the relationship agreement entered into between the Company and the Lender Shareholders on 27 June 2009, as amended;
"Lender Shareholders"	the Lenders which hold Ordinary Shares;
"Lender Warrants"	the warrants issued to certain entities providing finance to the Group on 2 September 2009;
"Lenders"	the Pearl Lenders and the Impala Lenders;
"LIBOR"	London Interbank Offered Rate;
"life company"	a life assurance company;
"Listing Rules"	the listing rules issued by the FSA pursuant to Part VI of FSMA;
"Lock-up Deeds"	the lock-up deeds dated 30 January 2013 executed by each of the TDR Capital Entities and Sun Capital Entities in favour of the Company;
"London Life"	London Life Limited;
"London Stock Exchange"	London Stock Exchange plc;
"LTIP"	the Phoenix Group Holdings Long-Term Incentive Plan;
"LTIP Award"	any of the following: a conditional share award, a share option, or an allocation of forfeitable shares or any combination of them;
"Majority Lenders"	two thirds (by aggregate principal amount of indebtedness) of the Impala Lenders;
"Matching Shares"	an award of free shares to those employees who have purchased Partnership Shares;
"Maximum Open Offer Entitlement"	in the case of Qualifying Non-CREST Shareholders, the number of Open Offer Entitlements as shown in Box B on their Application Form, or, in the case of Qualifying CREST Shareholders, the number of Open Offer Entitlements standing to the credit of their stock accounts in CREST (in each case, their.
"MC1"	PGH (MC1) Limited (previously Suncap Parma Midco Limited);
"MC2"	PGH (MC2) Limited (previously TDR Parma Midco Limited);
"MCEV"	Market Consistent Embedded Value;
"MCEV Principles"	the European Insurance CFO Forum Market Consistent Embedded Value Principles

	(Copyright© Stichting CFO Forum Foundation 2008);
"MCR"	minimum capital requirement;
"member account ID"	the identification code or number attached to any member account in CREST;
"Memorandum"	the memorandum of association of the Company a summary of which is set out in paragraph 5.1 ("Memorandum of Association") of Part XIII: "Additional Information" of this Prospectus;
"MiFID"	the EU Markets in Financial Instruments Directive (2004/39/EC);
"Money Laundering Regulations"	the Money Laundering Regulations 2007 (SI 2007/2157), as amended;
"Mutual Securitisation Bonds"	the bonds issued by Mutual Securitisation plc in connection with a securitisation undertaken by National Provident Institution;
"National Provident Life"	National Provident Life Limited;
"New Gearing Definition"	the Group's gross shareholder debt as a percentage of the gross MCEV. Gross shareholder debt is defined as the sum of IFRS carrying value of shareholder debt (as disclosed in the Borrowings note to the Company's consolidated financial statements) and 50 per cent. of the IFRS carrying value of the Perpetual Reset Capital Securities issued by PGH1 given the hybrid nature of that instrument. Gross MCEV is defined as the sum of the Group MCEV and the value of the shareholder and hybrid debt as included in the MCEV;
"New Ordinary Shares"	the new Ordinary Shares to be issued pursuant to the Capital Raising and "New Ordinary Share" means one of them (including, for the avoidance of doubt, Depositary Interests in respect of and representing on a one-for-one basis Ordinary Shares, if applicable);
"Non-Executive Directors"	the non-executive directors of the Company, as set out Part XI: "Directors, Corporate Governance and Employment Matters" of this Prospectus;
"NPI"	NPI Limited;
"Observer"	the representative appointed under the Lender Relationship Agreement to attend any meeting of the Board, or any committee thereof;
"Official List"	the Official List of the FSA;
"Och-Ziff"	Och-Ziff Capital Management Group;
"Och-Ziff Funds"	the Placees, being certain affiliated investment funds of Och-Ziff;
"On-Sold Resolution Assets"	certain assets held by the Resolution Group transferred to Royal London;
"Opal Re"	Opal Reassurance Limited;

"Opal Re Sellers"	the equity holder of Opal Re (being O-Re Holdings (Netherlands) B.V.) and its parent company, O-Re Holdings UK Limited;
"Opal Re SPA"	the Purchase Agreement, dated 27 June 2009, among the Company and the Opal Re Sellers;
"Open Offer"	the offer to Qualifying Shareholders, constituting an invitation to apply for the Open Offer Shares, on the terms and subject to the conditions set out in this Prospectus and, in the case of Qualifying Non-CREST Shareholders, in the Application Form;
"Open Offer Entitlements"	the entitlement of a Qualifying Shareholder to apply for 0.194745 Open Offer Shares for every 1 Existing Ordinary Share held by him on the Record Date;
"Open Offer Placement Shares"	such number of Open Offer Shares that are not subscribed for by Qualifying Shareholders in the Open Offer or subscribed for by Qualifying Lender/ Seller Shareholders pursuant to the Excess Application Facility;
"Open Offer Shares"	the 34,000,000 New Ordinary Shares to be offered to Qualifying Shareholders and Qualifying Lender/ Seller Shareholders under the Open Offer and "Open Offer Share" means one of them;
"Ordinary Resolution"	the ordinary resolution (Resolution 1) to be proposed at the EGM, notice of which is set out in the Circular in connection with the Capital Raising;
"Ordinary Shares"	the ordinary shares with a nominal value of €0.0001 each in the share capital of the Company (including, for the avoidance of doubt, Depositary Interests in respect of and representing on a one-for-one basis Ordinary Shares, if applicable);
"Overseas Shareholders"	holders of Ordinary Shares who have registered addresses in, or who are resident or located in, countries outside the United Kingdom and who have not supplied an address in the United Kingdom for the service of notices;
"Original Pearl Business"	LCA, LCB, PGH (TC1) Limited, PGH (TC2) Limited and Opal Re, together with their subsidiaries, being the five companies acquired by the Company on 2 September 2009 or, at any date between 1 January 2007 and 2 September 2009, those companies identified as being the Original Pearl Business at the relevant time;
"Panel"	the UK Panel on Takeovers and Mergers;
"Part VII transfer"	a court-sanctioned transfer of some or all of the insurance policies of one EEA insurer to one or more EEA insurers, where one EEA insurer is regulated in the UK, which is governed by Part VII of FSMA;
"Partnership Shares"	the Ordinary Shares purchased with deductions from an employee's salary following an opportunity under the SIP;

"Pearl Borrowers"	LCA and LCB;
"Pearl Covenant Group"	the Pearl Borrowers and their subsidiaries (but excluding Impala and its subsidiaries);
"Pearl Facility"	the credit facility made available pursuant to the Pearl Facility Agreement;
"Pearl Facility Agent"	RBS;
"Pearl Facility Agreement"	the facility agreement dated 15 November 2006 as amended and restated made between, among others, the Pearl Borrowers, the Pearl Lenders and the Pearl Facility Agent;
"Pearl Group Staff Pension Scheme"	the pension scheme covering the employees of the Group prior to the acquisition of the Resolution Group;
"Pearl Group Sellers"	the equity holders of LCA, LCB, TC1 and TC2 who are parties to the Pearl SPA (being Sun Capital, TDR Capital, Xercise Limited, Xercise Midco Limited, Jambright Limited and Jambright Midco Limited);
"Pearl Lenders"	the lenders under the Pearl Facility Agreement;
"Pearl Life Companies"	Pearl Assurance Limited (which was renamed Phoenix Life Assurance Limited on 28 September 2012), London Life, National Provident Life and NPI;
"Pearl Senior Debt"	the outstanding principal amount under the Pearl Facility Agreement;
"Pearl SPA"	the purchase agreement, dated 27 June 2009, between the Company and the Pearl Group Sellers;
"Pensions Regulator"	the UK Pensions Regulator as established under section 1 of the Pensions Act 2004;
"Permitted Coupon"	an annual coupon payment of up to 6.5864 per cent. per annum on the Tier 1 Bonds not held by any Restricted Person or any member of the Group (unless held on behalf of third parties) becoming payable on or after 25 April 2010;
"PGH1"	Pearl Group Holdings (No. 1) Limited (previously Resolution);
"PGH2"	Pearl Group Holdings (No. 2) Limited (previously Pearl Group Limited);
"PGL Pension Scheme"	the pension scheme covering the employees of PGH1 and its subsidiaries;
"PGMS"	Pearl Group Management Services Limited;
"PGMS Ireland"	Pearl Group Management Services (Ireland) Limited;
"PGS"	Pearl Group Services Limited;
"Phoenix Life"	the Group's life assurance (including its management services operations) business segment;
"Phoenix Life Assurance"	Phoenix Life Assurance Limited, which was renamed from Pearl Assurance Limited on 28 September 2012;

"Phoenix Life Companies"	the Pearl Life Companies and the Impala Life Companies;
"Phoenix Life Holdings" or **"PLHL"**	Phoenix Life Holdings Limited;
"Phoenix & London Assurance"	Phoenix & London Assurance Limited;
"Phoenix Pensions"	Phoenix Pensions Limited;
"Pearl C Loan Notes"	the loan notes issued by PGH (LCA) Limited under a secured loan note instrument dated 2 September 2009 and the loan notes issued by PGH (LCB) Limited under a secured loan note instrument dated 2 September 2009;
"Pillar 1"	EU-directive-based Pillar 1 capital requirements;
"Pillar 2"	the FSA's Pillar 2 risk-based capital requirements that have been implemented in the UK;
"PIK Documents"	the PIK Facility and PIK Notes, collectively;
"PIK Facility"	the PIK facility agreement dated 10 October 2007 as amended and restated between MC2, MC1 and Royal London;
"PIK Notes"	the PIK notes issued to Royal London pursuant to the PIK Notes Instrument;
"PIK Notes Instrument"	a deed poll notes instrument dated 14 May 2008 as amended and restated executed by MC1 and MC2;
"PIK Subordinated Debt"	both the PIK Notes and the PIK Facility debt assigned by Royal London to the Company;
"Placed Shares"	the First Placed Shares and the Second Placed Shares;
"Placees"	the Och-Ziff Funds, in their capacity as subscribers of the First Placed Shares which are proposed to be issued pursuant to the First Placing and subscribers of the Second Placed Shares which are to be issued pursuant to the Second Placing, as the case may be;
"Placing"	the First Placing and the Second Placing;
"PPFM"	Principles and Practices of Financial Management;
"PRA"	Prudential Regulation Authority, which is currently expected to come into existence in April 2013;
"Premium Listing"	the transfer of the Ordinary Shares to a premium listing under Chapter 6 of the Listing Rules which took place on 5 July 2010;
"Prospectus"	this document;
"Prospectus Directive"	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended, including pursuant to the 2010 PD Amending Directive, and includes any relevant implementing measures in each Member State of the European Economic Area that has implemented Directive 2003/7 1/EC;
"Prospectus Rules"	the prospectus rules issued by the FSA;
"Public Warrants"	warrants in respect of Ordinary Shares (including, for the avoidance of doubt, Depositary Interests in

	respect of and representing on a one-for-one basis Public Warrants, if applicable);
"Purchase Agreements"	the Pearl SPA and the Opal Re SPA;
"PVIF"	present value of in-force;
"QIB who is also a QP"	qualified institutional buyers within the meaning of Rule 144A under the Securities Act who are also qualified purchasers as defined under Section 2(a)(51) of the US Investment Company Act of 1940, as amended;
"Qualifying CREST Shareholders"	Qualifying Shareholders whose Depositary Interests representing Ordinary Shares as set out on the register of Depositary Interest holders of the Depositary on the Record Date;
"Qualifying Lender/Seller Shareholders"	Lender/Seller Shareholders who have the benefit of contractual pre-emption rights under the Relationship Agreements in respect of the issuance of the Placed Shares and who have not disapplied such contractual pre-emption rights prior to the date of this Prospectus;
"Qualifying Non-CREST Shareholders"	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company on the Record Date are in certificated form;
"Qualifying Shareholder(s)"	holder(s) of Ordinary Shares on the register of members of the Company on the Record Date;
"RBS"	Royal Bank of Scotland plc;
"Receiving Agent"	Computershare Investor Services PLC
"Record Date"	6:00 p.m. (London time) on 28 January 2013;
"re-designation" or **"re-designated"**	variation and re-designation on a one for one basis;
"Registrar"	Computershare Investor Services (Cayman) Limited
"Regulation S"	Regulation S under the Securities Act;
"Regulatory Information Service"	one of the regulatory information services authorised by the FSA to receive, process and disseminate regulatory information in respect of listed companies;
"Relationship Agreements"	the Lender Relationship Agreement and the Sellers' Relationship Agreement;
"relevant implementation date"	the date on which the Prospectus Directive was implemented in the relevant member state;
"relevant member state"	each member state of the European Economic Area that has implemented the Prospectus Directive;
"Remuneration Committee"	the remuneration committee of the Board;
"Resolution"	Pearl Group Holdings (No. 1) Limited (formerly named Resolution plc);
"Resolution Group"	Resolution and its subsidiaries and, where the context requires, includes the On-Sold Resolution Assets until, in each case, the date of their disposal;

"Restructuring"	the acquisition by the Company of the Acquired OPB Companies on 2 September 2009;
"Restructuring Selling Shareholders"	certain former holders of equity in LCA, LCB, TC1, TC2 and Opal Re immediately prior to completion of the Restructuring;
"Royal London"	The Royal London Mutual Insurance Society Limited;
"Royal London Warrants"	the warrants issued to Royal London on 2 September 2009;
"RSP"	the Restricted Share Plan;
"RSP Award"	any of the following: a share award, a share option, or an allocation of forfeitable shares or any combination of them;
"Rule 144A"	Rule 144A under the Securities Act;
"Samos Servicios"	Samos Servicios y Gestiones, S.L.;
"Savings Directive"	the EU Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments;
"Scottish Mutual International"	Scottish Mutual International Limited;
"Scottish Provident Pension Scheme"	the Group's Scottish Provident Staff Pension Scheme for Employees in the Republic of Ireland;
"SCR"	solvency capital requirement;
"SDRT"	stamp duty reserve tax;
"Second Placed Shares"	the 8,200,000 New Ordinary Shares which are proposed to be issued in the Second Placing and "Second Placed Share" means one of them;
"Second Placing"	the placing of 8,200,000 New Ordinary Shares with the Placees as described in this Prospectus;
"Securities Act"	the United States Securities Act of 1933, as amended;
"Sellers"	TDR Capital, Hugh Osmond, William Alan McIntosh, Edward Hawkes, Matthew Allen, Marc Jonas, O-Re Holdings (Netherlands) B.V. and O-Re Holdings UK Limited;
"Sellers' Relationship Agreement"	the relationship agreement entered into between the Company and the SRA Sellers on 27 June 2009, as amended;
"Seller Shareholders"	SRA Sellers and the Restructuring Selling Shareholders;
"Senior Managers"	members of the Executive Committee;
"Settlement Deed"	the settlement deed dated 27 June 2009 between Royal London, Impala, PGH2 and certain of their respective group companies;
"Shareholders"	the holders of Ordinary Shares from time to time and "Shareholder" means any one of them (including, for the avoidance of doubt and unless the context indicates otherwise, holders from time to time of Depositary Interest in respect of and

	representing on a one-for-one basis Ordinary Shares);
“Share Plans”	the Group’s Long-Term Incentive Plan (or the LTIP), the Bonus Share Plan (or the BSP), the Restricted Share Plan (or the RSP), the Sharesave Scheme, the Share Incentive Plan (or the SIP) and the Deferred Bonus Share Scheme (or the DBSS);
“Sharesave Scheme”	the Group’s Sharesave Plan;
“SIP”	the Group’s Share Incentive Plan;
“SMA”	Scottish Mutual Assurance Limited;
“Special Resolution”	the special resolution (Resolution 2) to be proposed at the EGM, notice of which is set out in the Circular in connection with the Capital Raising;
“SRA Sellers”	Sun Capital, TDR Capital, Xercise Midco Limited, Jambright Midco Limited and William Alan McIntosh;
“sterling” or **“Sterling”** or **“£”** or **“pence”** or **“p”**	the lawful currency of the United Kingdom;
“Subscription Agreement”	the subscription agreement entered into by and among the Company and the Placees dated 30 January 2013;
“Sun Capital”	the following principals of Sun Capital Partners: Hugh Osmond, Matthew Allen, Edward Hawkes and Marc Jonas or, where the context requires, certain vehicles or entities controlled by or associated with such persons;
“Sun Capital Entities”	Matthew Allen, Stephen Farrugia, Edward Hawkes, Marc Jonas, Hugh Osmond, Eta Shares Limited, Iota Shares Limited, Kappa Shares Limited, Theta Shares Limited, Wolvercote Investments Limited, Xercise2 Limited and Zeta Shares Limited and certain of their connected persons, each of which is affiliated with, or holds Ordinary Shares for or on behalf of a person or entity affiliated with, Sun Capital;
“Sun Capital Voting Entities”	Matthew Allen, Stephen Farrugia, Edward Hawkes, Marc Jonas, Hugh Osmond, Eta Shares Limited, Iota Shares Limited, Kappa Shares Limited, Theta Shares Limited, Wolvercote Investments Limited, Xercise2 Limited and Zeta Shares Limited, each of which is affiliated with, or holds Ordinary Shares for or on behalf of a person or entity affiliated with, Sun Capital;
“Swap Commitment Agreements”	the agreement dated 30 January 2013 between the Deutsche Bank Swap Counterparty, Deutsche Bank and each of the Och-Ziff Funds and the agreement dated 30 January 2013 between the JP Morgan Swap Counterparty, JP Morgan Cazenove and each of the Och-Ziff Funds;
“Swap Counterparties”	the JP Morgan Swap Counterparty and the Deutsche Bank Swap Counterparty;
“TC1”	PGH (TC1) Limited (previously Suncap Parma Topco Limited);

“TC2”	PGH (TC2) Limited (previously TDR Parma Topco Limited);
“TCF”	Treating Customers Fairly;
“TDR Capital”	TDR Capital Nominees Limited and its various related entities, or, as the context requires, various investment funds whose investments in the Group are managed by TDR Capital LLP;
“TDR Capital Entities”	TDR Capital Nominees Limited, TDR Shares Limited, Jambright Limited and Jambright Midco Limited, each of which is affiliated with TDR Capital;
“Tier 1 Bonds”	£500,000,000 6.5864 per cent. fixed/floating rate perpetual reset capital securities dated 15 November 2005 issued by PGH1;
“Tier 2 Bonds”	£200 million 7.25 per cent. undated unsecured subordinated notes issued by SMA and subsequently transferred to Phoenix Life Limited;
“Total Return Swaps”	the total return swaps to be entered into on or prior to the date of Admission of the Open Offer Shares, pursuant to the Swap Commitment Agreements, by each of the Swap Counterparties and each of the Och-Ziff Funds, effective as of the date of Admission of the Open Offer Shares;
“TRS Transactions”	two total return swap transactions Castle Hill Credit Opportunities Holdings Limited entered into with TDR Capital each under a total return swap confirmation dated 19 December 2008 as amended and restated on 9 June 2009, each supplemental to an ISDA Master Agreement and Schedule;
“UK Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council, as amended from time to time;
“UKCPT”	UK Commercial Property Trust;
“UKLA” or **“UK Listing Authority”**	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to listing on the Official List otherwise than in accordance with Part VI of FSMA;
“uncertificated” or **“uncertificated form”**	recorded on the relevant register of Ordinary Shares as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“Underwriting and Sponsors’ Agreement”	the underwriting and sponsors’ agreement dated 30 January 2013, pursuant to which the Joint Underwriters have agreed to subscribe for the Open Offer Placement Shares.
“United Kingdom” or **“UK”**	the United Kingdom of Great Britain and Northern Ireland;

"United States" or **"US"**	the United States, its territories and possessions and any state of the United States and the District of Columbia;
"USE Instruction"	an Unmatched Stock Event instruction to Euroclear;
"US Investment Company Act"	the United States Investment Company Act of 1940, as amended;
"VAT"	value added tax chargeable under or pursuant to the Value Added Tax Act 1994 or the EU Directive 2006/112/EC on the common system of value added tax and any other sales, purchase or turnover tax of a similar notice, whether imposed in the UK or elsewhere;
"VWAP"	the average of the volume weighted average price of the Ordinary Shares for the 30 Dealing Day period ending on 29 January 2013 (the last Dealing Day prior to the announcement of the Capital Raising);
"Warrants"	Public Warrants, Royal London Warrants and Lender Warrants; and
"WPICC"	with profit insurance capital component.

Merrill Corporation Ltd, London
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