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

This document comprises (i) a circular prepared in accordance with the Listing Rules of the FCA made under section 73A of the FSMA for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out at the end of this document; and (ii) a prospectus relating to the Company prepared in accordance with the Prospectus Rules of the FCA made under section 73A of the FSMA. This document has been approved by the FCA in accordance with section 85 of the FSMA, will be made available to the public and has been filed with the FCA in accordance with the Prospectus Rules. This document together with the documents incorporated into it by reference (as set out in Part XV (*Documents Incorporated by Reference*)) will be made available to the public in accordance with Prospectus Rule 3.2.1 by the same being made available, free of charge, at the National Storage Mechanism, at the Company's registered office and at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA, United Kingdom.

If you sell or have sold or otherwise transferred all your Existing Ordinary Shares before 8.00 a.m. on 24 November 2016, being the date the shares are treated as "ex" the entitlement to the Open Offer, please forward this document together with the accompanying Form of Proxy and, if relevant, Application Form that you may receive as soon as possible to the purchaser or transferee, or 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 should not be forwarded or transmitted into any jurisdiction where to do so might constitute a violation of local securities law or regulation, including, but not limited to, the United States and the Excluded Territories**. If you have sold or otherwise transferred part of your holding of Existing Ordinary Shares prior to such date, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications set out in the Application Form. If your registered holding(s) of Existing Ordinary Shares which were sold or transferred were held in uncertificated form and were sold or transferred before 5.30 p.m. on 22 November 2016, a claim transaction will automatically be generated by CREST which, on settlement, will transfer the appropriate number of Basic Open Offer Entitlements to the purchaser or transferee. Instructions regarding split applications are set out in the Application Form.

The Existing Ordinary Shares are listed on the premium listing segment of the Official List maintained by the FCA (the "**Official List**") and traded on the London Stock Exchange's main market for listed securities (the "**Main Market"**). Application will be made to the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the Main Market ("**LSE Admission**"). It is expected that LSE Admission will become effective and that dealings will commence in the New Ordinary Shares at 8.00 a.m. on 15 December 2016.

The distribution of this document and/or any documents issued by the Company in connection with the Firm Placing and Placing and Open Offer and/or the accompanying documents, and/or the transfer of New Ordinary Shares in jurisdictions outside the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or any accompanying documents come should inform themselves about and observe such restrictions. Any failure to comply with any of these restrictions may constitute a violation of the securities law of any such jurisdiction. In particular, subject to certain exceptions, this document and any documents issued by the Company in connection with the Firm Placing and Placing and Open Offer should not be distributed, forwarded or transmitted in or into the United States or any Excluded Territory. All Overseas Shareholders and any person (including, without limitation, agents, custodians, nominees or trustees) who has a contractual or other legal obligation to forward any documents issued by the Company in connection with the Firm Placing and Placing and Open Offer, if and when received, to a jurisdiction outside the United Kingdom should read paragraph 8 of Part III (*Terms and Conditions of the Issue*).

The Company and the Directors, whose names appear on page 34 of this document, accept responsibility for the information contained in this document. To the best of the 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 document is in accordance with the facts and does not omit anything likely to affect the import of such information.

CHESNARA PLC

Chesnara

(Incorporated under the Companies Act 1985 and registered in England and Wales with registered number 04947166)

Proposed Acquisition of Legal & General Nederland Levensverzekering Maatschappij N.V.

and

Firm Placing of 18,668,994 New Ordinary Shares at 300 pence per New Ordinary Share and Placing and Open Offer of 4,664,340 New Ordinary Shares at 300 pence per New Ordinary Share

and

Notice of General Meeting

Shore Capital
Sponsor, Joint Global Coordinator and Joint Bookrunner

Panmure Gordon
Joint Global Coordinator and Joint Bookrunner

Keefe, Bruyette & Woods, A Stifel Company
Financial Adviser and Placing Agent

The whole of the text of this document should be read in its entirety by each Shareholder and any other person contemplating a purchase of New Ordinary Shares. Your attention is drawn to the letter of recommendation from the Chairman of Chesnara plc which is set out in Part I (*Letter from the Chairman*). Your attention is also drawn to the section headed "Risk Factors" at the beginning of this document which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Firm Placing and Placing and Open Offer, and by others when deciding whether or not to purchase Ordinary Shares.

The Firm Placing and Placing and Open Offer is conditional, *inter alia*, on (i) the passing without amendment of the Resolutions at the General Meeting (and not, except with the prior written agreement of the Banks, at any adjournment of such meeting) on 13 December 2016 (or such later date as the Banks may agree) and the Resolutions remaining in force; (ii) the Company having complied with its obligations under the Sponsor and Placing Agreement and under the terms and conditions of the Firm Placing and Placing and Open Offer which fall to be performed on or prior to Admission; and (iii) Admission taking place by not later than 8.00 a.m. on 15 December 2016 (or such and/or date as the Banks and the Company may agree, being not later than 8.00 a.m. on 29 December 2016). The New Ordinary Shares will, on Admission, rank in full for all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission and will otherwise rank *pari passu* with the Existing Ordinary Shares.

In addition to this document, subject to the passing of the Resolutions, Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Excluded Overseas Shareholders and Shareholders with registered addresses in the United States or who are otherwise located in the United States) will be sent an Application Form on 24 November 2016. Qualifying CREST Shareholders (other than, subject to certain exceptions, Excluded Overseas Shareholders and Shareholders with registered addresses in the United States or who are otherwise located in the United States), none of whom will receive an Application Form, will receive a credit to their appropriate stock accounts in CREST in respect of the Basic Open Offer Entitlements which will be enabled for settlement at 8.00 a.m. on 25 November 2016. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding action to be taken in connection with this document and the Placing and Open Offer. Applications under the Open Offer may only be made by Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Existing Ordinary Shares prior to the date on which the Existing Ordinary Shares were marked "ex" the entitlement by the London Stock Exchange.

The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 12 December 2016. The procedures for acceptance and payment are set out in Part III (*Terms and Conditions of the Issue*) and in the Application Form.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer. Fractional entitlements will not be allotted to Qualifying Shareholders and will be rounded down to the nearest whole number of Open Offer Shares. Fractional entitlements will be aggregated and will be placed pursuant to the Placing for the benefit of the Company.

Notice of a General Meeting of Chesnara plc to be held at the offices of Panmure Gordon, One New Change, London EC4M 9AF, on 13 December 2016 at 11.00 a.m., is set out at the end of this document. You will find enclosed a Form of Proxy for use at the meeting. To be valid, any proxy form or other instrument appointing a proxy must be received by post or by hand (during normal business hours only) in accordance with the instructions printed on the form of proxy to arrive no later than 11.00 a.m. on 9 December 2016. Completion of a form of proxy or other instrument appointing a proxy or any CREST Proxy Instruction will not preclude a member from attending and voting in person at the meeting if he/she wishes to do so. Shareholders may also submit their proxy electronically via the internet. Details on how to do this can be found on the form of proxy.

Shore Capital and Corporate Limited ("**SCC**") has been appointed as sponsor in connection with the proposed Acquisition, the Firm Placing and Placing and Open Offer and Admission. SCC, which is authorised and regulated in the UK by the FCA, is acting exclusively for the Company and no one else in connection with the contents of this document, the proposed Acquisition, the Firm Placing and Placing and Open Offer, Admission or any other matters referred to in this document and will not regard any other person (whether or not a recipient of this document) as a client in relation to the proposed Acquisition, the Firm Placing and Placing and Open Offer, Admission or any other matters referred to in this document and will not be responsible for providing the protections afforded to its clients nor for giving advice in relation to the contents of this document, the proposed Acquisition, the Firm Placing and Placing and Open Offer, Admission or any other matter or arrangement referred to in this document.

Shore Capital Stockbrokers Limited ("**SCS**"), which is authorised and regulated in the UK by the FCA, has been appointed as joint bookrunner in connection with the Firm Placing and Placing and Open Offer and Admission and is acting exclusively for the Company and no one else in connection with the contents of this document, the Firm Placing and Placing and Open Offer, Admission or any other matters referred to in this document and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Firm Placing and Placing and Open Offer, Admission or any other matters referred to in this document and will not be responsible for providing the protections afforded to its clients nor for giving advice in relation to the contents of this document, the Firm Placing and Placing and Open Offer, Admission or any other matter or arrangement referred to in this document.

References to "**Shore Capital**" refer to SCC and/or SCS, as the context admits.

Panmure Gordon (UK) Limited ("**Panmure Gordon**"), which is authorised and regulated in the UK by the FCA, has been appointed as joint bookrunner in connection with the Firm Placing and Placing and Open Offer and Admission and is acting exclusively for the Company and no one else in connection with the contents of this document, the Firm Placing and Placing and Open Offer, Admission or any other matters referred to in this document and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Firm Placing and Placing and Open Offer, Admission or any other matters referred to in this document and will not be responsible for providing the protections afforded to its clients nor for giving advice in relation to the contents of this document, the Firm Placing and Placing and Open Offer, Admission or any other matter or arrangement referred to in this document.

Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods) ("**Keefe, Bruyette & Woods**"), which is authorised and regulated in the UK by the FCA, has been appointed as financial adviser in connection with the proposed Acquisition and placing agent in connection with the proposed Firm Placing and Placing and Open Offer and Admission and is acting exclusively for the Company and no one else in connection with the contents of this document, the Firm Placing and Placing and Open Offer, Admission or any other matters referred to in this document and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Firm Placing and Placing and Open Offer, Admission or any other matters referred to in this document and will not be responsible for providing the protections afforded to its clients nor for giving advice in relation to the contents of this document, the Firm Placing and Placing and Open Offer, Admission or any other matter or arrangement referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed upon Shore Capital, Panmure Gordon and/or Keefe, Bruyette & Woods by the FSMA or the regulatory regime established thereunder, neither Shore Capital nor Panmure Gordon nor Keefe, Bruyette & Woods accepts any responsibility, and each of Shore Capital, Panmure Gordon and Keefe, Bruyette & Woods disclaims any liability for the accuracy, completeness or verification of, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the New Ordinary Shares, the Basic Open Offer Entitlements, the Firm Placing and Placing and Open Offer or Admission in this document. No representation or warranty, express or implied, is made by any of Shore Capital, Panmure Gordon or Keefe, Bruyette & Woods as to the accuracy, completeness or verification of the information set forth in this document and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Each of Shore Capital, Panmure Gordon and Keefe, Bruyette & Woods accordingly disclaims to the fullest extent permitted by applicable law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to herein) which it might otherwise have in respect of this document or any such statement.

In making an investment decision, each investor must rely on its own examination, analysis and enquiry of the Company and the terms of the Firm Placing and Placing and Open Offer, including the merits and risks involved.

Overseas Territories

SUBJECT TO CERTAIN EXCEPTIONS, THE FIRM PLACING AND PLACING AND OPEN OFFER DESCRIBED IN THIS DOCUMENT IS NOT BEING MADE TO SHAREHOLDERS OR INVESTORS IN THE UNITED STATES OR ANY EXCLUDED TERRITORY. Neither this document nor the Application Form constitutes or forms part of any offer to sell or issue, or any solicitation of any offer to acquire, the New Ordinary Shares offered to any person with a registered address, or who is resident or located in, any jurisdiction in which such an offer or solicitation is unlawful.

The New Ordinary Shares will not be registered under the applicable securities laws of the United States or any other Excluded Territory. Accordingly, subject to certain exceptions, the New Ordinary Shares may not be offered or sold in such jurisdictions or to, or for the account or benefit of, any resident of such jurisdictions. There will be no public offer of the New Ordinary Shares in any of the Excluded Territories.

All Overseas Shareholders and any person (including, without limitation, an agent custodian, nominee, or trustee) who is holding Existing Ordinary Shares for the benefit of such persons or who has a contractual or other legal obligation to forward any documents issued by the Company in connection with the Firm Placing and Placing and Open Offer including this document or any Application Form, if and when received, to a jurisdiction outside the United Kingdom, should read paragraph 8 of Part III (*Terms and Conditions of the Issue*) entitled "Overseas Shareholders".

Subject to certain exceptions, this document and the Application Form should not be distributed, forwarded or transmitted in or into the United States or any Excluded Territory or in or into any jurisdiction or to any person where the extension or availability of the Firm Placing and Placing and Open Offer would breach any applicable law.

The New Ordinary Shares will not be registered under the US Securities Act, or under the securities laws of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, in, into or within the United States. There will be no public offer of the New Ordinary Shares in the United States.

The New Ordinary Shares made available pursuant to the Placing and Open Offer are being offered and sold outside of the United States in offshore transactions in reliance on Regulation S. For a description of certain further restrictions on offers, sales and transfers of the New Ordinary Shares and the distribution of this document, see paragraph 8 of Part III (*Terms and Conditions of the Issue*).

The New Ordinary Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The New Ordinary Shares are subject to selling and transfer restrictions in certain jurisdictions. Prospective investors should read the restrictions that apply to the New Ordinary Shares as described in paragraphs 6 and 8 of Part III (*Terms and Conditions of the Issue*). Each purchaser of the New Ordinary Shares will be deemed to have made the relevant representations described therein and elsewhere in Part III (*Terms and Conditions of the Issue*).

General Notice

In connection with the Firm Placing and Placing and Open Offer, Shore Capital and/or Panmure Gordon and any of their respective affiliates may, in accordance with applicable legal and regulatory provisions, take up a portion of the New Ordinary Shares in the Firm Placing and Placing and Open Offer as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in relation to the New Ordinary Shares and/or related instruments in connection with the Firm Placing and Placing and Open Offer or otherwise. Accordingly, references in this document to New Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, Shore Capital and/or Panmure Gordon and any of their respective affiliates acting in such capacity. In addition, Shore Capital and/or Panmure Gordon or their respective affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which Shore Capital and/or Panmure Gordon (or their respective affiliates) may from time to time acquire, hold or dispose of New Ordinary Shares. Neither of Shore Capital and/or Panmure Gordon or any of their respective affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Subject to the FSMA, the Listing Rules, the Prospectus Rules and the DTRs, neither the delivery of this document 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 document or that the information in this document is correct as at any time after this date.

This document is dated 24 November 2016.

TABLE OF CONTENTS

SUMMARY

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

The summary contains all the Elements required to be included in a summary for this type of issuer and securities. 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 into the summary because of the type of issuer and securities, 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

Element	Disclosure requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this document before the legal proceedings are initiated. 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 document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.
A.2	Any consents to and conditions regarding use of this document for subsequent resale or final placement of securities by financial intermediaries	Not applicable. No consent has been given by Chesnara or any person responsible for drawing up this document to use it for subsequent resale or final placement of securities by financial intermediaries.

Section B – Issuer

Element	Disclosure requirement	Disclosure
B.1	Legal name and commercial name	Chesnara plc
B.2	Domicile and legal form of the issuer, legislation under which the issuer operates and country of incorporation	Chesnara was incorporated and registered in England and Wales on 29 October 2003 under the Companies Act 1985 as a public company limited by shares with registered number 04947166 and with the name PINCO 2042 plc. On 22 December 2003, it changed its name to Chesnara plc. The registered and head office of Chesnara is at 2nd Floor, Building 4 West Strand Business Park, Preston, PR1 8UY.
B.3	Current operations and principal activities	***Chesnara*** Chesnara is a life and pensions consolidator closed to new business in the UK and the Netherlands but open to new business in Sweden, and is the owner of Countrywide Assured, Movestic and the Waard Group. Chesnara has been listed on the premium segment of the London Stock Exchange's Main Market since May 2004.

Element	Disclosure requirement	Disclosure
		Key Chesnara Group metrics for the period ending 30 June 2016 were as follows: • £459.9 million of EcV; • £5.1 billion of funds under management; • 907,000 policyholders; and • 6.96 per cent. dividend yield (based on Chesnara's share price at the end of June 2016). ***Legal & General Nederland*** Legal & General Nederland was founded in 1984 as an indirect wholly owned subsidiary of the Legal & General Group and is a specialist insurer operating in the life insurance and pensions sector in the Netherlands. Legal & General Nederland is a leading Dutch player in adviser-led risk and investment-linked products serving high-end affluent customers and has an established defined contribution group pension platform focused on Dutch SMEs. Legal & General Nederland's accounts indicate profitability with strong solvency ratios on a Solvency II basis. During the period from 1 January 2013 to 30 June 2016 the business has paid €151 million of dividends to Legal & General Group plc. Key Legal & General Nederland metrics were as follows as at 30 June 2016: • €219.8 million of Solvency II own funds; • €2.2 billion of funds under management; • Approximately 170,600 policies; and • Solvency ratio of 219 per cent.
B.4a	Significant recent trends	***Chesnara*** Since 30 June 2016, being the most recently published financial information for Chesnara, the Chesnara Group has traded in line with expectations. One of the key drivers of the performance and position of the Chesnara Group is the economic environment, with key levers being gilt yields, equity markets and the Euro and Swedish Krona to sterling exchange rate. Gilt yields have reduced since 30 June 2016 and the FTSE 100, being a useful barometer for equity performance, has continued to rise in the same period, being 4.8 per cent. higher at the Latest Practicable Date when compared with 30 June 2016. The principal Swedish equity markets have also increased since 30 June 2016, with the OMX30 index having increased by 12 per cent. to reach 1,483 as at the Latest Practicable Date. Sterling has weakened against both the Euro and Swedish Krona in the same period. The net impact of the economic variables is that the financial position of the Chesnara Group has not changed materially since 30 June 2016. Countrywide Assured, Chesnara's principal operating subsidiary in the UK, has been in run-off for a number of years. The non-economic drivers of the business can be predicted with a reasonable degree of certainty, with expenses being controlled and persistency remaining within the Company's long-term assumptions. Movestic, Chesnara's Swedish subsidiary, has also traded satisfactorily and continues to operate within its targeted market share writing profitable new business. The Waard Group,

Element	Disclosure requirement	Disclosure
		Chesnara's Dutch subsidiary, contributes only a relatively small proportion of the Chesnara Group's earnings and these have emerged in line with expectations since 30 June 2016. As at 30 June 2016 there were several ongoing UK regulatory issues, including: • A FCA investigation into Chesnara's disclosure of paid-up and exit charges and early transfer charges to its customers; • The findings and recommendations of the FCA's "Thematic review into the fair treatment of long-standing customers in the life and pension industry" which is under consultation; and • FCA proposals to cap exit charges on pensions for those aged over 55. During the period post 30 June 2016 there have been no developments to the position on each of these issues that suggest the accounting treatment and reported outlook as per the 2016 Unaudited Interim Financial Statements has deteriorated. Regarding the FCA's proposals to cap early exit pension charges, the FCA announced on 15 November 2016 conclusions from its consultations launched in May 2016. The FCA has confirmed its previous proposals will be implemented and amongst them, a 1 per cent. cap on early exit pension charges for existing schemes will be introduced from 31 March 2017. The Chesnara Group's 2016 Unaudited Interim Financial Statements published on 30 August 2016 make allowance for the introduction of the 1 per cent. cap.
B.5	Group description	Chesnara is the parent company of the Chesnara Group, which is a life and pensions book consolidator, and is the owner of Countrywide Assured, Movestic and the Waard Group. Following the Acquisition, Chesnara will be the parent company of the Enlarged Group.
B.6	Major shareholders	As at the Latest Practicable Date, the Company had been notified under the Disclosure and Transparency Rules of the following direct and indirect substantial interests in the issued Ordinary Shares of the Company: *Shareholders* / *Number of Existing Ordinary Shares* / *Approximate percentage of existing issued share capital* Columbia Threadneedle Investments — 15,376,564 — 12.16 Standard Life Investments — 8,654,862 — 6.85 Aberdeen Asset Management — 7,667,425 — 6.07 Hargreaves Lansdown Asset Management — 6,492,206 — 5.14 Henderson Global Investors — 5,798,475 — 4.59 M&G Investment Management — 5,617,251 — 4.44 Hargreave Hale — 4,194,671 — 3.32 Barclays Wealth — 3,815,271 — 3.02 As at the Latest Practicable Date, save as disclosed above, the Company is not aware of any other interest (within the meaning of the DTRs) which represents three per cent. or more of the voting rights in the Company. The Company is not aware of any person or persons who, directly or indirectly, acting jointly with

<table>
<tr><th>Element</th><th>Disclosure requirement</th><th>Disclosure</th></tr>
<tr><td></td><td></td><td>others or acting alone, exercised or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may, at a subsequent date, result in a change in control of the Company.</td></tr>
<tr><td>B.7</td><td>Historical key financial information</td><td>
Chesnara
The selected financial information set out below has been extracted without material adjustment from the financial statements contained in the 2013 Financial Statements, 2014 Financial Statements, 2015 Financial Statements, the 2015 Unaudited Interim Financial Statements and the 2016 Unaudited Interim Financial Statements, which have been prepared in accordance with IFRS, that are referred to in Part IX (Historical Financial Information Relating to the Chesnara Group). Prospective investors should review the following selected financial information together with the whole of this document and any documents incorporated by reference herein and should not rely on the selected financial information below.

Consolidated income statement
<table>
<tr><th></th><th colspan="2">Six months ended 30 June</th><th colspan="3">Year ended 31 December</th></tr>
<tr><th></th><th>2016
£000</th><th>2015
£000</th><th>2015
£000</th><th>2014
£000</th><th>2013
£000</th></tr>
<tr><td>Total income net of investment return</td><td>185,761</td><td>261,369</td><td>301,287</td><td>597,627</td><td>734,192</td></tr>
<tr><td>Total expenses net of change in insurance contract provisions and investment contract liabilities</td><td>(183,867)</td><td>(245,976)</td><td>(272,141)</td><td>(566,671)</td><td>(674,134)</td></tr>
<tr><td>Finance costs</td><td>(1,226)</td><td>(1,609)</td><td>(3,457)</td><td>(3,008)</td><td>(3,527)</td></tr>
<tr><td>Share of (loss)/profit of associate</td><td>(428)</td><td>405</td><td>455</td><td>855</td><td>1,252</td></tr>
<tr><td>Profit recognised on business combination</td><td>–</td><td>16,209</td><td>16,644</td><td>–</td><td>2,807</td></tr>
<tr><td>Profit before income taxes</td><td>240</td><td>30,398</td><td>42,788</td><td>28,803</td><td>60,590</td></tr>
<tr><td>Income tax (expense)/credit</td><td>237</td><td>(2,138)</td><td>(3,000)</td><td>(3,228)</td><td>(11,227)</td></tr>
<tr><td>Profit for the period</td><td>477</td><td>28,260</td><td>39,788</td><td>25,575</td><td>49,363</td></tr>
<tr><td>Foreign exchange translation differences</td><td>15,188</td><td>(5,366)</td><td>(173)</td><td>(7,844)</td><td>(516)</td></tr>
<tr><td>Total comprehensive income for the period</td><td>15,665</td><td>22,894</td><td>39,615</td><td>17,731</td><td>48,847</td></tr>
</table>
IFRS pre-tax profits of the Chesnara Group over the period of the selected financial information above are primarily driven by the results of its UK operations, which showed particularly strong results in 2013 in its S&P segment, primarily driven by yield curve changes in that year. Included in the 2013 and 2015 IFRS pre-tax profits are one-off gains arising from the acquisitions of Protection Life (£2.8 million) and the Waard Group (£16.6 million), respectively. The pre-tax results in the 6 months to 30 June 2016 were dominated by the impact of falling bond yields, particularly post the EU referendum decision, which resulted in the UK's S&P segment reporting a loss. Over the
</td></tr>
</table>

Element	Disclosure requirement	Disclosure
		period of the selected financial information above the Swedish division has shown steady growth. Over and above IFRS pre-tax profits, total comprehensive income includes the impact of tax and also foreign exchange translation gains and losses on Chesnara's investments in Sweden and the Netherlands. A large gain was reported in the 6 months to 30 June 2016 arising from depreciation of Sterling against both the Euro and Swedish Krona. **Consolidated balance sheet** *As at 30 June* / *As at 31 December* *2016 £000* / *2015 £000* / *2015 £000* / *2014 £000* / *2013 £000* Intangible assets 118,810 / 109,143 / 109,997 / 109,625 / 123,364 Financial assets 4,930,958 / 4,673,488 / 4,652,231 / 4,588,219 / 4,475,739 Cash 253,369 / 279,813 / 260,863 / 241,699 / 184,263 Other assets 339,556 / 386,871 / 344,711 / 398,503 / 453,342 **Total assets** 5,642,693 / 5,449,315 / 5,367,802 / 5,338,046 / 5,236,708 Insurance contract liabilities 2,260,524 / 2,330,084 / 2,232,083 / 2,308,043 / 2,362,063 Financial liabilities 2,974,884 / 2,672,882 / 2,726,909 / 2,642,015 / 2,508,404 Other liabilities 111,873 / 159,669 / 113,648 / 109,155 / 119,139 **Total liabilities** 5,347,281 / 5,162,635 / 5,072,640 / 5,059,213 / 4,989,606 **Total equity** 295,412 / 286,680 / 295,162 / 278,833 / 247,102 Total assets of Chesnara have increased over the period of the selected financial information above as the Group has grown, primarily through acquisitions and through its open Swedish business. Movements in total Shareholders' equity are driven by IFRS total comprehensive income offset by dividend payments of £20.1 million, £20.7 million and £23.5 million in the years ending 2013, 2014 and 2015 respectively and £15.6 million in the first six months of 2016. In addition, during 2014 Chesnara raised equity of £34.5 million to support the funding of the Waard Group, a transaction that completed during 2015. There has been no significant change in the financial condition and operating results of the Chesnara Group since 30 June 2016, being the date to which the latest unaudited half year financial statements of the Chesnara Group were prepared. ***Legal & General Nederland*** Selected financial information relating to Legal & General Nederland has been extracted without material adjustment from the historical consolidated financial information for the three years ended 31 December 2015 that are referred to in Part X (*Historical Financial Information Relating to Legal & General Nederland*). Prospective investors should review the following selected financial information together with the whole of this document and any documents incorporated by reference herein and should not rely on the selected financial information below.

Element	Disclosure requirement	Disclosure
		Consolidated income statement

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Total income net of investment return	265,364	428,017	314,614
Total expenses net of change in insurance contract provisions	(264,017)	(342,890)	(286,763)
Profit before income taxes	1,347	85,127	27,851
Income tax expense	(1,005)	(21,455)	(7,036)
Profit for the period	342	63,672	20,815
Revaluation of land and buildings	151	(55)	(111)
Revaluation of pension obligations	524	(720)	94
Other comprehensive income	–	(10)	(2)
Total comprehensive income for the period	1,017	62,887	20,796

Over the period of the selected financial information above the IFRS pre-tax profits and total comprehensive income have varied largely as a result of economic conditions, particularly interest rates. This variability can arise because, as is common in the Dutch life insurance market, the liabilities that are held for certain policies are valued using economic assumptions that applied at the point of the policy being sold and are not revalued using updated economic inputs. However, the assets backing such liabilities are valued at fair value, and as such this dynamic can give rise to variability in profits. Total comprehensive income broadly tracks pre-tax profits, with tax being the main difference between the two measures.

Consolidated balance sheet

	As at 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Intangible assets	18,647	23,167	27,485
Financial assets	2,163,296	2,259,025	2,229,758
Cash	51,174	71,391	33,243
Other assets	9,319	8,495	8,914
Total assets	2,242,436	2,362,078	2,299,400
Insurance contract liabilities	1,979,579	1,992,748	1,982,543
Financial liabilities	27,490	45,242	34,451
Other liabilities	75,187	123,925	93,130
Total liabilities	2,082,256	2,161,915	2,110,124
Total equity	160,180	200,163	189,276

Total assets of Legal & General Nederland have remained broadly in line across the period of the selected financial information above. Movements in total shareholder equity between two periods is driven by IFRS total comprehensive income, coupled with the impact of dividend payments. Dividends of €16 million, €52 million and €41 million were made in 2013, 2014 and 2015, respectively.

There has been no significant change in the financial condition and operating results of Legal & General Nederland since 31 December 2015, being the date to which the historical financial information of Legal & General Nederland, as set out in Part X (*Historical Financial Information Relating to Legal & General Nederland*) of this document, was prepared.

Element	Disclosure requirement	Disclosure
B.8	Key pro forma financial information	Selected key unaudited pro forma financial information for the Enlarged Group is set out below. The unaudited pro forma IFRS financial information set out below has been prepared to illustrate the impact of the Acquisition and of associated financing through the Issue and debt financing on the consolidated IFRS income statement, the consolidated net assets and the gearing ratio of the Chesnara Group. The pro forma IFRS financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not and will not present the Enlarged Group's actual financial position or results. The unaudited pro forma IFRS income statement has been prepared to illustrate the effect on earnings of the Company on the basis that the Acquisition and associated financing had taken place on 1 January 2015. **Unaudited pro forma statement of consolidated IFRS income for the Enlarged Group**

		Adjustments		
	Chesnara IFRS income year ended 31 Dec 2015 Note 1	*Legal & General Nederland IFRS income year ended 31 Dec 2015 Note 2*	*Acquisition adjustments Note 3*	*Pro forma total*
		(£ million)		
Insurance premium revenue	114.7	160.5	–	275.2
Insurance premium ceded to reinsurer	(46.8)	(10.9)	–	(57.7)
Net insurance premium revenue	67.9	149.6	–	217.5
Fee and commission income	66.2	–	–	66.2
Net investment return	148.5	42.9	–	191.4
Total revenue net of reinsurance payable	282.6	192.5	–	475.1
Other operating income	18.6	–	–	18.6
Total income net of investment return	301.2	192.5	–	493.7

Element	Disclosure requirement	Disclosure

		Adjustments			
	Chesnara IFRS income year ended 31 Dec 2015 Note 1	*Legal & General Nederland IFRS income year ended 31 Dec 2015 Note 2*	*Acquisition adjustments Note 3*	*Pro forma total*
		(£ million)		
Insurance contract claims and benefits incurred				
Claims and benefits paid to insurance contract holders	(318.7)	(182.0)	–	(500.7)
Net decrease in insurance contract provisions	191.9	9.5	–	201.4
Reinsurers' share of claims and benefits	32.0	6.4	–	38.4
Net insurance contract claims and benefits	(94.8)	(166.1)	–	(260.9)
Change in investment contract liabilities	(100.5)	–	–	(100.5)
Reinsurers' share of investment contract liabilities	0.7	–	–	0.7
Net change in investment contract liabilities	(99.8)	–	–	(99.8)
Fees, commission and other acquisition costs	(20.9)	(7.7)	–	(28.6)
Administration expenses	(41.1)	(17.8)	(3.1)	(62.0)
Other operating expenses				
Charge for the amortisation of acquired value in-force business	(9.3)	–	(12.4)	(21.7)
Charge for the amortisation of acquired value of customer relationships	(0.2)	–	–	(0.2)
Other	(5.9)	–	–	(5.9)
Total expenses net of change in insurance contract provisions and investment contract liabilities	(272.0)	(191.6)	(15.5)	(479.1)
Total income less expenses	29.2	0.9	(15.5)	14.6
Share of profit of associates	0.5	–	–	0.5
Profit on business combinations	16.6	–	22.2	38.8
Financing costs	(3.5)	–	(0.9)	(4.4)
Profit before income taxes	42.8	0.9	5.8	49.5
Income tax expense	(3.0)	(0.7)	2.7	(1.0)
Profit for the year	39.8	0.2	8.5	48.5
Revaluation of land and buildings	–	0.1	–	0.1
Revaluation of pension obligations after tax	–	0.4	–	0.4
Foreign exchange translation differences arising on the revaluation of foreign operations	(0.2)	–	–	(0.2)
Total comprehensive income for the year	39.6	0.7	8.5	48.8

Notes:

(1) The financial information for the Company has been extracted, without material adjustment, from the 2015 Financial Statements.

(2) The financial information for Legal & General Nederland for the year ended 31 December 2015 has been extracted, without material adjustment, from the Historical Financial Information included in Part X of this document.

(3) This column represents the following adjustments:

(a) An adjustment of £3.1 million has been made to the line item "Administrative expenses" to reflect an estimate of the one-off transaction costs incurred. No tax relief is expected to be available on these expenses.

(b) A fair valuation exercise of the assets and liabilities as at the date of acquisition will be performed upon completion. This will include a fair valuation of future cash flows associated with Legal & General Nederland's in-force insurance contracts. The resultant asset will be recognised as Acquired Value of In-Force business ("AVIF") in the

Element	Disclosure requirement	Disclosure
		statement of consolidated financial position. Under the Group's accounting policy, AVIF is amortised over the estimated life of the contracts on a basis which recognises the emergence of the economic benefits. The estimated life of the contracts will not be known until completion of the acquisition. In order to provide an indication of the effect of amortising the estimated AVIF asset and related deferred tax liability shown in the pro forma statement of net assets, management has, for illustrative purposes, assumed that the value of the in-force book at acquisition emerges evenly over a 7 year period. An estimated net of tax annual amortisation charge of £9.9 million (£12.4 million gross, off-set by deferred tax liability amortisation of £2.5 million) has therefore been calculated on a straight line basis. This has resulted in the following adjustments: (i) a £12.4 million charge within the line item "Charge for amortisation of acquired in-force business"; (ii) a £2.5 million credit within the line item "Income tax expense" representing the unwind of the deferred tax liability on the "AVIF". (c) A gain on acquisition of £22.2 million has been included in the pro forma income statement. This has been calculated by taking the difference between the purchase price of £132.4 million and an estimate of the IFRS net assets acquired of £154.7 million. This gain does not represent the amount that will ultimately be reflected in the Chesnara report and accounts upon completion of acquisition as this assessment will need to be performed at the point of completion. (d) A revised facility agreement has been entered into as part of the funding arrangements of the acquisition. As this pro forma information assumes that the acquisition and associated funding took place on 1 January 2015 the pro forma income statement includes an estimate of a full year of interest on the full revised facility estimated as being £2.4 million. In addition to this, loan arrangement fees of £0.8 million will be recognised in the income statement on a straight line basis over the five year loan period, and consequently this pro forma income statement includes a charge of £0.2 million, representing 1 year of amortisation. Off-setting this is a £2.1 million credit, representing the interest charge that was recognised in the 2015 Chesnara accounts on the current loan facility. This has been treated as a credit to avoid double counting interest costs in the pro forma income statement. (e) The tax credit of £2.7 million represents the amortisation of the deferred tax liability (£2.5 million, see (b) above) coupled with a £0.2 million credit relating to the tax affect of the net change in interest costs (see (d) above). (4) The income statement of Legal & General Nederland has been translated into sterling at the average exchange rate for the year ended 31 December 2015 of £1 = Euro 1.38. (5) In preparing the unaudited pro forma IFRS income statement, no account has been taken of the trading activity or other transactions of the Group or Legal & General Nederland since 31 December 2015. (6) In preparing the unaudited pro forma IFRS income statement, no account has been taken of the amortisation of other intangibles or items subject to fair value acquisition accounting, including any gain on acquisition, other than the AVIF as described in note 3(b), on the basis that the actual amortisation charges will not be known until completion of the fair value exercise. (7) All of the adjustments described in Note 3 to the unaudited pro forma income statement will have a continuing impact, with the exception of the adjustment in relation to the one-off transaction costs. The pro forma IFRS financial information is based on the consolidated net assets of Chesnara as at 30 June 2016 and has been prepared on the basis that the Acquisition and associated financing took place on that date. Within this illustration the IFRS net assets of Legal & General Nederland have been taken at 31 December 2015, as extracted from the Historical Financial Information presented in Part X (*Historical Financial Information Relating to Legal & General Nederland*) of this document. The IFRS net assets of Legal & General Nederland have been adjusted for the dividends that have been paid subsequent to 31 December 2015, but have not been adjusted for any profits arising in the six month period to 30 June 2016, or thereafter.

Element	Disclosure requirement	Disclosure

Unaudited pro forma statement of IFRS net assets of the Enlarged Group

(£ millions)	Chesnara net assets 30 June 2016	Legal & General Nederland net assets 31 December 2015 (1)	Adjustments: Debt raise (2)	Adjustments: Equity Raise (3)	Adjustments: Purchase price and transaction costs (4)	Adjustments: Dividends (5)	Adjustments: Acquisition accounting (6)	Pro forma net assets
Assets								
Intangible assets								
Deferred acquisition costs	43.1	15.4	–	–	–	–	(15.4)	43.1
Acquired value of in-force business	67.8	–	–	–	–	–	86.5	154.3
Acquired value of customer relationships	0.8	–	–	–	–	–	–	0.8
Software assets	7.1	–	–	–	–	–	–	7.1
Property and equipment	0.6	4.5	–	–	–	–	–	5.1
Investment in subsidiary	–	–	–	–	132.4	–	(132.4)	–
Investment in associates	4.7	–	–	–	–	–	–	4.7
Investment properties	0.2	1.0	–	–	–	–	–	1.2
Deferred tax assets	–	–	–	–	–	–	–	–
Reinsurers' share of insurance contract provisions	276.3	2.0	–	–	–	–	–	278.3
Amounts deposited with reinsurers	34.6	–	–	–	–	–	–	34.6
Financial assets		–						–
Equity securities at fair value through income	479.5	679.4	–	–	–	–	–	1,158.9
Holdings in collective investment schemes at fair value through income	3,682.4	–	–	–	–	–	–	3,682.4
Debt securities at fair value through income	494.8	1,090.6	–	–	–	–	–	1,585.4
Policyholders' funds held by the group	209.1	–	–	–	–	–	–	209.1
Insurance and other receivables	55.8	16.1	–	–	–	–	–	71.9
Prepayments	6.1	4.6	–	–	–	–	–	10.7
Derivative financial instruments	3.4	–	–	–	–	–	–	3.4
Total financial assets	4,931.0	1,790.7	–	–	–	–	–	6,721.7
Reinsurers' share of accrued policyholder claims	21.4	–	–	–	–	–	–	21.4
Income taxes	1.7	0.3	–	–	–	–	–	2.0
Cash and cash equivalents	253.4	42.4	45.2	66.1	(135.6)	(34.8)	–	236.7
Total assets	5,642.7	1,856.2	45.2	66.1	(3.1)	(34.8)	(61.4)	7,510.9
Liabilities								
Insurance contract provisions	2,260.5	1,638.6	–	–	–	–	–	3,899.1
Other provisions	0.9	–	–	–	–	–	–	0.9
Financial liabilities		–						–
Investment contracts at fair value through income	2,678.2		–	–	–	–	–	2,678.2
Borrowings	83.7	–	45.4	–	–	–	–	129.1
Derivative financial instruments	3.9	22.7	–	–	–	–	–	26.6
Total financial liabilities	2,974.9	22.7	45.4	–	–	–	–	3,043.0
Deferred tax liabilities	7.2	13.2	–	–	–	–	14.2	34.6
Reinsurance payables	6.7	–	–	–	–	–	–	6.7
Payables related to direct insurance and investment contracts	66.8	40.0	–	–	–	–	–	106.8
Deferred income	5.8	–	–	–	–	–	–	5.8
Income taxes	1.7	–	–	–	–	–	–	1.7
Other payables	21.2	9.0	–	–	–	–	–	30.2
Bank overdrafts	1.5	–	–	–	–	–	–	1.5
Total liabilities	5,347.3	1,723.6	45.4	–	–	–	14.2	7,130.5
Net assets	295.4	132.6	(0.2)	66.1	(3.1)	(34.8)	(75.6)	380.4

Notes:

(1) The net assets of Legal & General Nederland have been extracted without adjustment from the financial information included in Part X of this document.

(2) £40 million of sterling and €71 million euros will be raised as a result of an agreement for a new bank facility. £52.8 million of this will be used to settle the Existing Debt Facilities", resulting in an increase of borrowings of £46.2 million. This has been presented net of £0.8 million of arrangement fees.

(3) £70 million (£66.1 million net of related expenses) was raised as the result of placing 23,333,334 New Ordinary Shares to institutional investors, as referred to in Part I of this document.

(4) This represents the acquisition price of Legal & General Nederland of £132.4 million (€160 million) as disclosed in Part V of this document plus estimated transaction costs of £3.1 million.

Element	Disclosure requirement	Disclosure
		(5) In preparing the unaudited pro forma IFRS net asset statement, no account of trading activity or other transactions other than dividends paid to the seller post 31 December 2015 out of the Legal & General Nederland retained earnings as at that date, as follows: (a) A dividend of £19.0 million (€23.0 million) was settled on 9 March 2016. (b) A further dividend of £15.8 million (€19.0 million) was settled on 27 June 2016. (6) Acquisition accounting consists of the following adjustments: (a) Elimination of the deferred acquisition cost asset that is recognised in the Legal & General Nederland balance sheet. Deferred acquisition costs are not recognised on acquisition as they do not meet the recognition criteria under IFRS. This adjustment removes the deferred acquisition costs asset of £15.4 million, less an associated deferred tax liability of £3.1 million. (b) The recognition of an "AVIF" asset (Acquired Value of In-Force business), representing an illustration of the value that has been ascribed to the Legal & General Nederland in-force book. This is not what will ultimately be recognised in the Chesnara Report and Accounts on acquisition as a full assessment will need to be performed at the point of completion. The AVIF asset has been estimated as being £86.5 million on a gross basis, less a deferred tax liability of £17.3 million. (c) Elimination of the cost of the investment in Legal & General Nederland by Chesnara (£132.4 million). This adjustment is required to avoid double counting in the pro-forma net assets statement. (d) The deferred tax liability of £14.2 million is comprised of the £17.3 million deferred tax liability arising upon the creation of the "AVIF" asset described in note (b) above, net of the reversal of the deferred tax liability upon the elimination of the deferred acquisition cost asset described in note (a) above. (e) No other adjustments have been made to the fair values of assets and liabilities acquired, including the recognition of goodwill or other intangible assets, as the necessary re-measurements will not be known until completion. (7) The net assets of Legal & General Nederland and all other Euro amounts have been translated into sterling using the closing exchange rate as at 30 June 2016 of £1 = Euro 1.21.
B.9	Profit forecast or estimate	Not applicable.
B.10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The audit reports on the historical financial information incorporated by reference into this document are not qualified.
B.11	Insufficient working capital	Not applicable. The Company is of the opinion that the working capital available to the Chesnara Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this document. The Company is of the opinion that the working capital available to the Enlarged Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

Section C – Securities

Element	Disclosure requirement	Disclosure
C.1	Type and class of securities	Chesnara is proposing to offer 23,333,334 New Ordinary Shares at 300 pence per New Ordinary Share. When admitted to trading, the New Ordinary Shares will be registered with ISIN number GB00B00FPT80.
C.2	Currency of the securities issue	Pounds sterling.

Element	Disclosure requirement	Disclosure
C.3	Number of shares issued and value per share	As at the Latest Practicable Date the Company has in issue 126,404,892 fully paid Ordinary Shares of 5 pence each.
C.4	Description of the rights attached to the securities	The New Ordinary Shares issued under the Firm Placing and Placing and Open Offer, when issued and fully paid, will be identical to, and rank *pari passu* with, the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission.
C.5	Description of any restrictions on the free transferability of the securities	Not applicable. There are no restrictions on the free transferability of the Ordinary Shares.
C.6	Admission to trading of the securities	Application will be made to the FCA for the New Ordinary Shares to be issued pursuant to the Firm Placing and Placing and Open Offer to be admitted to listing on the premium listing segment of the Official List and application will be made to the London Stock Exchange for the New Ordinary Shares to be issued pursuant to the Firm Placing and Placing and Open Offer to be admitted to trading on its main market for listed securities. Subject to certain conditions being satisfied, it is expected that Admission will become effective on 15 December 2016 and that dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on the same day.
C.7	Dividend Policy	The Chesnara Group is committed to offering its Shareholders an attractive income stream arising from the profits of its life assurance business. In its interim results, which were announced on 30 August 2016, the Chesnara Group declared an interim dividend of 6.80 pence per share, an increase of 2.9 per cent. over the dividend of 6.61 pence declared for the comparable period in 2015.

Section D – Risks

Element	Disclosure requirement	Disclosure
D.1	Key information on the risks specific to the issuer or its industry	• Adverse movements in yields on fixed interest securities could result in a mismatch between the portfolios of fixed interest securities and certain insurance contract liabilities • Counterparty failures could subject the Chesnara Group and, following the Acquisition, the Enlarged Group to losses which cannot be recovered • Competition, regulatory restrictions and an inability to raise acquisition financing in the future may make it difficult for the Enlarged Group to execute its M&A strategy and future acquisitions and disposals, which could have an adverse effect on the Enlarged Group • Significant and prolonged equity market falls could adversely impact the Chesnara Group's and, following completion of the Acquisition the Enlarged Group's, profitability

Element	Disclosure requirement	Disclosure
		• Expense overruns and unsustainable unit cost growth could impact the Chesnara Group's and, following the Acquisition, the Enlarged Group's profitability • Adverse persistency could subject the Chesnara Group and, following the Acquisition, the Enlarged Group to loss of contracts and decrease profitability • Adverse mortality, morbidity and longevity experience could result in an increase in the number of claims being made, which could materially impact the profitability of the Chesnara Group, and following the Acquisition, the Enlarged Group • Fluctuations in currency exchange rates may adversely affect the Chesnara Group's and, following completion of the Acquisition, the Enlarged Group's results of operations and financial condition • Adverse regulatory and legal changes could hinder the Enlarged Group's ability to operate in certain jurisdictions, which could ultimately impact revenues or lead to loss of market share • The thematic review on the fair treatment of long standing customers in the life insurance sector may affect the Chesnara Group's business and, following completion of the Acquisition, the Enlarged Group's business • Along with many other Dutch life insurers, Legal & General Nederland is exposed to litigation risk in relation to potential mis-selling of unit-linked products ("**Woekerpolis**"). Legal & General Nederland may need to pay compensation (or higher compensation, where already paid) to its customers in relation to Woekerpolis • In the context of the Woekerpolis issue, Legal & General Nederland may potentially be exposed to penalties imposed by the AFM in relation to the activation of policyholders • The Chesnara Group is and, following completion of the Acquisition the Enlarged Group will be, subject to extensive and often inconsistent regulation which may increase costs or impact the business model, and, in the event of a breach of such regulations, result in reputational damage, sanctions or the inability to continue to conduct certain lines of business • The Enlarged Group may suffer losses as the result of outsourced service providers failing to fulfil their contractual obligations • The Chesnara Group's and Legal & General Nederland's businesses depend on their ability to attract, train and retain their senior management and highly skilled employees
	Key risks specific to the Acquisition	• The Issue is not conditional upon completion of the Acquisition; if the Issue completes but the Acquisition does not, the proceeds of the Issue will be retained by the Chesnara Group

Element	Disclosure requirement	Disclosure
		• The implementation of the Acquisition is subject to the satisfaction of certain conditions, which may not be satisfied • Only limited and capped warranties and indemnities are provided by the Seller which may not cover all of the potential liabilities associated with Legal & General Nederland, which could in turn impact the Chesnara Group's ability to recover in full from the Seller any losses which it may suffer in respect of a breach of those warranties and/or the indemnities • The Chesnara Group has limited management resources and thus may become distracted or overstretched by the process of integrating and managing the Enlarged Group. There may be unforeseen integration difficulties which could mean that, following completion of the Acquisition, the implementation of the Enlarged Group's strategy may not proceed as expected • The Chesnara Group may incur higher than expected Acquisition-related costs and integration costs • The value of Legal & General Nederland may be less than the consideration paid
D.3	Key information on the risks specific to the securities	• The market value of listed securities may fluctuate and may not reflect the underlying asset value of the Chesnara Group and, following the Acquisition, the Enlarged Group • Shareholders not participating in the Firm Placing will experience dilution in their ownership of the Chesnara Group as a result of the Firm Placing and Shareholders who do not acquire New Ordinary Shares in the Placing and Open Offer will experience further dilution in their ownership of Chesnara Group • Any future Ordinary Share issues may further dilute the holdings of current Shareholders • Any sales of Ordinary Shares by major Shareholders may have an adverse effect on the market price of the Ordinary Shares

Section E – Offer

Element	Disclosure requirement	Disclosure
E.1	Net proceeds and costs of the issue/offer	The total net proceeds of the Firm Placing and Placing and Open Offer are expected by the Company to amount to approximately £66.1 million. The total costs, charges and expenses (including fees and commissions) (exclusive of recoverable VAT) payable by the Company in connection with the Firm Placing and Placing and Open Offer amount to approximately £3.9 million and in connection with the Acquisition are estimated to amount to approximately £3.9 million. The Company intends to pay for all expenses arising from, or in connection with, the Firm Placing and Placing and Open Offer and the Acquisition. There are therefore no expenses to be charged by the Company to Shareholders who participate in the Firm Placing and Placing and Open Offer.

Element	Disclosure requirement	Disclosure
E.2	Reasons for offer and use of proceeds	The Directors previously identified that the Dutch insurance market was an attractive market to enter due to its highly fragmented characteristics offering the opportunity for consolidation, as well as the Netherlands having a similar regulatory environment to that of the UK. Since the Chesnara Group's entry into the Dutch insurance market (following its successful acquisition of the Waard Group in May 2015), Chesnara has stated its intention to build the Chesnara Group's presence in the Dutch insurance market and has continued to investigate opportunities for value-enhancing acquisitions. Chesnara has a proven track record of acquiring and integrating insurance companies in accordance with the Chesnara Group's strict acquisition criteria and converting these into strong returns to Shareholders. The acquisition of Legal & General Nederland is consistent with Chesnara's three core strategic objectives: • *Maximise value from in-force books* Legal & General Nederland is expected to enhance the future cash flows available for distribution to Shareholders, achieved through the generation of profits combined with the expected reduction of capital requirements. • *Acquire life and pension businesses* A key attraction of the recent acquisition of the Waard Group in the Netherlands was the opportunity it created for Chesnara to replicate its previously successful and proven UK consolidation strategy in the Dutch insurance market. The Acquisition is a logical next step for Chesnara pursuing this strategy. The Acquisition is at a 33 per cent. discount to EcV and hence is value accretive in its own right but, in addition, it significantly increases Chesnara's operational scale bringing 170,600 policies and €2.2 billion assets under management and as a result its prospects for further acquisition activity in the Netherlands. • *Enhance value through new business* Legal & General Nederland is open to new business and presents an opportunity for Chesnara to generate profits from an appropriately targeted and profitable product offering. The benefits of a philosophy that focuses on profitability rather than sales volume are evidenced by the successful new business operation in Movestic, which has been built upon realistic target market shares. The Company intends to raise gross proceeds of approximately £70 million through the Firm Placing and Placing and Open Offer of 23,333,334 New Ordinary Shares at the Issue Price. The Company intends to use the net proceeds of the Firm Placing and Placing and Open Offer to part fund the acquisition of Legal & General Nederland and to satisfy the associated acquisition costs (including adviser fees). In the event that the Acquisition does not complete, the Board intends that the net proceeds of the Issue, after satisfying the expenses related to the Issue and the Acquisition (estimated to amount to approximately £7.8 million), will be used to execute

Element	Disclosure requirement	Disclosure
		other acquisition opportunities. The Board believes there are a number of such potential acquisition opportunities within the Dutch and wider European insurance markets. Pending utilisation of the proceeds of the Firm Placing and Placing and Open Offer, monies will be used to strengthen the balance sheet and for working capital purposes in supporting the Chesnara Group's strategy, but to the extent that opportunities for such acquisitions or further capital expenditure are not identified by the Board, the Board will review the Chesnara Group's funding structure and will consider its options, which will include the return of surplus cash to its shareholders in as tax efficient a manner as possible.
E.3	Terms and conditions of the offer	The Company intends to raise gross proceeds of approximately £70 million through the Firm Placing and Placing and Open Offer of 23,333,334 New Ordinary Shares at the Issue Price. The Firm Placing and Placing and Open Offer is conditional upon, amongst other things, Admission becoming effective by not later than 8.00 a.m. on 15 December 2016 (or such later time and/or date as the Company may agree with the Banks, not being later than 8.00 a.m. on 29 December 2016). The Issue Price represents a discount of £0.09 (2.9 per cent.) to the closing middle market price of £3.09 per Existing Ordinary Share on the London Stock Exchange on 23 November 2016 (being the last trading day prior to the announcement of the Firm Placing and Placing and Open Offer). The Joint Bookrunners have agreed, pursuant to the Sponsor and Placing Agreement, to conditionally place all the Open Offer Shares at the Issue Price with institutional and other investors. The commitments of these placees are subject to clawback in respect of valid applications for Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer. Subject to the Placing and Open Offer not being terminated, any Open Offer Shares which are not applied for in respect of the Open Offer will be issued to placees procured by the Joint Bookrunners, or failing which, to the Joint Bookrunners, in each case at the Issue Price, with the net proceeds retained for the benefit of the Company. Qualifying Shareholders are being given the opportunity to apply for the Open Offer Shares at the Issue Price on and subject to the terms and conditions of the Open Offer, *pro rata* to their holdings of Existing Ordinary Shares on the Record Date on the following basis: 3.69 New Ordinary Shares for every 100 Existing Ordinary Shares Fractions of New Ordinary Shares will not be allotted and each Qualifying Shareholder's entitlement under the Open Offer will be rounded down to the nearest whole number. Fractional entitlements will be aggregated and made available in the Excess Application Facility. Accordingly, Qualifying Shareholders with fewer than 28 Existing Ordinary Shares will not have the opportunity to participate in the Open Offer.

Element	Disclosure requirement	Disclosure
		The New Ordinary Shares issued under the Placing and Open Offer, when issued and fully paid, will be identical to, and rank *pari passu* with, the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission. Qualifying Shareholders may apply for any whole number of New Ordinary Shares up to their maximum entitlement which, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Basic Open Offer Entitlements as shown on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Basic Open Offer Entitlements standing to the credit of their stock account in CREST. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their Basic Open Offer Entitlements. Qualifying Shareholders who have taken up their Basic Open Offer Entitlement in full may apply for Excess Shares using the Excess Application Facility. Qualifying Non-CREST Shareholders wishing to apply to subscribe for Excess Shares may do so by completing the relevant sections on the Application Form. Qualifying CREST Shareholders who wish to apply to subscribe for more than their Basic Open Offer Entitlements will have Excess Basic Open Offer Entitlements credited to their stock account in CREST. Excess applications will be satisfied only to the extent that corresponding applications for Basic Open Offer Entitlements are not made by other Qualifying Shareholders or are made for less than their *pro rata* entitlements. The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. If there is an oversubscription resulting from excess applications, allocations in respect of such excess applications will be scaled down *pro rata* to the number of Excess Shares applied for under this Excess Application Facility by Qualifying Shareholders and no assurances can be given that the applications by Qualifying Shareholders will be met in full, in part or at all.
E.4	Material interests	Not applicable. There are no interests (including conflicts of interest) known to the Company which are material to the Firm Placing and Placing and Open Offer or the Acquisition.
E.5	Name of person selling securities/lock-up agreements	Not applicable. The Firm Placing and Placing and Open Offer comprises of New Ordinary Shares being issued by the Company and no lock-up agreements have been executed.
E.6	Dilution	All Shareholders not participating in the Firm Placing will be diluted. Qualifying Shareholders who take up their *pro rata* entitlement in full will experience a dilution of 12.5 per cent. as a result of the Firm Placing. A Qualifying Shareholder (or a Shareholder in the United States or an Excluded Territory who is not eligible to participate in the Open Offer) that does not take up any Open Offer Shares under the Open Offer will experience a

Element	Disclosure requirement	Disclosure
		dilution of 15.6 per cent. as a result of the Firm Placing and Placing and Open Offer.
E.7	Expenses charged to the investor	Not applicable. No expenses will be directly charged to the investor by the Company.

RISK FACTORS

Any investment in the New Ordinary Shares is subject to a number of risks. Shareholders and prospective investors should consider carefully the factors and risks associated with any investment in the New Ordinary Shares, the Chesnara Group's and, following the Acquisition, the Enlarged Group's, business and the industry in which they operate, together with all other information contained in this document and all of the information incorporated by reference into this document, including, in particular, the risk factors described below.

A number of factors affect the operating results, financial condition and prospects of each of the Chesnara Group and Legal & General Nederland and, following completion of the Acquisition, will affect the Enlarged Group. The risks described below are based on information known at the date of this document and are not an exhaustive list or explanation of all risks which investors may face when making an investment in the New Ordinary Shares and should be used as guidance only. Additional risks and uncertainties, which are currently unknown to Chesnara or that Chesnara does not currently consider to be material, may materially affect the business of the Chesnara Group, Legal & General Nederland and/or the Enlarged Group and could have material adverse effects on the business, financial condition, results of operations and prospects of the Chesnara Group, and/or the Enlarged Group. If any, or a combination of, the following risks actually materialise, the business, reputation, financial condition, operating results and prospects of the Chesnara Group and, following the Acquisition, the Enlarged Group and the share price of the Company could be materially and adversely affected and Shareholders may lose all or part of their investment.

Prospective investors should note that the risks relating to the Chesnara Group, Legal & General Nederland and following the Acquisition, the Enlarged Group, the industry in which they operate and the New Ordinary Shares summarised in the section of this document headed "Summary" are the risks that the Directors and the Company believe to be the most essential to an assessment by a prospective investor of whether to make an investment in the New Ordinary Shares. However, as the risks which the Chesnara Group, Legal & General Nederland and following the Acquisition, the Enlarged Group face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

Prospective investors should review this document carefully and in its entirety (together with any documents incorporated by reference into it) and consult with their professional advisers before acquiring any New Ordinary Shares. For the avoidance of doubt, nothing in this section constitutes a qualification of the working capital statement contained in paragraph 12 of Part XIV (Additional Information) of this document.

SECTION A: RISKS RELATING TO THE BUSINESS AND INDUSTRY IN WHICH CHESNARA AND LEGAL & GENERAL NEDERLAND OPERATE AND, FOLLOWING THE ACQUISITION, THE ENLARGED GROUP WILL OPERATE

Adverse movements in yields on fixed interest securities could result in a mismatch between the portfolios of fixed interest securities and certain insurance contract liabilities

The Chesnara Group and Legal & General Nederland each maintain portfolios of fixed interest securities (i) in order to match their insurance contract liabilities in terms of yield and cash flow characteristics, and (ii) as an integral part of the investment funds they manage on behalf of policyholders and investors. The Company's exposure to movements in yields on fixed interest securities will be increased as a result of the Acquisition. The Chesnara Group and Legal & General Nederland are, and following the Acquisition, the Enlarged Group will be, exposed to the risk of mismatch losses arising from either a failure to match insurance contract liabilities or from the fact that sharp and discrete fixed interest yield movements may not be associated fully and immediately with corresponding changes in actuarial valuation interest rates. The key financial risk in the long term is that proceeds from the Enlarged Group's financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts, especially those with guaranteed returns. The Acquisition will add further to the portfolio of policies that offer guaranteed returns. If such risks

materialise they may have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations.

Counterparty failures could subject the Chesnara Group and, following the Acquisition, the Enlarged Group to losses which cannot be recovered

The Chesnara Group carries significant inherent risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Chesnara Group is exposed to counterparty risk are:

- reinsurers' share of insurance liabilities;
- amounts deposited with reinsurers in relation to investment contracts;
- amounts due from reinsurers in respect of claims already paid; and
- counterparty risk with respect to its fixed interest security portfolio.

The proposed acquisition of Legal & General Nederland would increase the Company's exposure to counterparty failure risk in respect of both the holding of fixed interest securities and amounts due from reinsurers. In particular, Legal & General Nederland has a material exposure to bonds issued by peripheral European governments. Such failures could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations.

Competition, regulatory restrictions and an inability to raise acquisition financing in the future may make it difficult for the Enlarged Group to execute its M&A strategy and future acquisitions and disposals, which could have an adverse effect on the Enlarged Group

The Enlarged Group's strategy includes the disciplined acquisition of life fund companies and portfolios in order to offset the natural decline inherent in a largely closed book business as well as to grow the business and create additional value from scale advantages.

The Enlarged Group's ability to acquire life fund companies and portfolios will depend upon a number of factors, including its ability to identify suitable acquisition opportunities, its ability to consummate acquisitions on favourable terms and the Enlarged Group's ability to obtain financing to make acquisitions and support growth. Additionally the Enlarged Group's ability to obtain required regulatory consents from relevant regulatory authorities for acquisitions, disposals and insurance business transfers under Part VII of FSMA will depend on, amongst other things, the financial condition of the Enlarged Group, the financial implications of any acquisition on the Enlarged Group, the impact of such implications on new and existing policyholders and wider risks to policyholder security as a result of the financial condition of the Enlarged Group.

There are other life fund consolidators as well as a number of other potential purchasers, including other insurance companies, banks, hedge funds and private equity firms, which 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 Enlarged Group's ability to make acquisitions.

In connection with any future acquisitions, the Enlarged 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.

If the Enlarged Group is unable to acquire additional life fund companies and portfolios in line with its strategy in the medium to long term or successfully meet the challenges associated with any future acquisitions or disposals, this could have a material adverse effect on the Enlarged Group's business, results, financial condition and prospects.

Significant and prolonged equity market falls could adversely impact the Chesnara Group's and, following completion of the Acquisition the Enlarged Group's, profitability

A significant proportion of the Chesnara Group's income and, therefore, overall profitability derives from fees received in respect of the management of policyholder and investor funds. Fee levels are generally proportional to the value of funds under management and, as the managed investment funds overall comprise a significant equity content, the Chesnara Group is exposed to the impact of significant and prolonged equity market falls. In addition, depressed equity values may lead to policyholders switching to lower-margin, fixed-interest funds. Legal & General Nederland holds a significant proportion of its shareholder funds in equities and hence its profits are directly exposed to the movement in equity values. For these reasons, significant and prolonged equity market falls could adversely impact the Chesnara Group's and, following completion of the Acquisition the Enlarged Group's, business, prospects and financial condition.

Expense overruns and unsustainable unit cost growth could impact the Chesnara Group's and, following the Acquisition, the Enlarged Group's profitability

The effective management of expenses in closed life insurance business and the effective pricing of products in respect of open life insurance business are both critical to the Chesnara Group, Legal & General Nederland and, following the Acquisition, the Enlarged Group. Through its UK and Dutch closed insurance businesses, the Chesnara Group is exposed to the impact of fixed and semi-fixed expenses, in conjunction with a potentially diminishing policy base, on profitability. Chesnara's open life insurance business in Movestic and Legal & General Nederland's Dutch open life business are both exposed to the impact of expense levels varying adversely from those assumed in product pricing and consequently this poses a risk to the Enlarged Group following the completion of the Acquisition. In particular, Legal & General Nederland is exposed to potential movements in its annual costs associated with funding future service benefit pension arrangements.

Any significant cost increases against fixed and semi-fixed expenses in the closed life business or adverse variations between actual expenses and those estimated at product pricing in the open life business will expose the Chesnara Group, Legal & General Nederland and following the Acquisition the Enlarged Group, to losses that could have a material adverse effect on their business, prospects, financial condition and results of operations.

Adverse persistency could subject the Enlarged Group to loss of contracts and decrease profitability

Persistency risk is the risk that the policyholder cancels the contract or discontinues paying new premiums into the contract, thereby exposing the Enlarged Group to losses resulting from adverse movements in actual experience compared to that expected in product pricing or from lower future levels of management fees. There remains uncertainty as to whether the Chesnara Group's core assumptions relating to policy persistency will prove to be sufficient, as rates of persistency may be impacted by unexpected or unforeseen events such as the AFM's so-called 'activation program' which was introduced in 2012 and sets targets for Dutch life insurers such as Legal & General Nederland to inform current and former policyholders that Woekerpolis issues might exist in relation to any policies concluded between them and Legal & General Nederland, the first deadline for which is believed to have led to an increase in lapses (whilst such lapses did not lead to any significant losses for Legal & General Nederland, the AFM has set further targets under its activation program which remain relevant to Legal & General Nederland, the deadlines for which have been set at the end of 2016 and the end of 2017 and therefore there is a risk of losses for the remainder of the 'activation program'). Such a decrease in persistency could materially affect the financial results of the Enlarged Group and may ultimately affect the trading price of the Ordinary Shares.

Adverse mortality, morbidity and longevity experience could result in an increase in the number of claims being made, which could materially impact the profitability of the Chesnara Group, and following the Acquisition, the Enlarged Group

The primary insurance activity carried out by each of the Chesnara Group and Legal & General Nederland comprises the assumption of risks relating to life, accident, health and financial perils that may arise from an insurable event. As such, the Acquisition will increase the exposure of the Enlarged Group to the uncertainty surrounding the timing and severity of claims under contracts where death or critical illness is the insured risk. Under such contracts, the most significant factors that could increase the overall frequency of claims include epidemics or wide-spread changes in lifestyle, such as eating, smoking and exercise habits, resulting

in earlier or more claims than expected and resulting in a materially adverse effect on the profitability of the Enlarged Group.

For contracts with fixed benefits and fixed future premiums, there are no mitigating terms and conditions that could reduce the insurance risk accepted by Legal & General Nederland or the Chesnara Group. Such contracts where the benefits and also future premiums are fixed leave no scope for Legal & General Nederland or the Chesnara Group to mitigate their insurance risk, and any changes to the original assumptions on which such contracts were priced could have a material adverse effect on the profitability of the Enlarged Group.

Where the Chesnara Group or Legal & General Nederland has the ability to mitigate the insurance risk through changing charges and premiums, failure to act in a timely manner to changing information could adversely affect the profitability of the Enlarged Group and in the case of a major epidemic it may be impossible to recoup the costs of resulting claims.

Adverse morbidity, mortality and longevity is a risk to the Enlarged Group. To the extent that actual mortality or morbidity rates vary from the assumptions underlying product pricing, the Enlarged Group will accrue less profit. The Enlarged Group is exposed to mortality and morbidity risk and therefore to fluctuations in the timing, frequency and severity of insured events and their ultimate settlement, relative to the expectations at the time of underwriting, though these risks are materially reduced through reinsurance. Such expectations include those driven by inaccurate pricing, inappropriate underwriting guidelines and terms and conditions and holding inadequate reserves. As such, adverse morbidity, mortality and longevity could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations.

Fluctuations in currency exchange rates may adversely affect the Chesnara Group's and, following completion of the Acquisition, the Enlarged Group's results of operations and financial condition

The Chesnara Group operates internationally and is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies through Movestic (the assets and liabilities of which are principally denominated in Swedish Krona) and the Waard Group (the assets and liabilities of which are principally denominated in Euros).

The Chesnara Group's currency risk through its ownership of Movestic and the Waard Group is reflected in:

- foreign exchange translation differences arising on the translation into sterling and consolidation of Movestic and the Waard Group's financial statements; and
- the impact of adverse exchange rate movements on cash flows between Chesnara and its foreign subsidiaries.

The effect of exchange rate fluctuations on local operating results could lead to significant fluctuations in the Enlarged Groups' consolidated financial statements upon translation of the results into sterling. Any adverse foreign currency exchange rate fluctuation may also have a material adverse effect on the Chesnara Group's and, following completion of the Acquisition, the Enlarged Group's regulatory capital surplus under, amongst other things, the individual capital assessment required by the PRA in the United Kingdom.

Adverse regulatory and legal changes could hinder the Enlarged Group's ability to operate in certain jurisdictions, which could ultimately impact revenues or lead to loss of market share

The Chesnara Group and Legal & General Nederland operate in jurisdictions which are currently subject to significant change arising from regulatory and legal requirements. These may either be of a local nature, or of a wider nature, following from EU-based regulation and law. The Chesnara Group is currently under investigation by the FCA in connection with the Countrywide Assured specific investigation whereby the FCA are considering the appropriateness of Chesnara's level of disclosure regarding exit charges, paid-up charges and early transfer charges to its customers holding closed book products.

There is currently uncertainty on issues as to their full impact on the Chesnara Group and these include:

- the implementation and embedding of Solvency II requirements;

- the FCA's review of legacy business;
- whether onerous capital buffer requirements would be imposed by the Dutch Central Bank (De Nederlandsche Bank) ("**DNB**"), the Dutch regulator relating to capital plans; and
- the UK government's plans to execute the UK's exit from the European Union.

The Enlarged Group also faces the risk that the PRA, FCA, FI, DNB, SFSA, AFM or another governmental or regulatory body could find it has failed to comply with applicable regulations or has not undertaken corrective action as required which may result in public reprimand and/or monetary fines, adverse publicity for or negative perceptions regarding the Enlarged Group as well as diverting management's attention from the day-to-day operations of the business. Such insurance laws, regulations, policies and any pursuant action affecting the Enlarged Group could have a material adverse effect on its business, prospects, financial condition and results of operations.

The thematic review by the FCA on the fair treatment of long standing customers in the UK life insurance sector may impact profitability, affect the Chesnara Group's business and, following completion of the Acquisition, the Enlarged Group's business

The Chesnara Group's UK subsidiary, Countrywide Assured, charges a minority of customers "exit charges", when transferring their pension and investment policies to another provider or "paid-up charges" when realising their pension benefits prior to their specified retirement date.

On 3 March 2016, the FCA published a thematic review report on the fair treatment of long standing customers in the life insurance sector. The review does not draw final conclusions as to what changes for the future and/or remediation in respect of historic practices might be necessary and the FCA has undertaken to carry on further work in this area. It is possible that the FCA may take the view that increasing the level of information provided to the customer will not mitigate the concerns listed above, meaning that a reduction or restructuring in the charges may be required. Given that the Chesnara Group's operations apply exit charges and paid-up charges, the Chesnara Group anticipates that these proposals, if put forward, are likely to have an impact on the Chesnara Group and, following completion of the Acquisition, the Enlarged Group.

More recently, the FCA announced on 15 November 2016 conclusions from its consultation launched in May 2016 on proposals to cap early exit pension charges, both for existing personal and stakeholder pension schemes that contain an early exit charge (where it was proposed the cap would be 1 per cent. of policy value) and also new personal and stakeholder pension schemes (where it was proposed that no exit charge would be permitted).

The FCA has confirmed its previous proposals will be implemented and amongst them the 1 per cent. cap on early exit pension charges for existing schemes will be introduced from 31 March 2017. The Chesnara Group's 2016 Unaudited Interim Financial Statements published on 30 August 2016 make allowance for the introduction of the 1 per cent. cap.

Countrywide Assured is the subject of a Section 167(1)(b) investigation into the disclosure of paid up charges, exit charges and early transfer charges by the FCA. The investigation has been disclosed to the market by the Company.

Based on the work undertaken to date c. 274,000 policies are in-scope of the investigation:

- c. 68,000 were surrendered, transferred or paid up
- Charges were only imposed in c. 13,300 of these (5 per cent. of in-scope policies)
- An exit, surrender or paid up charge was imposed in relation to c. 2,600 policies (1 per cent.).
- The charge imposed for the remaining c. 10,700 policies (4 per cent.) was in relation to already accrued but not yet paid capital or initial unit charges.

The FCA has not yet notified Chesnara of its final conclusions regarding the effect of the review and any connected follow up work in respect of Chesnara. The Directors believe such final conclusions may be reached in 2017, although completion of any follow up work (which may include any necessary customer

remediation) is likely to take longer. There remains a risk that as a result of the outcome of the investigation, Chesnara may incur costs as a result of financial penalties and/or providing compensation or remediation to customers.

Along with many other Dutch life insurers, Legal & General Nederland is exposed to litigation risk in relation to potential mis-selling of unit-linked products ("*Woekerpolis*"). Legal & General Nederland may need to pay compensation (or higher compensation, where already paid) to its customers in relation to Woekerpolis

In line with all other life insurance companies operating in the Netherlands, Legal & General Nederland was engaged in marketing products (through IFAs) where some features and costs of certain policies were deemed to lack transparency for customers. Legal & General Nederland is of the opinion that, in almost all cases, it informed its policyholders in a transparent manner and in line with legislative and regulatory requirements in effect during the term of the policy contracts (including legislative or regulatory changes). Therefore, Legal & General Nederland provided compensation to those policyholders where it did not act in line with requirements, according to its self-assessment.

Legal & General Nederland's approach was different from the approach adopted by most large insurers in the Netherlands which granted all their unit-linked policyholders compensation, regardless of whether there was a (legal) basis for compensation. Legal & General Nederland only compensated policyholders who actually qualified for compensation under its own criteria and used the Aegon compensation scheme (the highest-compensation benchmark at the time the Dutch Ombudsman started his investigation on the mis-selling practices) as the basis for the compensation paid. The compensation approach adopted by Legal & General Nederland differs from market practice, but Legal & General Nederland believes that its approach is defensible as it was more consistently transparent in its product sales approach when compared with other Dutch insurers.

Although Legal & General Nederland believes the risk of being obliged to compensate additional policyholders for Woekerpolis practices to be remote, there is a risk that Legal & General Nederland's policyholders will demand (higher) compensation in the future. There can be no certainty as to the overall exposure of Legal & General Nederland and, following completion of the Acquisition, the Enlarged Group. The Enlarged Group may suffer losses as a result of such claims following completion of the Acquisition. Legal & General Nederland has made a provision for €140,000 in respect of possible compensation payments at the maturity of eligible policies. An indemnity is also being given by the Seller to the Buyer in the Acquisition Agreement in respect of up to €60 million of losses or damages suffered by Legal & General Nederland for Woekerpolis practices. The indemnity is subject to a risk-sharing arrangement and both the indemnity and risk-sharing arrangement shall run for three years following completion of the Acquisition. The total potential maximum liability of the Seller under the indemnity and risk-sharing arrangement is €48 million. For further information on the indemnity and risk-sharing arrangement, see Part II (*Principal Terms of the Acquisition*) of this document The Enlarged Group's business, prospects, financial condition and results of operations could be impacted by this risk that in theory may go beyond the indemnity that has been provided by the Seller against this risk in the Acquisition Agreement.

In the context of the Woekerpolis issue, Legal & General Nederland may potentially be exposed to penalties imposed by the AFM in relation to the activation of policyholders

As is the case with many other Dutch insurers, Legal & General Nederland runs a so-called 'activation program' aimed at informing former and current policyholders of Legal & General Nederland that Woekerpolis issues might exist in relation to any policies concluded between Legal & General Nederland and such policyholders. It appears that Legal & General Nederland scores below average with regards to the quality of such 'activation program'. Although there is no indication that the AFM will actively pursue this, under new legislation, Legal & General Nederland may in theory be exposed to penalties due to the quality of the 'activation program'. These penalties may potentially be in the amount of €500,000 to €1 million although the AFM has a large discretion in determining the appropriate measure and any measures imposed by the AFM will be proportionate to the nature, duration and gravity of the breach. The AFM will usually take into consideration whether the breach was a 'first offence' and normally issues a warning first. However, provision has been made by Legal & General Nederland for possible compensation to be paid out at maturity of eligible policies.

The Chesnara Group is and, following completion of the Acquisition the Enlarged Group will be, subject to extensive and often inconsistent regulation which may increase costs or impact the business model, and, in the event of a breach of such regulations, result in reputational damage, sanctions or the inability to continue to conduct certain lines of business

The Chesnara Group currently operates in three regulatory domains and is therefore exposed to inconsistent application of regulatory standards across its divisions, such as the imposition of capital buffers higher than regulatory minimums. The potential consequences of this inconsistency for the Chesnara Group and, following completion of the Acquisition the Enlarged Group, are that the efficient and fluid use of capital within the Chesnara Group is constrained, or that it creates a non-level playing field with respect to future deal assessments.

Additionally, UK citizens recently voted in favour of the UK leaving the EU (commonly referred to as "**Brexit**"). Depending on the exit terms negotiated between EU member states and the UK, following Brexit the Chesnara Group and, following completion of the Acquisition the Enlarged Group, could face a period of possibly prolonged uncertainty regarding aspects of the UK's regulatory regime. The effect of these risks could lead to an increase in regulatory compliance and operating costs for the Chesnara Group and any of these factors could have a material adverse effect on the Chesnara Group's and, following completion of the Acquisition the Enlarged Group's, business, prospects, financial condition and results of operations.

The Enlarged Group may suffer losses as a result of outsourced service providers failing to fulfil their contractual obligations

The operating model of the Chesnara Group's UK life and pensions businesses is heavily dependent on outsourced service providers to fulfil a significant number of their core functions. The Chesnara Group intends to keep in place the current asset management services contract that Legal & General Nederland has in place with LGIM for a period of four years. In the event of failure by any of these service providers including LGIM to fulfil their contractual obligations, in whole or in part, to the requisite standards specified in the contracts, the Chesnara Group and, following completion of the Acquisition the Enlarged Group, may suffer losses as their functions degrade, which could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations.

The Chesnara Group's and Legal & General Nederland's businesses depend on their ability to attract, train and retain their senior management and highly skilled employees

The continued success of the Chesnara Group and Legal & General Nederland and, following completion of the Acquisition the Enlarged Group, depends on their ability to attract, motivate and retain highly skilled managers and finance, actuarial, compliance, IT and customer services personnel. The loss of key personnel from these businesses may have a material adverse effect on their ability to manage the books of the business because it may result in the loss of their technical and management skills, as well as their knowledge of the legacy issues of each business. The Enlarged Group will also be reliant on key personnel of Legal & General Nederland pending full and effective integration following completion of the Acquisition. The inability to attract and/or retain the necessary highly skilled personnel could therefore have a material adverse effect on the Chesnara Group's and, following completion of the Acquisition, the Enlarged Group's business, prospects, financial condition and results of operations.

Failure to deliver secure IT systems and to combat cyber and other security risks to information and physical sites could adversely affect the ability of the Enlarged Group to win future contracts and in the event of a breach of security could lead to business disruption and reputational damage

The ability of the Chesnara Group and Legal & General Nederland to deliver secure IT and other information assurance systems designed to protect personal data or customer or company confidential information is a key factor for customers. Despite operating controls that seek to ensure the confidentiality of such information, the Chesnara Group and/or Legal & General Nederland may breach restrictions or may be subject to attack from computer programmes or malicious or hostile third parties that attempt to penetrate their respective network security and misappropriate confidential information. Due to advances in these programmes, IT capabilities and other developments, there is no guarantee that, following completion of the

Acquisition, the Enlarged Group's security measures will be sufficient to prevent future breaches or cyber-attacks. In addition, the risk of loss of information or data by other means due to a failure to keep it safe at all times and within their custody or control is a risk that cannot be entirely eliminated. Any such breach or compromise of security or a breach of security at a physical site could lead to loss of reputation, disruptions in business operations and inability to meet contractual obligations and negatively impact the Chesnara Group's, Legal & General Nederland's and, following the Acquisition, the Enlarged Group's ability to win future contracts and as a result have a material adverse effect on their business, prospects, financial condition and results of operations.

Change of control/ownership of Legal & General Nederland together with a failure of the brand transition strategy may lead to an adverse impact on the financial condition of the Company

Legal & General Nederland has been under the ownership of the Legal & General Group for 32 years and is a well-known brand in the Dutch assurance market amongst brokers. A change of ownership and subsequent brand transition strategy may not take effect as planned or be successful in retaining existing policyholders or generating new business, resulting in a material adverse effect on Legal & General Nederland's and, following completion of the Acquisition the Enlarged Group's, business, prospects, financial condition and results of operations.

The Enlarged Group's focus on new business could create operational and financial challenges

The Acquisition will increase the Enlarged Group's new business operations and thereby increase the potential for challenges associated with writing profitable new business. In addition, should circumstances arise that result in a change of strategy with Legal & General Nederland closing to new business, there are consequential risks in terms of an adverse lapse rate impact or an increase in costs apportioned to the maintenance of the in-force book.

There is a risk that despite a strong discipline regarding seeking realistic new business volumes and having a "ring fenced" management structure, the Enlarged Group's increased focus on new business could detract from its core specialism of acquiring and managing closed books which could have a detrimental impact on the Chesnara Group's and, following completion of the Acquisition the Enlarged Group's, business, prospects, financial condition and results of operations.

Legal & General Nederland currently has a defined benefit pension scheme and there is a risk that Legal & General Nederland may be required to increase its contributions to cover an increase in the cost of funding future pension benefits or to cover any funding shortfalls in the future

Legal & General Nederland offers its employees the following defined benefit plans: a pension plan for "office based employees" (*binnendienst*) and a pension plan for "non-office based employees" (*buitendienst*) (the "**Plans**"). As at 31 December 2015, both plans had a funding surplus of EUR 162,000 under IAS 19. There is a risk that Legal & General Nederland may be required to increase its contributions to cover an increase in the cost of funding future pension benefits or to cover any funding shortfalls in the future.

Measurement of the cost of the Plans for funding purposes and accounting purposes is dependent on market conditions and actuarial assumptions outside Legal & General Nederland's, and following completion of the Acquisition the Enlarged Group's, control. Adverse experience in equity and other investment markets and increases in longevity and mortality rates may also have a negative effect on the funding positions of the Plans. Any worsening of the funding position of the Plans would require the total amount of Legal & General Nederland's contributions to increase which could have an adverse impact on the business, financial condition and the results of operations of Legal & General Nederland's, and following completion of the Acquisition, the Enlarged Group's.

For the purposes of its annual accounts, Legal & General Nederland is required to make certain year-end assumptions regarding the Plans in accordance with IAS. The reported accounting values for pension assets and liabilities can change from one reporting period to the next depend on several factors, including factors outside Legal & General Nederland's control, such as changes in discount rates, interest rates, inflation rates, the market performance of the diversified investments underlying the Plans and actuarial data (including mortality rates). Such changes may have a material adverse effect on Legal & General Nederland's, and

following completion of the Acquisition the Enlarged Group's business, prospects, financial condition and results of operations.

SECTION B: RISKS RELATING TO THE ACQUISITION

The Issue is not conditional upon completion of the Acquisition; if the Issue completes but the Acquisition does not, the proceeds of the Issue will be retained by the Chesnara Group

It is possible that the Acquisition could cease to be capable of completion, in particular if any of the conditions precedent to completion are not satisfied in accordance with the Acquisition Agreement even following Admission of the New Ordinary Shares and the Firm Placing and Placing and Open Offer becoming wholly unconditional. In this case, as the Firm Placing and Placing and Open Offer is not conditional upon completion of the Acquisition, the Issue would still be completed and funds would be raised by the Chesnara Group.

In the unlikely event that the Firm Placing and Placing and Open Offer proceeds but the Acquisition does not complete, the Directors' current intention is that the proceeds of the Issue will be invested and/or applied to manage the Chesnara Group's debt and cash position on a short term basis while the Directors evaluate other acquisition opportunities and, if no acquisitions can be found on acceptable terms, the Directors will consider how best to return surplus capital to Shareholders. Such a return could carry fiscal costs for certain Shareholders, will have costs for the Chesnara Group and would be subject to applicable securities laws.

Completion of the Acquisition is subject to the satisfaction of certain conditions, which may not be satisfied

Completion of the Acquisition is subject only to the satisfaction of the following conditions:

- successful completion of the works council consultation process in the Netherlands;
- obtaining a declaration of no objection (*verklaring van geen bezwaar*) from the DNB as the local Dutch regulator, in relation to the Acquisition in accordance with Article 3.95 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) which itself will confirm that the PRA, as the group supervisor, has no objections to the Acquisition;
- the resignation of certain nominated individuals from the supervisory board of Legal & General Nederland and replacement with other nominated individuals as supervisory board members of Legal & General Nederland, one of whom shall become chairman, with effect from completion of the Acquisition;
- the resignation of a nominated current member of the management board of Legal & General Nederland, effective as of the earlier of (i) 1 April 2017 and (ii) the date of completion of the Acquisition;
- the passing of the Resolutions, including approval of the Acquisition, by Chesnara Shareholders at the General Meeting;
- obtaining consent of two thirds of the lenders under the Seller's revolving credit facility for the Seller to enter into the Acquisition;
- the absence of a material adverse change occurring under the Sponsor and Placing Agreement prior to Admission or a material adverse change (including a major default that also constitutes a material adverse change) occurring under the New Debt Facilities Agreement prior to completion of the Acquisition; and
- Admission.

There is no guarantee that these conditions will be satisfied. Failure to satisfy any of these conditions may result in the Acquisition not completing.

Additionally, the successful completion of the Acquisition will depend on approval from the DNB for the Enlarged Group's capital plan. There is no guarantee that such approval will be obtained prior to Admission or at all and failure to obtain such approval will result in the Acquisition not completing.

Only limited and capped warranties and indemnities are provided by the Seller which may not cover all of the potential liabilities associated with Legal & General Nederland, which could in turn impact the Chesnara Group's ability to recover in full from the Seller any losses which it may suffer in respect of a breach of those warranties and/or the indemnities

Only limited warranties are provided by Legal & General Nederland in the Acquisition Agreement. These may not be as extensive as those sometimes given by a corporate vendor and do not cover all potential liabilities associated with Legal & General Nederland, whether identified or unidentified, and the liability of the Seller is limited in time and amount. The maximum liability for the business warranties and tax is capped at an amount equal to 30 per cent. of the purchase price, whereas the maximum liability under the warranties in respect of title and capacity is capped at the purchase price. The Seller has given an indemnity to the Buyer in respect of losses, damages, costs (including administrative handling costs and reasonable legal costs), liabilities and expenses (including taxes) that have been or may be suffered by the Buyer or Legal & General Nederland arising out of claims from (former) customers of Legal & General Nederland in relation to Woekerpolis practices, on the basis of a risk-sharing arrangement between the Seller which shall run for three years following completion of the Acquisition. The maximum potential liability of the Seller under the risk-sharing arrangement is €48 million. Accordingly, the Chesnara Group may not have full recourse against, or otherwise be able to recover in full from, the Seller in respect of all losses which it may suffer in respect of a breach of those warranties or the indemnity. In addition, the Chesnara Group would be dependent on the financial position of Seller in the event that it sought to recover amounts in respect of claims brought under such warranties. If such claims arose but losses could not be recovered, this could adversely affect the Enlarged Group's business, prospects, financial condition and results of operations.

The Chesnara Group has limited management resources and thus may become distracted or overstretched by the process of integrating and managing the Enlarged Group. There may be unforeseen integration difficulties which could mean that, following completion of the Acquisition, the implementation of the Enlarged Group's strategy may not proceed as expected

The Chesnara Group will be required to devote significant management attention and resources to executing the Acquisition and subsequently integrating the business practices and operations of Legal & General Nederland. While the Chesnara Group has carried out significant planning in respect of the Acquisition, there is a risk that Chesnara may encounter difficulties when seeking to integrate Legal & General Nederland, as a result of differences in organisational structure, language, management and local cultures and management and operational issues. If such integration difficulties are significant, this could result in management distraction or overstretch and the deferral of certain planned management actions and adversely affect the Enlarged Group's business, prospects, financial condition and results of operations. Should any of these integration difficulties occur, the Enlarged Group's businesses may not perform in line with management or Shareholder expectations, which could have an adverse effect on the Enlarged Group's business, results, financial condition and prospects.

The Chesnara Group may incur higher than expected Acquisition-related costs and integration costs

The Chesnara Group has incurred and will incur legal, accounting, financing and transaction fees and other costs related to the Acquisition. Some of these costs are payable regardless of whether the Acquisition is completed. In addition, Legal & General Nederland will also incur costs in relation to post-Acquisition integration. The actual costs of the Acquisition and the integration process may exceed those estimated and there may be further additional and unforeseen expenses incurred in connection with the Acquisition or the integration, or in complying with the ongoing United Kingdom company and listing requirements post-Acquisition. These factors could materially adversely affect the Enlarged Group's results of operations.

The value of Legal & General Nederland may be less than the consideration paid

Prior to completion of the Acquisition, the Company has limited rights to terminate the Acquisition. Accordingly, in the event that there is an adverse event affecting the value of Legal & General Nederland or the value of Legal & General Nederland business declines prior to completion of the Acquisition, the value of Legal & General Nederland business purchased by the Chesnara Group may be less than the consideration agreed to be paid and, accordingly, the net assets of the Enlarged Group could be reduced. There can be no assurance that the Company will be able to renegotiate the consideration paid for Legal & General Nederland and the Company may therefore pay an amount in excess of market value for Legal & General Nederland, which could have an adverse effect on the business and financial condition of the Enlarged Group.

Risks of executing the Acquisition could cause the market price of Chesnara Ordinary Shares to decline

The market price of Ordinary Shares may decline as a result of the Acquisition if, among other reasons, the Chesnara Group does not achieve the expected benefits of the Acquisition as rapidly or to the extent anticipated or at all, the effect of the Acquisition on Chesnara's financial results is not consistent with the expectations of investors, or Shareholders sell a significant number of Ordinary Shares after completion of the Acquisition.

SECTION C: RISKS RELATING TO THE ISSUE AND AN INVESTMENT IN THE ORDINARY SHARES

The market value of listed securities may fluctuate and may not reflect the underlying asset value of the Chesnara Group

Prospective investors should be aware that the value of an investment in Chesnara may go down as well as up. The market value of Ordinary Shares could be subject to significant fluctuations and may not always reflect the underlying asset value. A number of factors outside the control of the Chesnara Group may impact on its performance and the price of Ordinary Shares. Such factors include the operating and share price performance of other companies in the industry and markets in which the Chesnara Group operates, speculation about the Chesnara Group's business in the press, media or investment community, market perceptions to changes affecting the Chesnara Group's or the Enlarged Group's operations or variations in the Chesnara Group's profit estimates, the publication of research reports by analysts and general market or economic conditions. The market price of the Ordinary Shares may be adversely affected by any of the preceding or other factors regardless of the Chesnara Group's actual results of operations and financial condition. Moreover, the financial results and prospects of Chesnara or the Enlarged Group may be below the expectations of market analysts and investors from time to time. Any of these events could result in a decline in the market price of the New Ordinary Shares.

Shareholders not participating in the Firm Placing will experience dilution in their ownership of the Chesnara Group as a result of the Firm Placing and Shareholders who do not acquire New Ordinary Shares in the Placing and Open Offer will experience further dilution in their ownership of Chesnara Group

Qualifying Shareholders will suffer an immediate dilution in their proportion of ownership and voting interests in the Enlarged Issued Share Capital following the issue of New Ordinary Shares pursuant to the Firm Placing and, if Qualifying Shareholders do not take up their Open Offer Entitlement in full pursuant to the Open Offer, they will suffer an immediate further dilution in their proportionate ownership and voting interests in the Enlarged Issued Share Capital.

Any future Ordinary Share issues and sales of Ordinary Shares by major Shareholders may further dilute the holdings of current Shareholders and may also have an adverse effect on the market price of the Ordinary Shares

Other than pursuant to the Firm Placing and Placing and Open Offer, the Chesnara Group has no current plans for a subsequent offering of Ordinary Shares. However, it is possible that the Chesnara Group may decide to offer additional Ordinary Shares in the future. If Shareholders did not take up any such offer of

Ordinary Shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in Chesnara would be reduced. An additional offering or a significant sale of Ordinary Shares by any of the Chesnara Group's major Shareholders could have an adverse effect on the market price of the outstanding Ordinary Shares.

The Chesnara Group's ability to continue to pay dividends on the Ordinary Shares will depend on the availability of distributable reserves and the financial success of the Enlarged Group following completion of the Acquisition

The level of any dividend paid in respect of the Ordinary Shares is within the discretion of the Board and is subject to a number of factors, including the business and financial condition, earnings and cash flow of, and other factors affecting, the Chesnara Group (and, following the Acquisition, the Enlarged Group), as well as the availability of funds from which dividends can be legally paid. The level of any dividend in respect of the Ordinary Shares is also subject to the extent to which Chesnara receives funds, directly or indirectly, from its operating subsidiaries and divisions (including, following completion of the Acquisition, Legal & General Nederland) in a manner which creates funds from which dividends can be legally paid. The ability of its subsidiaries to pay dividends to Chesnara and its ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements (including, in the case of Legal & General Nederland, a DNB approved capital plan) as well as other restrictions. These laws and restrictions could limit the payment of dividends and distributions to Chesnara by its subsidiaries, which could in the future restrict Chesnara's ability to fund its operations or to pay a dividend to its Shareholders. Any reduction in dividends paid on Ordinary Shares from those historically paid, or the failure to pay dividends in any financial year, could adversely affect the market price of Ordinary Shares.

The Enlarged Group's profitability will be dependent upon the success of the combined Chesnara Group and Legal & General Nederland. If the acquired Legal & General Nederland is loss-making, it is possible that this could negatively impact the profitability of the Enlarged Group as a whole which could result in smaller or no dividends being distributed.

Exchange rate fluctuations may impact the price of Ordinary Shares or the value of any dividends paid

The Ordinary Shares, and any dividends to be announced in respect of such shares, will be quoted in pounds sterling. An investment in Ordinary Shares by an investor in a jurisdiction whose principal currency is not pounds sterling exposes the investor to foreign currency rate risk. Any depreciation of the pound sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares in foreign currency terms and may adversely impact the value of any dividends.

Admission of the New Ordinary Shares may not occur when expected

Application for Admission of the New Ordinary Shares is subject to the approval (subject to satisfaction of any conditions to which such approval is expressed to be subject) of the UK Listing Authority and Admission will become effective as soon as a dealing notice has been issued by the UK Listing Authority and the London Stock Exchange has acknowledged that the New Ordinary Shares will be admitted to trading. There can be no guarantee that any conditions to which Admission is subject will be met or that the UK Listing Authority will issue a dealing notice. See the "Expected Timetable of Principal Events" on page 37 of this document for further information on the expected dates of these events.

Shareholders and other prospective investors outside the UK may not be able to subscribe for or receive New Ordinary Shares pursuant to the Placing and Open Offer

The securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders and other prospective investors in the Placing and Open Offer. In particular, holders of New Ordinary Shares who are located in the US may not be able to exercise their rights unless an exemption from the registration requirements is available under the US Securities Act. The Placing and Open Offer will not be registered under the US Securities Act. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders or other prospective investors in such jurisdictions in any future issue of shares carried out by the Company. Qualifying Shareholders who have registered

addresses outside the UK or who are citizens of, or resident or located in, countries other than the UK (including, without limitation, the US or any of the Excluded Territories) should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities in order to enable them to receive New Ordinary Shares or to take up their entitlements to the Placing and Open Offer.

The ability of Overseas Shareholders to bring actions or enforce judgments against the Enlarged Group or its directors or officers may be limited

The ability of an Overseas Shareholder to bring an action against the Enlarged Group may be limited under law. Chesnara is a public limited company incorporated in England and Wales. The rights of Shareholders are governed by English law and the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. In particular, English law significantly limits the circumstances under which shareholders of English companies may bring derivative actions. Under English law, in most cases, only the Company can be the proper claimant for purposes of maintaining proceedings in respect of wrongful acts committed against it. Neither an individual shareholder nor any group of shareholders has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a US corporation. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Chesnara Director and/or senior managers. The majority of the Chesnara Directors and senior managers are and will continue to be residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Chesnara Directors and/or the senior managers within the Overseas Shareholder's country of residence or to enforce against the Chesnara Directors and/or the senior managers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. Overseas Shareholders may not be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Chesnara Directors and/or the senior managers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Chesnara Directors and/or the senior managers in any original action based solely on foreign securities laws brought against the Enlarged Group or the Chesnara Directors and/or the senior managers in a court of competent jurisdiction in England or other countries.

IMPORTANT INFORMATION

Any decision in connection with the Firm Placing and Placing and Open Offer should be made solely on the basis of the information contained in this document (and the documents incorporated by reference). Without limitation to the foregoing, reliance should not be placed on any information in announcements released by the Company prior to the date hereof, except to the extent that such information is repeated or incorporated by reference into this document.

A letter from the Chairman of the Company, which contains the recommendation of the Board to vote in favour of the Firm Placing and Placing and Open Offer and the Acquisition is set out in Part I (*Letter from the Chairman*). A General Meeting to consider the proposals contained in this document will be held at 11.00 a.m. on 13 December 2016 at the offices of Panmure Gordon, One New Change, London, EC4M 9AF, see the Notice of General Meeting at the end of this document.

Notice to all investors

The distribution of this document, the Form of Proxy, the Application Form and/or the transfer of the New Ordinary Shares into jurisdictions other than the UK may be restricted by law. Persons into whose possession any of 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. In particular, subject to certain exceptions, such documents should not be distributed, forwarded or transmitted in or into the United States or any Excluded Territory. The distribution of this document is subject to the restrictions set out in paragraph 8 of Part III (*Terms and Conditions of the Issue*). No action has been taken by the Company or the Joint Bookrunners that would permit an offer of the New Ordinary Shares or rights thereto or possession or distribution of this document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the UK.

Any reproduction or distribution of this document and the accompanying documents, in whole or in part, and any disclosure of its contents in jurisdictions other than the UK is prohibited. Any use of any information herein for any purpose other than in considering an investment in the New Ordinary Shares offered or otherwise made available hereby is prohibited. Each offeree of the New Ordinary Shares agrees to the foregoing by accepting delivery of this document.

Notice to investors in European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**relevant member state**") with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the "**relevant implementation date**") no New Ordinary Shares have been offered nor will be offered pursuant to the Firm Placing and Placing and Open Offer 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 the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares may be made to the public in that relevant member state at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- 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 Prospective Directive), subject to obtaining the prior consent of the Joint Bookrunners; and
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Ordinary Shares shall result in a requirement for the Company, Shore Capital and/or Panmure Gordon to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any New Ordinary Shares or to whom any offer is made will be deemed to have represented,

warranted and agreed to and with Shore Capital and Panmure Gordon, and with the Company, that it is a qualified investor within the meaning of the law in that 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 in any form and by any means of sufficient information on the terms of the Firm Placing and Placing and Open Offer and any New Ordinary Shares to be offered so as to enable an investor to decide to 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.

In the case of any New Ordinary Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Ordinary Shares acquired by it in the Firm Placing and Placing and Open Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any New Ordinary Shares to the public other than their offer or resale in a relevant member state to qualified investors as so defined in the Prospectus Directive or in circumstances in which the prior consent of the Company, Shore Capital and Panmure Gordon has been obtained to each such proposed offer or resale. Each of the Company, Shore Capital, Panmure Gordon and their respective affiliates, and others, will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person outside the UK who is not a qualified investor and who has notified the Company, Shore Capital and/or Panmure Gordon of such fact in writing may, with the consent of the Company, Shore Capital and/or Panmure Gordon, be permitted to subscribe for or purchase New Ordinary Shares in the Firm Placing and Placing and Open Offer.

Information not contained in this document

No person has been authorised to give any information or make any representation other than those contained in or incorporated by reference into this document and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Company, Shore Capital and/or Panmure Gordon. Subject to the requirements of the FSMA, the Prospectus Rules, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules, neither the delivery of this document nor any subscription 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 document or that the information in or incorporated by reference into this document is correct as of any time subsequent to the date hereof.

Recipients of this document acknowledge that (i) they have not relied on Shore Capital, Panmure Gordon or any person affiliated with either of them in connection with any investigation of the accuracy of any information contained in or incorporated by reference into this document or their investment decision; and (ii) they have relied only on the information contained in or incorporated by reference into this document, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries, the Firm Placing and Placing and Open Offer, the Acquisition or the New Ordinary Shares (other than as contained in or incorporated by reference into this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, Shore Capital or Panmure Gordon.

Any information that is incorporated by reference into documents, which in turn are incorporated into this document, is not incorporated by reference into and does not form part of this document.

No incorporation of website information

The contents of the Company's website or any website directly or indirectly linked to the Company's website have not been verified and do not form part of this document and investors should not rely on it or any of them.

Information regarding forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". The words "believe," "estimate," "target," "anticipate," "expect," "could," "would," "intend," "aim," "plan," "predict," "continue," "assume," "positioned," "may," "will," "should," "shall," "risk", their negatives and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings "Summary," "Risk Factors," "Information on the Chesnara Group", "Information on Legal & General Nederland" and "Operating and Financial Review" regarding the Company's strategy, plans, objectives, goals and other future events or prospects are forward-looking statements. An investor should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions investors that forward-looking statements are not guarantees of future performance and that its actual results of operations and financial condition, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this document and/or information incorporated by reference into this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Factors that may cause the Company's actual results to differ materially from those expressed or implied by the forward-looking statements in this document include but are not limited to the risks described under "*Risk Factors*".

Each forward-looking statement speaks only as of the date it was made and is not intended to give any assurances as to future results. Furthermore, forward-looking statements contained in this document that are based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Except as required by the FSMA, the Listing Rules, the DTRs and/or the Prospectus Rules, none of the Company, Shore Capital or Panmure Gordon undertakes any obligation to update or revise these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from new information, events or circumstances arising after the date of this document. The Company will comply with its obligations to publish updated information as required by the FSMA, the Listing Rules, the DTRs and/or the Prospectus Rules or otherwise by law and/or by any regulatory authority, but assumes no further obligation to publish additional information.

Neither the delivery of this document nor any subscription or sale made hereunder shall under any circumstances imply that there has been no change in the Company's affairs or that the information set forth in this document is correct as of any date subsequent to the date hereof.

Profit forecasts

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per Ordinary Share for the current or future financial years would necessarily match or exceed the historical published earnings per Ordinary Share.

Presentation of financial information

Unless otherwise indicated, financial information presented in this document relating to the Chesnara Group as at and for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 and as at and for the six months ended 30 June 2016 (and comparative information for the six months ended 30 June 2015), is presented in pounds sterling, has been prepared in accordance with IFRS as adopted by the EU and has been extracted without material adjustment from the published annual financial statements for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 and the unaudited interim consolidated financial statements for the six months ended 30 June 2015 and 30 June 2016, respectively.

The Chesnara Group's historical consolidated financial statements include:

- the 2013 Financial Statements;
- the 2014 Financial Statements;

- the 2015 Financial Statements;
- the 2015 Unaudited Interim Financial Statements; and
- the 2016 Unaudited Interim Financial Statements.

Percentages in tables may have been rounded and accordingly may not add up to 100 per cent. Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Currency and Exchange Rate Information

In this document, unless otherwise indicated, references to "**pounds sterling**", "**sterling**", "**pounds**", "**GBP**", "**pence**", "**p**" or "**£**" are to the lawful currency of the United Kingdom, references to "**€**", "**Euros**" or "**Euro**" are to the single currency of those relevant adopting member states of the European Union, references to "**Swedish krona**", "**krona**", "**SEK**" are to the lawful currency of Sweden and references to "**US dollars**", "**USD**", "**$**" or "**US$**" are to the lawful currency of the United States. **The Issue Price will be stated in pounds sterling.**

Unless otherwise specified, the financial information contained in this document has been expressed in sterling. This document contains certain translations of Euro amounts into amounts in pounds sterling for convenience of the reader based on the exchange rate of £1.00 = €1.18, being the relevant exchange rate at 5.00 p.m. on the Latest Practicable Date. Where pro-forma and solvency measures are shown these are based on the Company's last balance sheet date (being 30 June 2016) and as such, translations of Euro and Swedish Krona amounts into amounts in pounds sterling have been made using the closing exchange rates of £1 = Euro 1.21 and £1 = Krona 11.38. These exchange rates were obtained from the Bank of England's daily spot exchange rates for Euros and Swedish Krona against sterling on 30 June 2016.

Market, Economic and Industry Data

Where third party information has been used in this document, the source of such information has been identified. Unless the source is otherwise stated, the market, economic and industry data in this document constitute the Chesnara Group's own estimates. The Chesnara Group has obtained the market data and certain industry forecasts used in this document from internal surveys, reports and studies, as well as, publicly available information, market research and industry publications. Industry publications generally state that while the information they contain has been obtained from sources believed to be reliable, the accuracy and completeness of such information is not guaranteed. All third party data contained in this document has been accurately reproduced and, as far as the Chesnara Group is aware and able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Defined terms and technical terms

Economic Value

Economic value ("**EcV**") has been introduced by Chesnara as a replacement metric for European Embedded Value. This has been introduced following the introduction of Solvency II at the start of 2016, with EcV being derived from Solvency II own funds. Conceptually Solvency II own funds are broadly similar to European Embedded Value as previously reported by Chesnara, in that both utilise a market value measure for assets and the liabilities of in-force business. As such, Chesnara's reported EcV is based on the Solvency II assessment of the value of the business, but adjusted for certain items where it is deemed that Solvency II does not reflect the commercial value of the business. The key differences between EcV and Solvency II, are set out below.

Risk margin: Solvency II rules require a significant 'risk margin' which is held on the Solvency II balance sheet as a liability, and this is considered to be materially above a realistic cost. Chesnara therefore reduces this margin for risk for EcV valuation purposes from being based on a 6 per cent. cost of capital to a 3 per cent. cost of capital.

Contract boundaries: Solvency II rules do not allow for the recognition of future cash flows on certain in-force contracts, despite the high probability of receipt. An adjustment is therefore made to reflect the realistic value of the cash flows under EcV.

Ring-fenced fund restrictions: Solvency II rules require a restriction to be placed on the value of certain ring-fenced funds. These restrictions are reversed for EcV valuation purposes as they are deemed to be temporary in nature.

The EcV development of the Chesnara Group over time can be a strong indicator of how it has delivered on its strategic objectives, in particular the value created from acquiring life and pensions businesses and enhancing its value through writing profitable new business. It ignores the potential of new business to be written in the future (the franchise value of the Chesnara Group's Swedish business and Legal & General Nederland) and the value of the Company's ability to acquire further businesses.

European Embedded Value

"European Embedded Value" ("**EEV**") means a measure of the consolidated value of shareholders' interests in covered long-term insurance business, and the net assets attributable to non-insurances business, calculated in accordance with the European Embedded Value Principles and Guidance publish by the CFO Forum (April 2016).

Other defined terms and technical terms

"**Cash generation**" represents the movement in the surplus assets that exists within the Chesnara Group over and above the level of capital that is required to be held by the Chesnara Group. The level of capital required to be held takes into account the buffers that management has set to hold over and above the solvency requirements imposed by the Chesnara Group's regulators. From 1 January 2016 cash generation has been determined with reference to the Solvency II prudential regime.

Other defined terms and technical terms, including all capitalised terms, are defined and explained in Part XVI (*Definitions*) of this document.

Times

All references to time in this document are, unless otherwise stated, references to time in London, United Kingdom.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change.[1]

Record Date for entitlements under the Open Offer	5.30 p.m. on 22 November 2016
Announcement of the Acquisition and the Issue	24 November 2016
Ex-entitlement date for the Open Offer	24 November 2016
Publication and posting of this document, the Notice of General Meeting, the Form of Proxy and the Application Form	24 November 2016
Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	25 November 2016
Latest recommended time and date for requesting withdrawal of Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements from CREST (i.e. if your Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 6 December 2016
Latest recommended time and date for depositing Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements into CREST (i.e. if your Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements are represented by an Application Form and you wish to convert them to uncertificated form)	3 p.m. on 7 December 2016
Latest time and date for splitting Application Forms (to satisfy *bona fide* market claims)	3 p.m. on 8 December 2016
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 9 December 2016
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	**11.00 a.m. on 12 December 2016**
Results of Placing and Open Offer to be announced through a Regulatory Information Service	13 December 2016
General Meeting	**11.00 a.m. on 13 December 2016**
Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange and New Ordinary Shares credited to CREST accounts	**8.00 a.m. on 15 December 2016**
Despatch of definitive share certificates for the New Ordinary Shares in certificated form	by no later than 23 December 2016
Expected date of completion of Acquisition	**during the first quarter of 2017**

Notes:

(1) The times and dates set out in the expected timetable of principal events above and mentioned throughout this document may be adjusted by Chesnara with the agreement of the Banks in which event details of the new times and dates will be notified to the UKLA, the London Stock Exchange and, where appropriate, Qualifying Shareholders.

(2) Subject to certain restrictions relating to Qualifying Shareholders with registered addresses outside the United Kingdom, details of which are set out in paragraph 8 of Part III (*Terms and Conditions of the Issue*) of this document.

SHARE CAPITAL AND ISSUE STATISTICS

Issue Price per New Ordinary Share	300 pence
Discount to Existing Ordinary Shares[(1)]	2.9 per cent.
Basic Open Offer Entitlement	3.69 New Ordinary Shares for every 100 Existing Ordinary Shares
Number of Ordinary Shares in issue at the Latest Practicable Date[(2)]	126,404,892
Number of New Ordinary Shares to be issued pursuant to the Firm Placing	18,668,994
Number of New Ordinary Shares to be issued pursuant to the Placing and Open Offer	4,664,340
Number of New Ordinary Shares to be issued pursuant to the Firm Placing and Placing and Open Offer	23,333,334
Number of Ordinary Shares in issue immediately following the completion of the Firm Placing and Placing and Open Offer[(3)]	149,738,226
New Ordinary Shares as a percentage of the enlarged issued share capital of Chesnara immediately following completion of the Firm Placing and Placing and Open Offer	15.6 per cent.
Estimated gross proceeds of the Firm Placing and Placing and Open Offer	£70 million
Estimated expenses of the Firm Placing and Placing and Open Offer and the Acquisition[(4)]	£7.8 million
Estimated net proceeds of the Firm Placing and Placing and Open Offer receivable by Chesnara, after deduction of estimated expenses of the Firm Placing and Placing and Open Offer[(5)]	£66.1 million

Notes:

(1) The discount is to the middle price of Existing Ordinary Shares at the close of business on 23 November 2016, being the Latest Practicable Date.

(2) Excluding 147,535 treasury shares.

(3) On the assumption that no further Ordinary Shares are issued from the date of this document until Admission other than the New Ordinary Shares and excluding 147,535 treasury shares.

(4) Total estimated expenses split as follows: Issue: £3.9 million; Acquisition: £3.9 million.

(5) The estimated net proceeds receivable by the Company, assuming Admission occurs, are stated after the deduction of costs and expenses (exclusive of VAT) of, or incidental to, the Firm Placing and Placing and Open Offer payable by the Company, estimated to be approximately £3.9 million.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Peter Mason	*Chairman*
	John Deane	*Chief Executive*
	Frank Hughes	*Business Services Director*
	David Rimmington	*Group Finance Director*
	Michael Evans	*Senior Independent Non-Executive Director*
	Veronica Oak	*Non-Executive Director*
	Peter Wright	*Non-Executive Director*
	Jane Dale	*Non-Executive Director*
	David Brand	*Non-Executive Director*
Company Secretary	Zoe Kubiak	
Registered Office	2nd Floor Building 4 West Strand Business Park Preston PR1 8UY	
Sponsor	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU	
Joint Global Coordinator and Joint Bookrunner	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU	
Joint Global Coordinator and Joint Bookrunner	Panmure Gordon (UK) Limited One New Change 1 New Change London EC4M 9AF	
Financial Adviser and Placing Agent	Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods) 150 Cheapside London EC2V 6ET	
Legal Adviser to Chesnara as to English and US Law	Ashurst LLP Broadwalk House 5 Appold Street London EC2A 2HA United Kingdom	
Legal Advisers to Sponsor, Joint Bookrunners and Placing Agent as to English and US Law	Travers Smith LLP 10 Snow Hill London EC1A 2AL	

Auditors and Reporting Accountants to Chesnara	Deloitte LLP 2 New Street Square London EC4A 3BZ
Receiving Agent	Capita Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Registrar	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I

LETTER FROM THE CHAIRMAN

CHESNARA PLC

(Incorporated and registered in England and Wales under the Companies Act of 1985 with registered number 04947166)

Directors:
Peter Mason
John Deane
Frank Hughes
David Rimmington
Michael Evans
Veronica Oak
Peter Wright
Jane Dale
David Brand

Registered Office:
2nd Floor
Building 4
West Strand Business Park
Preston
PR1 8UY

24 November 2016

To the holders of Ordinary Shares and, for information only, to holders of options over Ordinary Shares

Dear Shareholder,

Proposed acquisition of Legal & General Nederland
Firm Placing and Placing and Open Offer of 23,333,334 New Ordinary Shares at 300 pence per New Ordinary Share
and
Notice of General Meeting

1. INTRODUCTION

On 24 November 2016, Chesnara announced that it had reached agreement on the terms of the proposed acquisition of Legal & General Nederland. Legal & General Nederland was founded in 1984, as an indirect wholly owned subsidiary of the Legal & General Group. Legal & General Nederland then acquired Unilife Netherlands later the same year. Legal & General Nederland is a specialist insurer operating in the life insurance and pensions sector in the Netherlands. It is a leading Dutch player in adviser-led risk and investment-linked products, serving high-end affluent customers and has an established defined contribution group pension platform focused on Dutch SMEs. The headline consideration for the Acquisition is €160 million[1] to be paid in cash. The Acquisition consideration is proposed to be financed by a combination of the Firm Placing and Placing and Open Offer to raise in aggregate approximately £70 million (before expenses), the New Debt Facilities totalling £100.2 million (£40 million and €71 million), which replace an existing debt facility of £52.8 million and raises £47.4 million of incremental debt (as described below at paragraph 5.2 of this letter) and the balance from Chesnara's existing cash resources.

The Directors believe that Legal & General Nederland is an attractive acquisition target and that its addition to the Chesnara Group will continue the Company's successful acquisition-based growth within its target markets and value range. The Acquisition provides Chesnara with a platform for further expansion into the Netherlands and the Directors believe that, as in the case of Waard, Chesnara's first acquisition in the Netherlands in 2015, there is a strong cultural fit between Legal & General Nederland and the Chesnara Group.

1 In addition to the headline consideration, the deferred capital related consideration will accrue from 1 October 2016 to the date of completion of the Acquisition, which is expected to occur during the first quarter of 2017. The Company has calculated the maximum interest payable to be €2.3 million.

In view of the size of the Acquisition in relation to Chesnara, the Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules and therefore requires the approval of Shareholders, which will be sought at a General Meeting of the Company. The notice convening the General Meeting is set out at the end of this document. The Acquisition also requires regulatory approval, including obtaining a declaration of no objection (*verklaring van geen bezwaar*) from the Dutch Central Bank (*De Nederlandsche Bank*) ("**DNB**"), the Dutch local regulator which itself will confirm that the PRA, as group supervisor, has no objections to the Acquisition. The principal terms of the Acquisition are described in more detail in paragraph 1 of this letter and Part II (*Principal Terms of the Acquisition*) of this document.

The Issue Price represents a discount of approximately 2.91 per cent. to the Closing Price of 309 pence per Ordinary Share on 23 November 2016 (being the Latest Practicable Date). The Firm Placing and Placing and Open Offer are conditional, *inter alia*, upon the passing of the Resolutions and Admission but are not conditional upon completion of the Acquisition.

The purpose of this document is to explain the background to and reasons for the Acquisition and the Issue, the terms and conditions of the Issue and why the Board considers that the Acquisition and the Issue are in the best interests of the Company and its Shareholders and to recommend that you vote in favour of the Resolutions to be proposed at the General Meeting.

2. BACKGROUND TO AND REASONS FOR THE ACQUISITION

The Directors previously identified that the Dutch insurance market was an attractive market to enter due to its highly fragmented characteristics offering the opportunity for consolidation, as well as the Netherlands having a similar regulatory environment to that of the UK. Since the Chesnara Group's entry into the Dutch insurance market (following its successful acquisition of the Waard Group in May 2015), Chesnara has stated its intention to build the Chesnara Group's presence in the Dutch insurance market and has continued to investigate opportunities for value-enhancing acquisitions. Chesnara has a proven track record of acquiring and integrating insurance companies in accordance with the Chesnara Group's strict acquisition criteria and converting these into strong returns to Shareholders.

The acquisition of Legal & General Nederland is consistent with Chesnara's three core strategic objectives:

- *Maximise value from in force books*

  Legal & General Nederland is expected to enhance the future cash flows available for distribution to Shareholders, achieved through the generation of profits combined with the expected reduction of capital requirements.

- *Acquire life and pension businesses*

  A key attraction of the recent acquisition of the Waard Group in the Netherlands was the opportunity it created for Chesnara to replicate its previously successful and proven UK consolidation strategy in the Dutch insurance market. The Acquisition is a logical next step for Chesnara pursuing this strategy. The Acquisition is at a 33 per cent. discount to EcV and hence is value accretive in its own right but, in addition, it significantly increases Chesnara's operational scale bringing, based on information at 30 June 2016, 170,600 policies and €2.2 billion assets under management and as a result its prospects for further acquisition activity in the Netherlands.

- *Enhance value through new business*

  Legal & General Nederland is open to new business and presents an opportunity for Chesnara to generate profits from an appropriately targeted and profitable product offering. The benefits of a philosophy that focuses on profitability rather than sales volume are evidenced by the successful new business operation in Movestic, which has been built upon realistic target market shares.

Attractions to Chesnara of the Legal & General Nederland acquisition

The Directors have reviewed a number of potential acquisitions and believe that Legal & General Nederland offers a suitable and attractive opportunity for Shareholders, policyholders and management. When measured against Chesnara's key assessment criteria for acquisitions of: EcV enhancement, cash generation,

customer outcomes and risk profile the Directors believe that the Acquisition is a good strategic fit for the Chesnara Group. In particular:

- *Positive expected impact on EcV*

  The consideration of €160 million (excluding deferred cost of capital related consideration) for the Acquisition represents a 33 per cent. discount to Chesnara's estimate of Legal & General Nederland's EcV of €239 million as at 30 June 2016. The Acquisition and the Firm Placing and Placing and Open Offer are anticipated to increase Chesnara's EcV by approximately 27.5 per cent. or £126.3 million.[2] This represents an EcV per share increase of approximately 28 pence, or 7.6 per cent. In addition to the headline consideration, deferred cost of capital related consideration will accrue for the period from 1 October 2016 to the date of completion, expected to be during the first quarter of 2017. Given that the Acquisition Agreement provides that completion of the Acquisition must occur by no later than 31 July 2017, the Company has calculated the maximum amount of interest payable to be €2.3 million (which assumes that completion of the Acquisition were to occur on 31 July 2017).

- *Well capitalised and cash generative company*

  Legal & General Nederland is well capitalised on a Solvency II basis with a ratio of 219 per cent. as at 30 June 2016, adopting a standard formula model with no transitional arrangements. This together with the fact that Legal & General Nederland is a profitable business results in the potential for phased, orderly capital extraction.

- *Consistent governance model and strong operational performance*

  Legal & General Nederland is a subsidiary of the Legal & General Group, a significant UK FTSE company and as a result a strong corporate governance culture is well established and will continue with Chesnara as the ultimate parent company. It is not envisaged that any significant changes will be required to be made to the Chesnara governance structure as the required changes were implemented by the Chesnara Group following the acquisition of Waard in 2015.

  Legal & General Nederland has an independent operating model with little direct reliance on the Legal & General Group processes or support. As such, it should continue to deliver its high servicing standards under Chesnara ownership and there is expected to be no requirement for systems separation, migrations or integration. Following completion of the Acquisition, Legal & General Nederland will continue to receive asset management services from LGIM under the LGIM Asset Management Agreement for a further four years, subject to performance, thus ensuring continuity of service levels and policy performance. Further details on the LGIM Asset Management Agreement can be found in paragraph 9.2(a) of Part XIV (*Additional Information*) of this document.

- *Territory*

  Legal & General Nederland's location is consistent with the Director's assessment that the Dutch insurance market would present further value adding consolidation potential following Chesnara's acquisition of the Waard Group in 2015. It will enable Chesnara to build upon its established relationship with the DNB in the Netherlands since the Acquisition and will enable the Chesnara Group to utilise its existing organisational structure to exercise control without the need for additional resource. Moreover, the operational and financial size of the Acquisition together with the Waard acquisition creates substantial scale in the Dutch insurance market with 247,118 policies and €2.4 billion of assets under management, as at 30 June 2016, and is expected to support further acquisitions in the region.

2 Based on pro-forma adjustment to the Company's EcV at 30 June 2016 and using the closing exchange rates as at 30 June 2016 of £1 = Euro 1.21 and £1 = Swedish Krona 11.38.

- *Products*

  Legal & General Nederland's products are well matched to Chesnara's risk appetite with a focus on protection and unit linked savings together with an acceptable level of exposure to annuities and product guarantees.

- *Potential for profitable new business operation*

  The Acquisition provides potential for new business profits from products that the Chesnara Group understands and are aligned to its risk appetite. Legal & General Nederland has a keen focus on product profitability, a unit linked specialism and sells through an IFA distribution model. This model is consistent with Chesnara's existing open operation in Sweden and is well matched to its strategic objectives regarding new business operations.

Impact Assessment

- Acquisitions maintain the effectiveness of the Chesnara Group's operating model. The Acquisition is expected to both create a source of value enhancement and sustain the cash generation potential of the Enlarged Group and is deemed by the Chesnara Board to be a good cultural fit with the Chesnara Group.
- The Acquisition is expected to increase the Chesnara Group's EcV by approximately £126.3 million.[2]
- The Acquisition is expected to enhance the cash flows of the Enlarged Group, supporting the Chesnara Group's dividend strategy.
- The Acquisition is expected to have a positive impact in terms of the absolute level of Chesnara Group Solvency II surplus.
- The potential impact of the Acquisition falls within the Chesnara Group's risk appetite.
- The Enlarged Groups' gearing ratio post-acquisition is expected to be 25.8 per cent. which is well within the Chesnara Group's debt and leverage policy which incorporates the Board's risk appetite. The ratio is expected to reduce to below 20 per cent. within one year of completion based on the proposed debt repayment terms.

Completion of the Acquisition

Completion of the Acquisition is conditional upon, *inter alia*, Admission, consent of two thirds of the Seller's lenders under its revolving credit facility for the Seller to enter the Acquisition and the receipt of regulatory approval, including obtaining a declaration of no objection (*verklaring van geen bezwaar*) from the DNB as the local Dutch regulator which itself will confirm that the PRA, as group supervisor, has no objections to the Acquisition, which is expected to be received during the first quarter of 2017. In addition, the Acquisition is also subject to certain conditions which are customary for an acquisition of this nature.

3. SUMMARY INFORMATION ON LEGAL & GENERAL NEDERLAND

Legal & General Nederland was founded in 1984 as a subsidiary of the Legal & General Group and is a specialist insurer operating in the life insurance and pensions sector in the Netherlands. Legal & General Nederland is a leading Dutch player in adviser-led risk and investment-linked products, serving high-end affluent customers and has an established defined contribution group pension platform focused on Dutch SMEs.

Legal & General Nederland is a "top 5" provider in the term assurance market and a market leader in investment-linked products, which are backed by a wide range of investment funds. Legal & General Nederland has strong collaborative ties with IFAs (with approximately 2,000 adviser relationships) through which its business is sold.

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2 Based on pro-forma adjustment to the Company's EcV at 30 June 2016 and using the closing exchange rates as at 30 June 2016 of £1 = Euro 1.21 and £1 = Swedish Krona 11.38.

Legal & General Nederland's accounts indicate historic profitability with strong solvency ratios on a Solvency II basis. During the period from 1 January 2013 to 30 June 2016 the Legal & General Nederland business paid €151 million of dividends to Legal & General Group plc.

Key Legal & General Nederland metrics were as follows as at 30 June 2016:

- €219.8 million of Solvency II own funds;
- €2.2 billion of funds under management;
- Approximately 170,600 policies; and
- Solvency ratio of 219 per cent.

Legal & General Nederland is split into three operating segments: risk, wealth and group pensions. As at the Latest Practicable Date, the Legal & General Nederland business had 170,600 in-force policies split by product as follows:

- 114,200 in Risk;
- 47,900 in Wealth; and
- 8,500 in Group Pensions.

As a subsidiary of a group that is listed on the London Stock Exchange, Legal & General Nederland has in place financial reporting processes and procedures to enable it to report to the standards required under Chesnara ownership, which will benefit the transition process following completion of the Acquisition. Legal & General Nederland is regulated by the DNB, the prudential supervisor of the Dutch financial market, and reports using the Solvency II regime standard formula for calculating its capital requirements, and does not use any transitional arrangements, nor adjustments regarding volatility or matching.

Legal & General Nederland's operations are predominantly managed "in-house" and are almost fully independent from the Legal & General Group support. Legal & General Nederland receives investment management services at arm's length from LGIM.

Legal & General Nederland is led by an experienced management team who have an average of 25 years of experience and an average of 8 years working at Legal & General Nederland. As at 18 November 2016 the management team is supported by 165 employees which is equivalent to 155 full time employees.

Legal & General Nederland has historically used a degree of reinsurance where it was deemed appropriate to manage the risks that it had written, including two proportional treaties and an excess loss cover.

Summary of the recent key financial dynamics of Legal & General Nederland

During the period from 1 January 2013 to 30 June 2016, Legal & General Nederland has consistently delivered profits on an IFRS basis. The annual levels of profit have been volatile largely due to the IFRS accounting treatment of actuarial liabilities and the assets backing these liabilities. As is common in the Dutch market, the actuarial liabilities for certain policies are valued using economic assumptions that are applied at the point the policy is sold and are not revalued using updated economic inputs, thereby giving rise to greater IFRS profit volatility.

IFRS profitability is not directly linked to Solvency or EcV which are considered to be the more commercial relevant financial metrics.

During the period from 1 January 2013 to 30 June 2016, pre-dividend Solvency II "own funds" have increased by €50.2 million (15.7 per cent.). During that same period the SCR has reduced by €4 million (3.8 per cent.) On a year on year basis the movement in "own funds" is significantly more stable than the aforementioned IFRS profits. However, a degree of variability has been evident which is dominated by the impact of movements in interest rates, bond spreads and equity values.

Legal & General Nederland is well capitalised with a Solvency II ratio of 219 per cent. as at 30 June 2016. The Solvency II "own funds" as at 30 June 2016 are €219.8 million against a statutory capital requirement

of €100.2 million with an absolute level of surplus of approximately €120 million above the statutory requirement. Legal & General Nederland operates to a capital plan which requires a minimum Solvency II ratio of 160 per cent.

Further information on Legal & General Nederland is set out in Part V (*Information on Legal & General Nederland*) of this document.

4. SUMMARY INFORMATION ON CHESNARA

Chesnara is primarily a life and pensions closed book consolidator, and is the owner of Countrywide Assured, Movestic and the Waard Group. Chesnara has been listed on the premium segment of the London Stock Exchange's Main Market since May 2004.

Key Chesnara Group metrics for the period ending 30 June 2016 were as follows:

- £459.9 million of EcV;
- £5.1 billion of funds under management;
- 907,000 policyholders; and
- 6.96 per cent. dividend yield (based on Chesnara share price as at 30 June 2016).

Chesnara has a track record of identifying, completing and integrating acquisitions, as well as delivering growth and strong shareholder returns. During the period from 1 January 2009 to 28 October 2016, it generated a Total Shareholder Return of 236 per cent. Chesnara currently has a strong financial position. As at 30 June 2016, Chesnara had a Group Solvency II ratio of 148 per cent., with a corresponding regulatory surplus of £100 million. Chesnara operates according to three core strategic objectives, namely:

- Maximising value from its existing business;
- Acquiring further life and pensions businesses where they satisfy stringent assessment criteria; and
- Value enhancement through the writing of profitable new business.

Chesnara's current acquisition strategy is to target opportunities in the UK and the Netherlands which have an acquisition value ranging from £50 million to £200 million and which are earnings accretive for Shareholders. Opportunities are assessed giving full regard to the following four criteria:

- Cash generation expectations (base case and stressed);
- EcV impact;
- Strategic fit and potential; and
- Risk profile.

Further information on the Chesnara Group is set out in Part IV (*Information on the Chesnara Group*) of this document.

5. PRINCIPAL TERMS AND CONDITIONS OF THE ACQUISITION

In order to implement the Acquisition, Chesnara, or one or more of its subsidiaries (as the case may be) has entered into the agreements set out below. A more detailed summary of the key terms of these agreements is set out in Part II (*Principal Terms of the Acquisition*) of this document.

5.1 *Acquisition Agreement*

Under the terms of the Acquisition Agreement, and subject to the satisfaction of certain conditions, the Buyer has agreed to acquire Legal & General Nederland with economic effect from 1 January 2016, with a purchase price adjusted for Legal & General Nederland's 2016 Unaudited Interim Financial Statements. The final purchase price shall be the sum of €160 million plus an interest rate

of 1 per cent. per annum for the period starting on 1 October 2016 to 31 December 2016 and an interest rate of 2 per cent. per annum for the period starting on 1 January 2017 to completion of the Acquisition. Given that the Acquisition Agreement provides that completion of the Acquisition must occur by no later than 31 July 2017, the Company has calculated the maximum amount of interest payable to be €2.3 million (which assumes that completion of the Acquisition were to occur on 31 July 2017). Furthermore, any amount of leakage (if any) will be deducted from the purchase price. The Acquisition Agreement is governed by Dutch law.

Completion of the Acquisition is conditional on the following: (a) successful completion of the works council consultation process in the Netherlands; (b) obtaining a declaration of no objection (*verklaring van geen bezwaar*) from the DNB in relation to the Acquisition in accordance with Article 3.95 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) which itself will confirm that the PRA, as the group supervisor, has no objections to the Acquisition; (c) the resignation of certain nominated invididuals from the supervisory board of Legal & General Nederland and replaced with other nominated individuals as supervisory board members of Legal & General Nederland, one of whom shall become chairman, with effect from completion of the Acquisition; (d) the resignation of a nominated current member of the management board of Legal & General Nederland, effective from the earlier of (i) 1 April 2017 and (ii) the date of completion of the Acquisition; (e) the consent of two thirds of the Seller's lenders under its revolving credit facility for the Seller to enter the Acquisition; (f) the absence of a material adverse change occurring under the Sponsor and Placing Agreement prior to Admission or a material adverse change (including a major default that also constitutes a material adverse change) occurring under the Existing Debt Facilities Agreement prior to completion of the Acquisition; (g) the passing of the Resolutions, including approval of the Acquisition, by Chesnara Shareholders at the General Meeting; and (h) Admission. Completion of the Acquisition is expected to take place in the first quarter of 2017.

The Seller has given an indemnity to the Buyer in respect of any losses, damages, costs (including administrative handling costs and reasonable legal costs), liabilities and expenses (including taxes) suffered by the Buyer or Legal & General Nederland arising out of claims from (former) customers of Legal & General Nederland in relation to Woekerpolis up to a maximum amount of €60 million. The indemnity being given is subject to a risk-sharing arrangement between the Seller and the Buyer. Both the indemnity and the rule-sharing arrangement will operate for three years after completion of the Acquisition. Further details on this indemnity and the risk-sharing arrangement to which it is subject can be found in Part II (*Principal Terms of the Acquisition*) of this document.

5.2 ***New Debt Facilities Agreement***

The Chesnara Group's Existing Debt Facilities (the "**Existing Debt Facilities**") of £52.8 million are to be replaced by New Debt Facilities totalling £100.2 million, comprising both a Sterling and Euro tranche. The facilities will be provided by The Royal Bank of Scotland plc.

The New Debt Facilities will be divided into two separate tranches:

(a) Facility A is a sterling facility for an amount of £40 million and will be used to refinance part of the Chesnara Group's Existing Debt Facilities of £52.8 million; and

(b) Facility B is a Euro facility for an amount of €71 million and will be used to partially fund the costs of the Acquisition.

Both tranches of the New Debt Facilities will remain in place for a period of five years. Further details of the Chesnara Group's Existing Debt Facilities and the New Debt Facilities are set out in paragraphs 9.1(d) and 9.1(e) of Part XIV (*Additional Information*) of this document. The Existing Debt Facilities will be irrevocably cancelled and repaid on completion of the Acquisition.

6. FINANCING THE ACQUISITION

Chesnara proposes to fund the Acquisition through a combination of:

- the proceeds of the Firm Placing and Placing and Open Offer of 23,333,334 New Ordinary Shares at an Issue Price of 300 pence per New Ordinary Share, raising gross proceeds of approximately £70 million and net proceeds of approximately £66.1 million after deduction of estimated expenses of the Firm Placing and Placing and Open Offer. The principal terms of the Firm Placing and Placing and Open Offer are set out in paragraph 9 of this letter;
- the New Debt Facilities totalling £100.2 million (£40 million and €71 million), which replace an existing debt facility of £52.85 million and raises £47.4 million of incremental debt. The key terms of the New Debt Facilities are set out in paragraph 9.1(e) of Part XIV (*Additional Information*) of this document; and
- the balance from Chesnara's own cash resources.

7. RELATED PARTY TRANSACTION

Columbia Threadneedle Investments is currently interested in approximately 12.16 per cent. of the Company's issued share capital and is therefore deemed a substantial shareholder of Chesnara for the purposes of the Listing Rules. As part of the Firm Placing and Placing and Open Offer, Columbia Threadneedle Investments has subscribed for 2,270,713 New Ordinary Shares pursuant to the Firm Placing and has conditionally subscribed for 567,678 New Ordinary Shares pursuant to the Placing, in each case at the Issue Price, amounting to £8.5 million. Columbia Threadneedle Investment's participation in the Firm Placing and Placing and Open Offer constitutes a smaller related party transaction pursuant to Listing Rule 11.1.10R (and therefore Chesnara is not required to comply with the requirements of Listing Rule 11.1.7R).

8. STRUCTURE OF THE ISSUE

The Company proposes to raise an aggregate of £70 million (gross) through the issue of 23,333,334 New Ordinary Shares by way of the Firm Placing and Placing and Open Offer. The decision to structure the equity capital raising by way of the Firm Placing and Placing and Open Offer takes into account a number of factors, including the total net proceeds to be raised. Whilst recognising the importance of pre-emption rights, the Directors are also cognisant that there may be a limit to the amount of additional capital that can be sought from existing Shareholders. The Directors consider the Firm Placing and Placing and Open Offer to be an appropriate fundraising structure, providing certainty of funds to complete the Acquisition and access to new institutional investors to broaden the Chesnara Group's shareholder base, while providing existing Shareholders with the opportunity to participate in the fundraising through the Open Offer.

Subject to the conditions to the Placing and Open Offer being satisfied, Qualifying Shareholders are being offered 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 3.69 New Ordinary Shares for every 100 Existing Ordinary Shares ("**Basic Open Offer Entitlement**"). Qualifying Shareholders are also being given the opportunity, provided they take up their Open Offer Entitlements in full, to apply for Excess Shares through the Excess Application Facility up to a maximum number of Excess Shares equal to two times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date ("**Excess Basic Open Offer Entitlement**"). Qualifying Shareholders are not being offered the right to subscribe for the Firm Placed Shares. Qualifying Shareholders with fewer than 28 shares will not have the opportunity to participate in the Open Offer.

All elements of the Issue have the same Issue Price.

9. PRINCIPAL TERMS OF THE ISSUE

The Company intends to raise gross proceeds of approximately £70 million (approximately £66.1 million net of estimated expenses of the Firm Placing and Placing and Open Offer) through the issue of 23,333,334 New Ordinary Shares by way of the Firm Placing and Placing and Open Offer at the Issue Price. The Issue is conditional upon, amongst other things, Admission becoming effective by no later than 8.00 a.m. on

15 December 2016 (or such later time and/or date as the Company and the Banks may agree, not being later than 8.00 a.m. on 29 December 2016).

Placing and Open Offer

The Company intends to raise gross proceeds of approximately £14 million through the Placing and Open Offer of 4,664,340 New Ordinary Shares at the Issue Price.

The Placing and Open Offer is conditional upon, amongst other things, Admission becoming effective by not later than 8.00 a.m. on 15 December 2016 (or such later time and/or date as the Company may agree with the Banks, not being later than 8.00 a.m. on 29 December 2016).

The Issue Price represents a discount of £0.09 (2.9 per cent.) to the closing middle market price of £3.09 per Existing Ordinary Share on the London Stock Exchange on the Latest Practicable Date.

The Joint Bookrunners have agreed, pursuant to the Sponsor and Placing Agreement, to conditionally place all the Open Offer Shares at the Issue Price with institutional and other investors. The commitments of these placees are subject to clawback in respect of valid applications for Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer. Subject to the Placing and Open Offer not being terminated, any Open Offer Shares which are not applied for in respect of the Open Offer will be issued to placees procured by the Joint Bookrunners, or failing which, to the Joint Bookrunners, in each case at the Issue Price, with the net proceeds retained for the benefit of the Company.

Qualifying Shareholders are being given the opportunity to apply for the Open Offer Shares at the Issue Price on and subject to the terms and conditions of the Open Offer, *pro rata* to their holdings of Existing Ordinary Shares on the Record Date on the following basis:

3.69 New Ordinary Shares for every 100 Existing Ordinary Shares

Fractions of New Ordinary Shares will not be allotted and each Qualifying Shareholder's entitlement under the Open Offer will be rounded down to the nearest whole number. Fractional entitlements will be aggregated and made available in the Excess Application Facility. Accordingly, Qualifying Shareholders with fewer than 28 Existing Ordinary Shares will not have the opportunity to participate in the Open Offer.

Qualifying Shareholders may apply for any whole number of New Ordinary Shares up to their maximum entitlement which, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Basic Open Offer Entitlements as shown on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Basic Open Offer Entitlements standing to the credit of their stock account in CREST. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their Basic Open Offer Entitlements.

Firm Placing

The Company is proposing to issue 18,668,994 Firm Placed Shares pursuant to the Firm Placing at the Issue Price, the principal terms and conditions of which are summarised in paragraph 2 of Part III (*Terms and Conditions of the Issue*) of this document.

The Firm Placed Shares are not subject to clawback and do not form part of the Placing and Open Offer. The Firm Placing is expected to raise gross proceeds of approximately £56 million. The Firm Placing is subject to the same conditions and termination rights which apply to the Placing and Open Offer. Subject to waiver or satisfaction of the conditions and the Firm Placing not being terminated, the Firm Placed Shares will be issued to placees and/or other subscribers procured by the Joint Bookrunners, including 567,678 Firm Placed Shares that will be issued to Columbia Threadneedle Investments or, failing which, to the Joint Bookrunners subject to the terms and conditions of the Sponsor and Placing Agreement, with the net proceeds retained for the benefit of the Company.

The Firm Placees will not be entitled to participate in the Open Offer in respect of Firm Placed Shares.

Excess Application Facility

Qualifying Shareholders who have taken up their Basic Open Offer Entitlement in full may apply for Excess Shares using the Excess Application Facility up to a maximum number of Excess Shares equal to two times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date. Qualifying Non-CREST Shareholders wishing to apply to subscribe for Excess Shares may do so by completing the relevant sections on the Application Form. Qualifying CREST Shareholders who wish to apply to subscribe for more than their Basic Open Offer Entitlements will have Excess Basic Open Offer Entitlements credited to their stock account in CREST and should refer to Part III (*Terms and Conditions of the Issue*) for information on how to apply for Excess Shares pursuant to the Excess Application Facility.

Excess applications will be satisfied only to the extent that corresponding applications for Basic Open Offer Entitlements are not made by other Qualifying Shareholders or are made for less than their *pro rata* entitlements. The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. If there is an oversubscription resulting from excess applications, allocations in respect of such excess applications will be scaled down *pro rata* to the number of Excess Shares applied for under this Excess Application Facility by Qualifying Shareholders and no assurances can be given that the applications by Qualifying Shareholders will be met in full, in part or at all.

Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

Further information

Application will be made to the FCA for the New Ordinary Shares to be to be admitted to listing on the premium listing segment of the Official List and application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. Subject to the conditions below being satisfied, it is expected that Admission will become effective on 15 December 2016 and that dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on the same day.

The New Ordinary Shares issued under the Firm Placing and Placing and Open Offer, when issued and fully paid, will be identical to, and rank *pari passu* with, the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission.

Shareholders should note that the Open Offer is not a rights issue. Qualifying CREST Shareholders should note that the Basic Open Offer Entitlements will not be tradeable or listed and that, although the Basic 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 raised by Euroclear's Claims Processing Unit. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, but will be subscribed for under the Placing with the net proceeds retained for the benefit of the Company and Qualifying Shareholders who do not apply to take up their Basic Open Offer Entitlements will have no rights under the Open Offer to receive any proceeds from it.

A Qualifying Shareholder that does not take up any Open Offer Shares under the Open Offer (or a Shareholder in the United States or an Excluded Territory who is not eligible to participate in the Open Offer) will experience a dilution of 15.6 per cent. as a result of the Issue.

Further information on the Issue, and the terms and conditions on which it is made, including the procedure for application and payment in the Open Offer, are set out in Part III (*Terms and Conditions of the Issue*) and, where relevant, in the Application Form.

The Firm Placing and Placing and Open Offer is conditional, *inter alia*, upon:

(a) the passing without amendment of the Resolutions at the General Meeting (and not, except with the prior written agreement of the Banks, at any adjournment of such meeting) on 13 December 2016 (or such later date as the Banks may agree) and the Resolutions remaining in force;

(b) the Company having complied with its obligations under the Sponsor and Placing Agreement and under the terms and conditions of the Placing and Open Offer which fall to be performed on or prior to Admission;

(c) the Sponsor and Placing Agreement being entered into and becoming unconditional in all respects (as regards the Firm Placing and Placing and Open Offer) and not having been terminated prior to Admission;

(d) Admission taking place by not later than 8.00 a.m. on 15 December 2016 (or such time and/or date as the Banks and the Company may agree, being not later than 8.00 a.m. on 29 December);

(e) the Signing Protocol being entered into and not having been terminated in accordance with its terms and no circumstances having arisen such that, in the opinion of the Banks, the Acquisition Agreement would be incapable of completing in accordance with its terms; and

(f) the New Debt Facilities Agreement being entered into, becoming unconditional in all respects (other than in relation to conditions relating solely to Admission or completion of the Acquisition Agreement) and not having been terminated in accordance with its terms.

Accordingly, if any such conditions are not satisfied the Firm Placing and Placing and Open Offer will not proceed, any Basic Open Offer Entitlements admitted to CREST will thereafter be disabled and application monies received 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.

10. USE OF PROCEEDS OF THE ISSUE

The Company intends to use the net proceeds of the Firm Placing and Placing and Open Offer to part fund the Acquisition and to satisfy the associated acquisition costs (including adviser fees).

In the event that the Acquisition does not complete, the Board intends that the net proceeds of the Issue, after satisfying the expenses related to the Issue and the Acquisition (estimated to amount to approximately £62.2 million), will be used to execute other acquisition opportunities. The Board believes there are a number of such potential acquisition opportunities within the Dutch and wider European insurance markets. Pending utilisation of the proceeds of the Firm Placing and Placing and Open Offer, monies will be used to strengthen the balance sheet and for working capital purposes in supporting the Chesnara Group's strategy, but to the extent that opportunities for such acquisitions or further capital expenditure are not identified by the Board, the Board will review the Chesnara Group's funding structure and will consider its options, which will include the return of surplus cash to its shareholders in as tax efficient a manner as possible.

11. FINANCIAL EFFECTS OF THE ACQUISITION AND THE ISSUE

The Firm Placing and Placing and Open Offer will result in 23,333,334 New Ordinary Shares being issued. Upon Admission and assuming the exercise of options under any share option schemes, the Enlarged Issued Share Capital is expected to be 149,738,226 Ordinary Shares (excluding 147,535 treasury shares). On this basis, the New Ordinary Shares will represent approximately 15.6 per cent. of the Enlarged Issued Share Capital. A Qualifying Shareholder who does not take up their Basic Open Offer Entitlements in full (and does not receive any other New Ordinary Shares pursuant to the Issue) will have their shareholding in Chesnara diluted by up to approximately 15.6 per cent. as a result of the Issue. Furthermore, a Qualifying Shareholder who takes up their Basic Open Offer Entitlements in full (and does not receive any other New Ordinary Shares pursuant to the Issue) will have their shareholding in Chesnara diluted by approximately 12.5 per cent. as a result of the Firm Placing.

A pro forma statement of net assets of the Company illustrating the effect of the Issue on the Company's audited net assets as at 30 June 2016, as if it had been undertaken at that date, is set out in Part XI (*Unaudited Pro Forma Combined IFRS Financial Information For The Enlarged Group*) of this document. This information is unaudited and has been prepared for illustrative purposes only.

Taking into account the receipt of the net proceeds of the Firm Placing and Placing and Open Offer of approximately £66.1 million, the pro forma net assets of the Company as at 30 June 2016 would have been £380.4 million, with pro forma net cash of 236.7 million. The Issue is not expected to have a material impact on the earnings of the Company. Should the Acquisition complete, it is expected to be earnings accretive. However, the Issue is not conditional upon completion of the Acquisition.

12. CURRENT TRADING AND PROSPECTS

Since 30 June 2016, being the most recently published financial information for Chesnara, the Chesnara Group has traded in line with expectations. One of the key drivers of the performance and position of the Chesnara Group is the economic environment, with key levers being gilt yields, equity markets and the Euro and Swedish Krona to sterling exchange rate. Gilt yields have reduced since 30 June 2016 and the FTSE 100, being a useful barometer for equity performance, has continued to rise in the same period, being 4.8 per cent. higher at the Latest Practicable Date when compared with 30 June 2016. The principal Swedish equity markets have also increased since 30 June 2016, with the OMX30 index having increased by 12 per cent. to reach 1,483 as at the Latest Practicable Date. Sterling has strengthened slightly against both the Euro and Swedish Krona in the same period. The net impact of the economic variables is that the financial position of the Chesnara Group has not changed materially since 30 June 2016.

Countrywide Assured, the Chesnara Group's principal operating subsidiary in the UK, has been in run-off for a number of years. The non-economic drivers of the business can be predicted with a reasonable degree of certainty, with expenses being controlled and persistency remaining within the Company's long-term assumptions. Movestic, Chesnara's Swedish subsidiary, has also traded satisfactorily and continues to steadily recover market share in its targeted profitable business segments. The Waard Group contributes only a relatively small proportion of the Chesnara Group's earnings and these have emerged in line with expectations since 30 June 2016.

As at 30 June 2016 there were several ongoing UK regulatory issues, including:

- A FCA investigation into the appropriateness of Chesnara's level of disclosure regarding exit charges, paid-up charges and early transfer charges to its customers holding closed book products;
- the findings and recommendations of the FCA's "Thematic review into the fair treatment of long-standing customers in the life and pension industry" which is under consultation; and
- FCA proposals to cap exit charges on pensions for those aged over 55.

During the period since 30 June 2016 there have been no developments to the position on any of these issues that suggest the accounting treatment and reported outlook as per the 2016 Unaudited Interim Financial Statements has deteriorated. Regarding the FCA's proposals to cap early exit pension charges for existing personal and stakeholder pension schemes, the FCA announced on 15 November 2016 conclusions from its consultation launched in May 2016. The FCA has confirmed its previous proposals will be implemented and amongst them, a 1 per cent. cap on early exit pension charges for existing personal and stakeholder pension schemes will be introduced from 31 March 2017. The Chesnara Group's 2016 Unaudited Interim Financial Statements published on 30 August 2016 make allowance for the introduction of the 1 per cent. cap.

13. DIVIDEND POLICY

The Chesnara Group is committed to offering its Shareholders an attractive income stream arising from the profits of its life assurance business. In its interim results, which were announced on 10 August 2016, the Chesnara Group declared an interim dividend of 6.80 pence per share, an increase of 2.9 per cent. over the dividend of 6.61 pence declared for the comparable period in 2015.

14. GENERAL MEETING

A notice convening a General Meeting to be held at the offices of Panmure Gordon, One New Change, London, EC4M 9AF at 11.00 a.m. on 13 December 2016 at which the Resolutions will be proposed as set out at the end of this document. The purpose of the General Meeting is to consider and, if thought fit, pass the Resolutions as set out in full in the Notice of General Meeting.

Your attention is again drawn to the fact that the Firm Placing and Placing and Open Offer and the Acquisition are conditional and dependent upon the Resolutions being passed (there are also additional conditions which must be satisfied before the Acquisition and the Firm Placing and Placing and Open Offer can be completed).

However, Shareholders should be aware that it is possible that, subsequent to Admission becoming effective, the Acquisition could fail to complete. This possibility is discussed further in paragraph 10 above and paragraph 1 of Part II (*Principal Terms of the Acquisition*) of this document.

For further information in relation to the Resolutions to be proposed at the General Meeting, see the Notice of General Meeting at the end of this document.

15. ACTION TO BE TAKEN

In respect of the General Meeting

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Registrar, Capita Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible and, in any event, so as to arrive not later than 11.00 a.m. on 9 December 2016. The completion and return of the Form of Proxy will not preclude you from attending the General Meeting and voting in person if you wish to do so. You may also submit your proxies electronically at www.capitashareportal.com and logging into your share portal account or registering for the share portal if you have not already done so. To register for the share portal you will need your investor code set out on the form of proxy. Once registered, you will be able to vote immediately. If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Receiving Agent (ID RA10), so that it is received no later than 11.00 a.m. on 9 December 2016.

In respect of the Open Offer

(a) ***Qualifying Non-CREST Shareholders (i.e. holders of Existing Ordinary Shares who hold their Existing Ordinary Shares in certificated form)***

If you are a Qualifying Non-CREST Shareholder you will receive an Application Form which gives details of your maximum entitlement under the Open Offer (as shown by the number of Basic Open Offer Entitlements set out in Box B). If you wish to apply for Open Offer Shares under the Open Offer, you should complete the Application Form in accordance with the procedure for application set out in paragraph 6.1 of Part III (*Terms and Conditions of the Issue*) and on the Application Form itself. Your completed Application Form, accompanied by full payment in accordance with the instructions in paragraph 6.1 of Part III (*Terms and Conditions of the Issue*), should be returned by post in the accompanying pre-paid envelope or returned by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by not later than 11.00 a.m. on 12 December 2016. If you do not wish to apply for any New Ordinary Shares under the Open Offer, you should not complete or return the Application Form.

(b) ***Qualifying CREST Shareholders***

If you are a Qualifying CREST Shareholder no Application Form will be sent to you and you will receive a credit to your appropriate stock account in CREST in respect of the Basic Open Offer Entitlements representing your maximum entitlement under the Open Offer. You should refer to the procedure for application set out in paragraph 6.2 of Part III (*Terms and Conditions of the Issue*). The

relevant CREST instructions must have settled in accordance with the instructions in paragraph 6.2 of Part III (*Terms and Conditions of the Issue*) by no later than 11.00 a.m. on 12 December 2016. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares (other than ex-entitlements) held in certificated form on or after the ex-entitlement date, please forward this document and any Application Form received at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States or any of the Excluded Territories or to US Persons.

If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-entitlements) held in certificated form before the ex-entitlement date, you should refer to the instruction regarding split applications in Part III (*Terms and Conditions of the Issue*) and the Application Form.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specification and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Registrars (ID RA10) by 11.00 a.m. on 9 December 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST members concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

The latest time and date for receipt of Application Forms and payment in full under the Open Offer and the settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 12 December 2016, unless otherwise announced by the Company. Details of the further terms and conditions of the Issue are set out in Part III (*Terms and Conditions of the Issue*) and, where relevant, will also be set out in the Application Forms.

For Qualifying Non-CREST Shareholders, the Open Offer Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by not later than 23 December 2016 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders, the Receiving Agent will instruct Euroclear to credit the stock accounts of the Qualifying CREST Shareholders with their Open Offer Shares. It is expected that this will take place by not later than 8.00 a.m. on 15 December 2016.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with the Open Offer.

If you have any further queries regarding the Open Offer, please call Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

If you are in any doubt as to what action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor or other independent professional adviser duly authorised under the FSMA who specialises in advice on the acquisition of shares and other securities.

16. OVERSEAS SHAREHOLDERS

The distribution of this document, the Application Form and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of, or custodians, trustees or guardians for, persons who are citizens or nationals of, or resident in, countries other than the United Kingdom may be restricted by the laws or regulatory requirements of the relevant jurisdictions.

Any failure to comply with such restrictions may constitute a violation of the securities laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement 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 Bookrunners or any other person, to permit a public offering in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this document and/or an Application Form and/or a credit of Basic 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 document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to, and Basic Open Offer Entitlements will not be credited to stock accounts in CREST of, persons with registered addresses in the United States or any Excluded Territory or their agent or intermediary, 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.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to 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.

17. TAXATION

Your attention is drawn to Part XII (*United Kingdom Taxation*) in relation to taxation matters. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

18. EMPLOYEE SHARE SCHEMES

In accordance with the rules of the Share Schemes, the number of ordinary shares subject to subsisting awards under such schemes and/or the exercise price (if any) may be adjusted to take account of the issue of New Ordinary Shares pursuant to the Open Offer. Participants will be informed of such adjustments in due course.

19. FURTHER INFORMATION

Your attention is drawn to the section entitled "*Risk Factors*" of this document and to Part XIV (*Additional Information*) of this document. You should read all of the information contained in this document before deciding the action to take in respect of the General Meeting. If you are a Qualifying Shareholder, and, subject to certain exceptions, unless you have a registered address in, or are resident in, the United States or any of the Excluded Territories, your attention is drawn in connection with the Firm Placing and Placing and Open Offer to the further information contained in Part III (*Terms and Conditions of the Issue*) of this document.

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service and on the Chesnara website (www.chesnara.co.uk). It is expected that this will be on 13 December 2016.

20. RECOMMENDATION

The Chesnara Board considers the Acquisition and the Issue to be in the best interests of Chesnara and Shareholders as a whole. Accordingly, the Chesnara Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do (or procure to be done, as the case may be) in respect of their entire holdings of 133,043 Ordinary Shares in aggregate, representing approximately 0.1 per cent. of the existing issued ordinary share capital of Chesnara.

The Directors are fully supportive of the Firm Placing and Placing and Open Offer. Certain of the Directors of Chesnara (including the Chief Executive and the Group Finance Director) intend to participate in the Placing and Open Offer. The extent of Director participation will be announced post completion of the Issue.

Yours faithfully,

Peter Mason
Chairman

PART II

PRINCIPAL TERMS OF THE ACQUISITION

1. PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

Pursuant to the Signing Protocol, it is envisaged that the Buyer, the Seller and Chesnara as the Buyer's guarantor and Legal & General Nederland Insurance Holding Limited as the Seller's guarantor, shall, subject to employee consultation procedures, enter into the Acquisition Agreement pursuant to which the Buyer has conditionally agreed to acquire from the Seller the entire issued share capital of Legal & General Nederland with economic effect from 1 January 2016, with a purchase price adjustment as at 30 June 2016, being the date to which the latest unaudited half year financial statements of Legal & General Nederland were prepared. The Acquisition Agreement is governed by Dutch law.

Acquisition and purchase price

The purchase price shall be the sum of €160 million plus interest on such amount at a rate of 1 per cent. per annum for the period starting on 1 October 2016 to 31 December 2016 and a rate of 2 per cent. per annum for the period starting on 1 January 2017 to completion of the Acquisition. Furthermore, any amount of leakage (if any) will be deducted from the purchase price.

A "locked box" mechanism will operate from 31 December 2015 until the date of completion of the Acquisition, this means that if certain types of payments which are outside the ordinary course of business have been made, or are made to the Seller or its affiliates from Legal & General Nederland then this will result in a reduction in the purchase price. This is designed to prevent the leakage of cash and cash equivalents from Legal & General Nederland to the Seller or its affiliates, subject to certain permitted leakage items (including permitted cash dividend distributions of €23 million, €19 million and €26.4 million, the latter which will be set-off against the obligation of the Seller under the uncalled and unpaid share capital of Legal & General Nederland for the same amount). Any leakage claim must be brought by the Buyer prior to the date which falls nine months following the date of completion of the Acquisition.

Conditions precedent to completion of the Acquisition

Completion of the Acquisition is conditional on the following: (a) successful completion of the works council consultation process in the Netherlands; (b) obtaining a declaration of no objection (*verklaring van geen bezwaar*) from the DNB in relation to the Acquisition in accordance with Article 3.95 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) which itself will confirm that the PRA, as the Chesnara Group's Supervisor, has no objections to the Acquisition; (c) the resignation of certain nominated individuals from the supervisory board of Legal & General Nederland and replacement with other nominated individuals as supervisory board members of Legal & General Nederland, one of whom shall become chairman, with effect from completion of the Acquisition; (d) the resignation of a nominated current member of the management board of Legal & General Nederland, effective from the earlier of (i) 1 April 2017 and (ii) the date of completion of the Acquisition; (e) consent of two thirds of the Seller's lenders under its revolving credit facility for the Seller to enter into the Acquisition; (f) the absence of a material adverse change occurring under the Sponsor and Placing Agreement prior to Admission or a material adverse change (including a major default that also constitutes a material adverse change) occurring under the New Debt Facilities Agreement prior to completion of the Acquisition; (g) the passing of the Resolutions, including approval of the Acquisition, by Chesnara Shareholders at the General Meeting; and (h) Admission. Completion of the Acquisition is expected to take place in the first quarter of 2017.

Action pending completion of the Acquisition

The Seller has agreed to procure that the business of Legal & General Nederland is operated in the ordinary course and consistent with past practice until the date of completion of the Acquisition and to procure that Legal & General Nederland does not take certain actions without the consent of the Buyer, including, for example, issuing or selling any shares, making acquisitions and disposals of shares of Legal & General Nederland or businesses, settling or entering into material litigation, lending or borrowing outside the

ordinary course, cancelling or modifying any insurance policy or materially amend the terms of employment, amongst others.

Warranties, indemnities and contributions

The Seller and the Buyer have given limited warranties to each other in respect of power and capacity to enter into the Acquisition Agreement. In addition, the Seller has given certain warranties to the Buyer in respect of the disclosed information, the accounts, real property, assets, in-force policies, material contracts, intellectual property, information technology, insurance, employees, pensions, legal compliance, litigation and taxes.

The Seller has given an indemnity to the Buyer in respect of losses, damages, costs (including administrative handling costs and reasonable legal costs), liabilities and expenses (including taxes) that have been or may be suffered by the Buyer or Legal & General Nederland arising out of claims from (former) customers of Legal & General Nederland in relation to Woekerpolis practices up to a maximum amount of €60 million. The indemnity is being given subject to a risk-sharing arrangement between the Seller and the Buyer, which is based on the following principles:

(a) the Buyer shall be entitled to recover 90 per cent. of the first €5 million of any such aggregated damages or costs suffered by it or Legal & General Nederland;

(b) the Buyer shall be entitled to recover 50 per cent. of any damages or costs suffered by it or Legal & General Nederland which in aggregate exceed €5 million but which are less than €20 million;

(c) the Buyer shall be entitled to recover 90 per cent. of any damages or costs suffered by it or Legal & General Nederland which in aggregate exceed €20 million but which are less than €60 million; and

(d) the Buyer shall not be entitled to recover any damages or costs suffered by it or Legal & General Nederland in excess of €60 million.

Both the indemnity and the risk-sharing arrangement to which it is subject between the Seller and the Buyer on Woekerpolis practices operates for three years following completion of the Acquisition. As a result of the risk-sharing arrangement, the total maximum potential liability of the Seller under the indemnity is €48 million.

Covenants

By the date of completion of the Acquisition, the Seller shall procure that Legal & General Nederland and each member of Legal & General Nederland is released from all guarantees and indemnities given by or on behalf of it for the benefit of the Seller or any of its affiliates (other than in respect of any members of Legal & General Nederland). Furthermore, the Acquisition Agreement contains customary non-compete and non-solicitation obligations on the Seller for a period of two years following completion of the Acquisition.

The Buyer shall, and shall procure that Legal & General Nederland and each member of Legal & General Nederland shall, (i) remove or cause to be removed from its registered legal name the term "Legal & General Nederland" with effect from completion of the Acquisition, and (ii) not carry on any business under any trade or service mark or domain name, and remove any trade or service marks and domains names, containing the term "Legal & General Nederland" with effect from the date falling six months after completion of the Acquisition. In addition, the Buyer shall use its best endeavours to procure the payment after completion of the Acquisition of any deferred remuneration awarded prior to completion of the Acquisition upon such remuneration becoming due in accordance with its terms.

Termination of the Acquisition Agreement

In the event that the conditions precedent to the Acquisition Agreement are not satisfied or waived by 31 July 2017, then the Seller may either (i) terminate the Acquisition Agreement in writing, or (ii) postpone the date for completion of the Acquisition to another date.

Limitations on the Seller's liability

The Acquisition Agreement contains certain limitations on the Seller's liability. The Seller will only be liable in respect of claims under the warranties for claims which individually exceed €100,000 and only where such claims, in aggregate, exceed €1 million. Where it concerns tax claims the aforementioned thresholds are €10,000 and €100,000, respectively. The maximum aggregate liability of the Seller for any and all breaches under the warranties, (except for any and all breaches of warranties in relation to title and capacity in respect of which the Seller's maximum liability shall be the purchase price), shall be an amount equal to 30 per cent. of the purchase price, provided that the Seller's maximum liability for any and all claims under the Acquisition Agreement shall be an amount equal to the purchase price. The Seller's liability is further limited based on certain customary exclusions. The total maximum potential liability of the Seller under the indemnity given to the Buyer in relation to Woekerpolis practices is capped at €48 million as a result of the risk-sharing arrangement.

PART III

TERMS AND CONDITIONS OF THE ISSUE

1. Introduction

The Company is proposing, subject to certain conditions, to issue in aggregate 23,333,334 New Ordinary Shares through the Firm Placing and Placing and Open Offer, raising gross proceeds of approximately £70 million (approximately £66.1 million net of expenses).

18,668,994 New Ordinary Shares will be issued through the Firm Placing, raising gross proceeds of approximately £56 million, and 4,664,340 New Ordinary Shares will be issued through the Placing and Open Offer, raising gross proceeds of approximately £14 million.

Upon completion of the Issue, the New Ordinary Shares will represent approximately 15.6 per cent. of the Enlarged Issued Share Capital (excluding 147,535 treasury shares) and the Existing Ordinary Shares will represent approximately 84.4 per cent. of the Enlarged Issued Share Capital (excluding 147,535 treasury shares).

The Firm Placing is conditional, among other things, upon Admission becoming effective by not later than 8.00 a.m. on 15 December 2016 (or such later time and/or date as the Company and the Banks may agree), not being later than 8.00 a.m. on 29 December 2016 and the Sponsor and Placing Agreement becoming unconditional in all respects, save for Admission, and not being terminated in accordance with its terms.

The Open Offer is an opportunity for Qualifying Shareholders to apply for, in aggregate, 4,664,340 Open Offer Shares *pro rata* to their current holdings at the Issue Price in accordance with the terms of the Open Offer and pursuant to the Excess Application Facility, to apply for Excess Shares at the Issue Price in accordance with the terms of the Open Offer. The Open Offer Shares have been placed conditionally with certain existing Shareholders and other institutional investors at the Issue Price, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer.

The Firm Placing and Placing and Open Offer are conditional, *inter alia*, on:

(a) the passing without amendment of the Resolutions at the General Meeting (and not, except with the prior written agreement of the Banks, at any adjournment of such meeting) on 13 December 2016 (or such later date as the Banks may agree);

(b) the Company having complied with its obligations under the Sponsor and Placing Agreement and under the terms and conditions of the Placing and Open Offer which fall to be performed on or prior to Admission; and

(c) Admission taking place by not later than 8.00 a.m. on 15 December 2016 (or such time and/or date as the Banks and the Company may agree, being not later than 8.00 a.m. on 29 December 2016).

A summary of the principal terms of the Sponsor and Placing Agreement is set out in paragraph 9.1(b) of Part XIV (*Additional Information*) of this document.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders was 5.30 p.m. on 22 December 2016. Application Forms for Qualifying Non-CREST Shareholders accompany this document and Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST on 25 November 2016. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 12 December 2016 with Admission and commencement of dealings in Open Offer Shares expected to take place at 8.00 a.m. on 15 December 2016 (whereupon an announcement through a Regulatory Information Service will be made by the Company).

This document and, for Qualifying Non-CREST Shareholders only, the Application Form, the instructions from the respective nominees, contain the formal terms and conditions of the Issue. Your attention is drawn

to paragraph 6.1 of this Part III (*Terms and Conditions of the Issue*), which gives details of the procedure for application and payment for the Open Offer Shares available under the Open Offer. The attention of Overseas Shareholders is drawn to paragraph 8 of this Part III (*Terms and Conditions of the Issue*).

The New Ordinary Shares, when issued and fully paid, will be identical to, and rank *pari passu* with, the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after the relevant date of Admission. No temporary documents of title will be issued.

Applications will be made (i) to the FCA for the New Ordinary Shares to be admitted to listing on the premium listing segment of the Official List; and (ii) to LSE for the New Ordinary Shares to be admitted to trading on the Main Market. The Existing Ordinary Shares are, and the New Ordinary Shares will be, in registered form and can be held in certificated form or in uncertificated form in CREST. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 15 December 2016.

Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Existing Ordinary Shares prior to 8.00 a.m. on 24 November 2016 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 New Ordinary 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 to the conditions referred to above being satisfied (as described in more detail in paragraph 5 of this Part III (*Terms and Conditions of the Issue*)) and save as provided in paragraph 8 of this Part III (*Terms and Conditions of the Issue*) (in respect of Overseas Shareholders), it is intended that:

(a) Application Forms in respect of the New Ordinary Shares to be offered under the Open Offer will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain limited exceptions, Excluded Overseas Shareholders and Shareholders with registered addresses in the United States or who are otherwise located in the United States) at their own risk on 24 November 2016;

(b) the Receiving Agent will instruct Euroclear UK & Ireland to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain limited exceptions, Excluded Overseas Shareholders and Shareholders with registered addresses in the United States or who are otherwise located in the United States) with such Shareholders' Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements with effect from 8.00 a.m. on 25 November 2016;

(c) the relevant 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 on 15 December 2016; and

(d) 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 Basic Open Offer Entitlements by not later than 23 December 2016 at their own risk.

Qualifying Shareholders taking up their Basic Open Offer Entitlements will be deemed to have given the representations and warranties set out in paragraph 9 of this Part III (*Terms and Conditions of the Issue*).

The Joint Bookrunners and any of their respective affiliates may engage in trading activity in connection with their roles under the Sponsor and Placing Agreement, and, in that capacity, may take up a portion of the New Ordinary Shares in the Firm Placing, Placing and Open Offer as a principal position and in that capacity may retain, purchase, sell offer to sell or otherwise deal for their own account(s) in relation to the New Ordinary Shares and related or other securities and instruments in connection with the Firm Placing, Placing and Open Offer or otherwise. In addition either of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of New Ordinary Shares. Neither Joint Bookrunner or any of their respective affiliates intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

2. The Firm Placing

The Company is proposing to issue 18,668,994 Firm Placed Shares pursuant to the Firm Placing at the Issue Price.

The Firm Placed Shares are not subject to clawback and do not form part of the Open Offer. The Firm Placing is subject to the same conditions as the Placing and Open Offer. The Firm Placing is expected to raise approximately £56 million (gross).

The Firm Placed Shares have been placed with institutional and other investors by the Joint Bookrunners subject to, and in accordance with, the Sponsor and Placing Agreement.

The Firm Placing is conditional, *inter alia*, upon:

(a) the passing without amendment of the Resolutions at the General Meeting (and not, except with the prior written agreement of the Banks, at any adjournment of such meeting) on 13 December (or such later date as the Banks may agree) and the Resolutions remaining in force;

(b) the Company having complied with its obligations under the Sponsor and Placing Agreement and under the terms and conditions of the Placing and Open Offer which fall to be performed on or prior to Admission;

(c) the Sponsor and Placing Agreement being entered into and becoming unconditional in all respects (as regards the Firm Placing and Placing and Open Offer) and not having been terminated prior to Admission;

(d) Admission taking place by not later than 8.00 a.m. on 15 December 2016 (or such time and/or date as the Banks and the Company may agree, being not later than 8.00 a.m. on 29 December);

(e) the Acquisition Agreement being entered into and not having been terminated in accordance with its terms; and

(f) the New Debt Facilities Agreement being entered into and not having been terminated in accordance with its terms.

Accordingly, if any such conditions are not satisfied or waived (where capable of waiver), the Firm Placing will not proceed.

The Company reserves the right to decide not to proceed with the Firm Placing at any time prior to Admission. Following Admission, the Company will not be entitled to revoke any offers made in connection with the Firm Placing. Any decision not to proceed will be notified by means of an announcement through a Regulatory Information Service.

Application will be made to the FCA for the Firm Placed Shares to be admitted to listing on the premium listing segment of the Official List and to the London Stock Exchange for the Firm Placed Shares to be admitted to trading on its main market for listed securities. Subject to the above conditions being satisfied, it is expected that Admission will become effective on 15 December 2016 and that dealings for normal settlement in the Firm Placed Shares will commence at 8.00 a.m. on the same day.

The Firm Placed Shares, when issued and fully paid, will be identical to, and rank *pari passu* with, the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission.

3. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form) each Qualifying Shareholder is being given the opportunity to apply for any number of Open Offer Shares at the Issue Price (payable in full on application and free of all expenses) up to a maximum of their *pro rata* entitlement which shall be calculated on the basis of the following Basic Open Offer Entitlement:

3.69 Open Offer Shares for every 100 Existing Ordinary Shares

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

Qualifying Shareholders applying for their full Basic Open Offer Entitlements may also apply, under the Excess Application Facility, for Excess Shares in excess of their Basic Open Offer Entitlements at the Issue Price, (payable in full on application and free of all expenses). The number of Excess Shares a Qualifying Shareholder can apply for under the Excess Application Facility is capped at a maximum number equal to two times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date. The maximum number of Open Offer Shares to be allotted under the Excess Application Facility will be limited to the maximum number of Open Offer Shares to be issued by the Company under the Open Offer less any Open Offer Shares issued under the Open Offer pursuant to Qualifying Shareholders' valid applications for their Basic Open Offer Entitlements. Qualifying Non-CREST Shareholders who wish to subscribe for more than their Basic Open Offer Entitlements should complete Boxes 5, 6, 7 and 8 of the Application Form and sign and date in Box 9.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Basic Open Offer Entitlements, such applications shall be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility or allocated in such manner as the Board may, in its absolute discretion, determine. No assurance can be given that the applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

Fractional entitlements to Open Offer Shares will not be allotted to Qualifying Shareholders in the Open Offer and, where necessary, fractional entitlements under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares. Fractional entitlements will be aggregated and made available in the Excess Application Facility. Accordingly, Qualifying Shareholders with fewer than 28 shares will not have the opportunity to participate in the Open Offer.

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

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

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 and also shows the maximum number of Open Offer Shares for which you are entitled to apply if you apply for your Basic Open Offer Entitlements in full.

Qualifying CREST Shareholders will have Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 6.2 of this Part III (*Terms and Conditions of the Issue*) and also to the CREST Manual for further information on the relevant CREST procedures.

Qualifying Shareholders may apply for any number of Open Offer Shares up to the maximum to which they are entitled under the Open Offer.

The attention of Overseas Shareholders or any person (including, without limitation, an agent, custodian, nominee or trustee) who has a contractual or other legal obligation to forward this document or the Application Form, into a jurisdiction other the UK is drawn to paragraph 8 of this Part III (*Terms and Conditions of the Issue*). The Placing and Open Offer will not be made into certain territories. Subject to the provisions of paragraph 8, Excluded Overseas Shareholders and Shareholders with registered addresses in the United States or who are otherwise located in the United States are not being sent this document and will not be sent an Application Form or have their CREST accounts credited with Basic Open Offer Entitlements or Excess Basic Open Offer Entitlements.

All Shareholders not participating in the Firm Placing will be diluted. Qualifying Shareholders who take up their *pro rata* entitlement in full will experience a dilution of 12.5 per cent. as a result of the Firm Placing. A Qualifying Shareholder (or a Shareholder in the United States or an Excluded Territory who is not eligible

to participate in the Open Offer) that does not take up any Open Offer Shares under the Open Offer will experience a dilution of 15.6 per cent. as a result of the Firm Placing and Placing and Open Offer.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their Application Form is not a negotiable document and cannot be traded. Qualifying CREST Shareholders should note that the Basic Open Offer Entitlements will not be tradeable or listed although the Basic Open Offer Entitlements will be credited 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 raised by Euroclear UK & Ireland'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 do not apply to take up Open Offer Shares will have no rights under the Open Offer. Any Open Offer Shares which are not applied for in respect of the Open Offer will be issued to the placees and/or other subscribers procured by the Joint Bookrunners or, failing which, to the Joint Bookrunners subject to the terms and conditions of the Sponsor and Placing Agreement, with the net proceeds retained for the benefit of the Company.

Application has been made for the Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements to be credited to Qualifying CREST Shareholders' CREST accounts. The Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements are expected to be credited to CREST accounts on 25 November 2016. The ISIN for the New Ordinary Shares will be the same as that of the Existing Ordinary Shares, being GB00B00FPT80. The ISIN for the Basic Open Offer Entitlements will be GB00BYWLNC10 and Excess Basic Open Offer Entitlements will be GB00BYWLNF41.

The Existing Ordinary Shares are already admitted to CREST and registered in the VPC System. No further application for admission to CREST or registration in the VPC System 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 or the VPC System.

The Open Offer Shares, when issued and fully paid, will be identical to, and rank *pari passu* with, the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

4. The Placing

The Joint Bookrunners have agreed, pursuant to the Sponsor and Placing Agreement, to place conditionally all the Open Offer Shares at the Issue Price to institutional and other investors. The commitments of these placees are subject to clawback in respect of valid applications for Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer, including under the Excess Application Facility. Subject to waiver or satisfaction of the conditions and the Sponsor and Placing Agreement not being terminated, any Open Offer Shares which are not applied for in respect of the Open Offer will be issued to the placees and/or other subscribers procured by the Joint Bookrunners, or failing which, to the Joint Bookrunners subject to the terms and conditions of the Sponsor and Placing Agreement, with the net proceeds retained for the benefit of the Company.

For information on the Sponsor and Placing Agreement see paragraph 9.1(b) of Part XIV (*Additional Information*).

5. Conditions and Further Terms of the Placing and Open Offer

The Open Offer Shares have been placed with certain institutional and other investors by the Joint Bookrunners subject to clawback to satisfy valid applications under the Open Offer subject to, and in accordance with, the Sponsor and Placing Agreement.

The Placing and Open Offer is conditional, *inter alia*, upon:

(a) the passing without amendment of the Resolutions at the General Meeting (and not, except with the prior written agreement of the Banks, at any adjournment of such meeting) on 13 December 2016 (or such later date as the Banks may agree) and the Resolutions remaining in force;

(b) the Company having complied with its obligations under the Sponsor and Placing Agreement and under the terms and conditions of the Placing and Open Offer which fall to be performed on or prior to Admission;

(c) the Sponsor and Placing Agreement being entered into and becoming unconditional in all respects (as regards the Firm Placing and Placing and Open Offer) and not having been terminated prior to Admission;

(d) Admission taking place by not later than 8.00 a.m. on 15 December (or such time and/or date as the Banks and the Company may agree, being not later than 8.00 a.m. on 29 December);

(e) the Acquisition Agreement being entered into and not having been terminated in accordance with its terms; and

(f) the New Debt Facilities Agreement being entered into and not having been terminated in accordance with its terms.

Accordingly, if any such conditions are not satisfied or waived (where capable of waiver) or the Sponsor and Placing Agreement is terminated, the Placing and Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk, including any exchange rate risk), without payment of interest, as soon as practicable thereafter.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. 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 23 December 2016. 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 15 December 2016. Applications will be made (i) to the FCA for the Open Offer Shares to be admitted to listing on the premium listing segment of the Official List; and (ii) to the London Stock Exchange for the Open Offer Shares to be admitted to trading on the Main Market. LSE Admission is expected to occur on 15 December 2016, when dealings in the New Ordinary Shares to be issued pursuant to the Placing and Open Offer are expected to begin. All monies received by the Receiving Agent in respect of Open Offer Shares will be held in a non-interest bearing account by the Receiving Agent until all conditions are met. After Admission, the Sponsor and Placing Agreement will not be subject to any conditions or rights of termination (including in respect of statutory withdrawal rights).

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

The Company reserves the right to decide not to proceed with the Placing and Open Offer at any time prior to Admission. Following Admission, the Company will not be entitled to revoke any offers made in connection with the Placing and Open Offer. Any decision not to proceed will be notified by means of an announcement through a Regulatory Information Service.

6. Procedure for Application and Payment

If you are in any doubt as to what action you should take, or the contents of this document, you are recommended to consult immediately your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser being, if you are resident in the United Kingdom, a firm authorised under FSMA or, if you are in a territory outside the United Kingdom, otherwise from another appropriately authorised independent financial adviser.

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, has had Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements credited to his or her CREST stock account in respect of such entitlement. Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form and apply for Open Offer Shares will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form 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 to deposit Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 10 of this Part III (*Terms and Conditions of the Issue*).

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 Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

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

Should you require further assistance please call Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

6.1 ***If you have an Application Form in respect of your Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements***

(a) *General*

Subject as provided in paragraph 8 of this Part III (*Terms and Conditions of the Issue*) 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 6. 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 Basic Open Offer Entitlements allocated to them set out in Box 7. Box 8 shows how much they would need to pay if they wish to take up their Basic Open Offer Entitlements 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. Under the Excess Application Facility, provided that they have agreed to take up their Basic Open Offer Entitlement, Qualifying Non-CREST Shareholders may apply for more than their Basic Open Offer Entitlements should they wish to do so. The number of Excess Shares a Qualifying Shareholder can apply for under the Excess Application Facility is capped at a maximum number equal to two times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date. If the total number of Excess Shares applied for by all Qualifying Shareholders exceeds the total number of Excess Shares available, applications shall be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility or allocated in such manner as the Board may, in its absolute discretion, determine.

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

The latest time and date for acceptance of the Application Forms and payment in full will be 11.00 a.m. on 12 December 2016. The Open Offer Shares are expected to be issued on 15 December 2016. After such date the Open Offer Shares will be in registered form, freely transferable by written instrument of transfer in the usual common form, or if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

(b) *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 were 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 8 December 2016. 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/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 prior to 8.00 a.m. on 24 November 2016, being the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it (together with this document) 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, or directly to the purchaser or transferee, if known. Qualifying Non-CREST Shareholders who have sold or otherwise transferred some only of the Existing Ordinary Shares shown in Box 6 on the Application Form prior to 8.00 a.m. on 24 November 2016, being the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer, 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 or transmitted in or into the United States or any other Excluded Territory. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 6.2 below.

(c) *Excess applications*

Qualifying Non-CREST Shareholders applying for their Basic Open Offer Entitlements may apply to acquire Excess Shares using the Excess Application Facility, should they wish. The number of Excess Shares a Qualifying Shareholder can apply for under the Excess Application Facility is capped at a maximum number equal to two times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date. The total number of Open Offer Shares to be issued by the Company will not be increased in response to any applications under the Excess Application Facility. Applications for Excess Shares will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Open Offer Entitlements.

If applications under the Excess Applications Facility are received for more than the total number of Excess Shares available following take up of Basic Open Offer Entitlements, applications shall be scaled back *pro rata* to the number of Excess Shares applied for by

Qualifying Shareholders under the Excess Application Facility or allocated in such manner as the Board may, in its absolute discretion, determine.

Qualifying Non-CREST Shareholders who wish to apply for Open Offer Shares in excess of their Basic Open Offer Entitlements should follow the instructions in paragraph 6.1(d) below and complete the Application Form in accordance with the instructions set out in the Application Form.

Should the Open Offer become unconditional in all respects and applications for Excess Shares exceed the total number of Excess Shares available following the take up of Basic Open Offer Entitlements, resulting in a scale back of applications, each Qualifying Non-CREST shareholder who has made a valid application for Excess Shares under the Excess Application Facility, and from whom payment in full for Excess Shares under the Excess Application Facility has been received, will receive a sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, the relevant Qualifying Non-CREST Shareholder, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter by cheque, without payment of interest and at the applicant's sole risk.

Fractions of the Open Offer Shares will not be issued and fractions of the Open Offer Shares will be rounded down to the nearest whole number. Fractional entitlements will be aggregated and made available in the Excess Application Facility. Accordingly, Qualifying Shareholders with fewer than 28 Existing Ordinary Shares will not have the opportunity to participate in the Open Offer.

(d) *Application procedures*

Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Excluded Overseas Shareholders or Shareholders with registered addresses in the United States or who are otherwise located in the United States) wishing to apply to subscribe for all or any of the Open Offer Shares (including any of its entitlement under the Excess Application Facility) in respect of their Basic Open Offer Entitlements should complete the Application Form in accordance with the instructions printed on it.

Completed Application Forms should be posted in the accompanying pre-paid envelope to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (who will act as receiving agent in relation to the Open Offer), by post or by hand during normal business hours only to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by not later than 11.00 a.m. on 12 December 2016, after which time Application Forms will not be valid. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged.

If an Application Form is being sent by 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 action or otherwise, Qualifying Shareholders should act promptly and may need to make alternative delivery arrangements if they 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 "Capita Registrars Limited Re Chesnara Plc Open Offer Account" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank in the UK which is either a member of the Cheque and Credit Clearing Company Limited or a member of the Scottish or Belfast Clearing Houses 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 for the 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 or endorsing the

back of 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.

Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will be subject to compliance with Money Laundering Regulations which would delay Shareholders receiving their Open Offer Shares. The consequences of any failure to comply with Money Laundering Regulations are set out in paragraph 7 of this Part III (*Terms and Conditions of the Issue*).

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent 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. 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 Open Offer are fulfilled, the application monies will be kept in a separate bank non-interest account until all conditions are met. If the Placing and Open Offer does not become unconditional, no Open Offer Shares will be issued pursuant to the Placing and Open Offer and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Placing and Open Offer.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person 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 Issue. The Company may treat as valid Application Forms from which pages 3 and 4 have been removed. The Company further reserves the right (but shall not be obliged) to accept either:

(i) Application Forms received after 11.00 a.m. on 12 December 2016 but not later than 11.00 a.m. on the dealing day next following 13 December 2016; and/or

(ii) applications in respect of which remittances are received before 11.00 a.m. on 12 December 2016 from authorised persons (being in the case of Shareholders in the United Kingdom, an authorised person as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.

Multiple applications will not be accepted. All documents and remittances sent by post by 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 and such Qualifying Non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Receiving Agent 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 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 Receiving Agent, the Joint Bookrunners 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 as a result.

If an Application Form is accompanied by a payment for an incorrect sum, the Company reserves the right:

(i) to reject the application in full and return the cheque or bankers' draft or refund the payment to the Qualifying Non-CREST Shareholder in question (without interest); or

(ii) 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, without interest, to the Qualifying Non-CREST Shareholder in question (without interest), save that any sums of less than £5.00 will be retained for the benefit of the Company; or

(iii) in the case that an excess sum is paid, to treat the application as a valid application for all of the Open Offer Shares referred to in the Application Form, refunding any unutilised sums, without interest, to the Qualifying Non-CREST Shareholder in question (without interest), save that any sums of less than £5.00 will be retained for the benefit of the Company.

(e) *Effect of application*

By completing and delivering an Application Form, the applicant:

(i) represents and warrants to the Company and each of the Joint Bookrunners that he/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/her rights, and perform his/her obligations under any contracts resulting therefrom and that he/she is not prevented by legal or regulatory restrictions from applying for Open Offer Shares and/or acting on behalf of any such person on a non-discretionary basis;

(ii) agrees with the Company and each of the Joint Bookrunners that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales;

(iii) confirms to the Company and each of the Joint Bookrunners that in making the application he/she is not relying on any information or representation in relation to the Company other than that contained in this document, and he/she accordingly agrees that no person responsible solely or jointly for this document 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 document, he/she will be deemed to have had notice of all the information in relation to the Company contained in this document;

(iv) confirms to the Company and each of the Joint Bookrunners 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 document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or any of the Joint Bookrunners;

(v) represents and warrants to the Company and each of the Joint Bookrunners that he/she is the Qualifying Shareholder originally entitled to the Basic Open Offer Entitlements or that he/she received such Basic Open Offer Entitlements by virtue of a *bona fide* market claim;

(vi) represents and warrants to the Company and each of the Joint Bookrunners that if he/she has received some or all of his Basic Open Offer Entitlements from a person other than the Company, he/she is entitled to apply under the Open Offer in relation to such Basic Open Offer Entitlements by virtue of a *bona fide* market claim;

(vii) unless otherwise agreed by the Company in its sole discretion (after agreement with the Joint Bookrunners), represents and warrants to the Company, each of the Joint Bookrunners and the Receiving Agent that such person and any person on whose behalf the applicant is making the application (a) is not located in the United States or any Excluded Territory; (b) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the New Ordinary Shares; (c) is not applying for the account of any person who is located in the United States, unless (1) the instruction to apply was received from a person outside the United States and (2) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and (y) either (A) it has investment discretion over such account or (B) it is an investment manager or investment company that is acquiring the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S; and (d) it is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States, any of the Excluded Territories or any other jurisdiction referred to in (b) above;

(viii) requests that the New Ordinary Shares, to which he/she will become entitled pursuant to the Open Offer, be issued to him/her on the terms set out in this document and the Application Form subject to the Memorandum of Association and Articles;

(ix) represents and warrants to the Company and each of the Joint Bookrunners that he/she is not, and nor is he/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

(x) confirms to the Company and each of the Joint Bookrunners that in making the application, he/she is not relying and has not relied on any of the Joint Bookrunners or any person affiliated with any of the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this document or his/her investment decision.

Qualifying Shareholders outside the United States who complete and deliver an Application Form must also make the representations and warranties set out in paragraph 9 of this Part III (*Terms and Conditions of the Issue*).

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Receiving Agent, Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and 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.

6.2 ***If you have your stock account in CREST credited in respect of your Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements***

(a) *General*

Subject as provided in paragraph 8 of this Part III (*Terms and Conditions of the Issue*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his or her Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements 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 the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements have been allocated.

If for any reason the Basic Open Offer Entitlements and/or Excess Basic Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited on 25 November 2016, or such later time and/or date as the Company and the Joint Bookrunners may decide, an Application Form will, unless the Company agrees otherwise, be sent to each Qualifying CREST Shareholder in substitution for the Basic Open Offer Entitlements and Excess Basic 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 document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive such Application Forms. The Company will make an appropriate announcement through a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication. 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 Receiving Agent, Capita Asset Services, on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. 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.

(b) *Bona fide market claims*

The Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Basic Open Offer Entitlements and Excess Basic 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 Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Basic Open Offer Entitlement(s) and Excess Basic Open Offer Entitlements will thereafter be transferred accordingly.

(c) *Excess applications*

Qualifying CREST Shareholders applying for their Basic Open Offer Entitlements in full may apply to acquire Excess Shares using the Excess Application Facility, should they wish. The number of Excess Shares a Qualifying Shareholder can apply for under the Excess Application Facility is capped at a maximum number equal to two times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date. The total number of Open Offer Shares to be issued by the Company will not be increased in response to any application under the Excess Application Facility. Applications for Excess Shares will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Open Offer Entitlements.

If applications under the Excess Application Facility are received for more than the total number of Excess Shares available following take up of Basic Open Offer Entitlements,

applications shall be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility or allocated in such manner as the Board may, in its absolute discretion, determine.

Excess Basic Open Offer Entitlements may not be sold or otherwise transferred. Subject as provided in paragraph 8 of this Part III in relation to certain Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess Basic Open Offer Entitlements in order for any applications for Excess Shares pursuant to the Excess Application Facility to be settled through CREST. The credit of such Excess Basic Open Offer Entitlements does not in any way give Qualifying CREST Shareholders a right to the Excess Shares attributable to the Excess Basic Open Offer Entitlements as an Excess Basic Open Offer Entitlements is subject to scaling back in accordance with the terms of this document. Qualifying CREST Shareholders should note that, although the Basic Open Offer Entitlements and the Excess Basic Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purpose of market claims only). Neither the Basic Open Offer Entitlements nor the Excess Basic Open Offer Entitlements will be tradable 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.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions in paragraph 6.2(d) below and must not return an Application Form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlements and the relevant Basic Open Offer Entitlements are transferred, the Excess Basic Open Offer Entitlements will not transfer with the Basic Open Offer Entitlements claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess Basic Open Offer Entitlements credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that a separate USE Instruction must be sent to Euroclear in respect of any application under the Excess Basic Open Offer Entitlements.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number. Fractional entitlements will be aggregated and made available in the Excess Application Facility. Accordingly, Qualifying Shareholders with fewer than 28 Existing Ordinary Shares will not have the opportunity to participate in the Open Offer.

The total number of Open Offer Shares to be issued by the Company is fixed and will not be increased in response to applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Open Offer Entitlements. Qualifying Shareholders applying for their full Basic Open Offer Entitlements will be entitled to apply for Excess Shares in proportion to the number of Existing Ordinary Shares held respectively by such Qualifying Shareholders, rounded down to the nearest whole number of Excess Shares. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

A credit equal to two times the number Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date, the Excess Basic Open Offer Entitlements, will be made to the CREST account of each Qualifying CREST Shareholder; if a Qualifying CREST Shareholder would like to apply for a larger number of shares under the Excess Application Facility such Shareholder should contact the Capita Asset Services helpline to arrange for a further credit of Excess Basic Open Offer Entitlements to be made, subject at all times to the maximum number of Excess Shares available.

(d) *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 Basic 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 UK & Ireland which, on its settlement, will have the following effect:

(i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Basic 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 Receiving Agent 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 (i) above.

(e) *Content of USE instruction in respect of Basic 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:

(i) the number of Open Offer Shares for which application is being made (and hence the number of the Basic Open Offer Entitlement(s) being delivered to the Receiving Agent);

(ii) the ISIN of the Basic Open Offer Entitlement. This is GB00BYWLNC10;

(iii) the CREST participant ID of the accepting CREST member;

(iv) the CREST member account ID of the accepting CREST member from which the Basic Open Offer Entitlements are to be debited;

(v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA33;

(vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 28964CHE;

(vii) 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 in (i) above;

(viii) the intended settlement date. This must be on or before 11.00 a.m. on 12 December 2016; and

(ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for the application in respect of Basic Open Offer Entitlements 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. on 12 December 2016.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

(i) a contact name and telephone number (in the free format shared note field); and

(ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 12 December 2016 in order to be valid is 11.00 a.m. on that day.

In the event that the Placing and Open Offer does not become unconditional by 8.00 a.m. on 15 December 2016 or such later date and/or time as the Company may agree with the Joint Bookrunners (not being later than 8.00 a.m. on 29 December 2016), the Open Offer will lapse, the Basic Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent 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.

(f) *Content of USE instruction in respect of Excess Basic 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:

(i) the number of Excess Shares for which application is being made (and hence the number of the Excess Basic Open Offer Entitlement(s) being delivered to the Receiving Agent);

(ii) the ISIN of the Excess Basic Open Offer Entitlement. This is GB00BYWLNF41;

(iii) the CREST participant ID of the accepting CREST member;

(iv) the CREST member account ID of the accepting CREST member from which the Excess Basic Open Offer Entitlements are to be debited;

(v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA33;

(vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 28964CHE;

(vii) 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 Excess Shares referred to in (i) above;

(viii) the intended settlement date. This must be on or before 11.00 a.m. on 12 December 2016; and

(ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of Excess Basic Open Offer Entitlements 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. on 12 December 2016.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

(i) a contact name and telephone number (in the free format shared note field); and

(ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 12 December 2016 in order to be valid is 11.00 a.m. on that day.

In the event that the Placing and Open Offer does not become unconditional by 8.00 a.m. on 15 December 2016 or such later date and/or time as the Company may agree with the Joint Bookrunners (not being later than 8.00 a.m. on 29 December 2016), the Open Offer will lapse, the Excess Basic Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(g) *Deposit of Basic Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Basic Open Offer Entitlements set out in his/her Application Form 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, Basic Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer 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.

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 Basic 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. on 12 December 2016.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, 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 Basic Open Offer Entitlements in CREST, is 4.30 p.m. on 6 December 2016 and the recommended latest time for receipt by Euroclear UK & Ireland of a dematerialised instruction requesting withdrawal of Basic Open Offer Entitlements from CREST is 4.30 p.m. on 6 December 2016, in either case so as to enable the person subscribing for or (as appropriate) holding the Basic 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 Basic Open Offer Entitlements prior to 11.00 a.m. on 12 December 2016. CREST holders inputting the withdrawal of their Basic Open Offer Entitlements from their CREST account must ensure that they withdraw their Basic Open Offer Entitlements.

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 that it/they is/are not in breach of the provisions of the notes under the section headed "CREST Deposit Form" on page 4 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 any Excluded Territory or citizen(s) or resident(s) of the United States or 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.

(h) *Validity of application*

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by not later than 11.00 a.m. on 12 December 2016 will constitute a valid application under the Open Offer.

(i) *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 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. on 12 December 2016. 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.

(j) *Incorrect sums*

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

(i) to reject the application in full and refund the payment to the CREST member in question (without interest);

(ii) 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) save than any sum less than £5.00 will be retained for the benefit of the Company; or

(iii) 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) save than any sum less than £5.00 will be retained for the benefit of the Company.

(k) *Effect of valid application through CREST*

A CREST member or CREST sponsored member who makes or is treated as making a valid application in accordance with the above procedures thereby will be deemed to have:

(i) represented and warranted to the Company and each of the Joint Bookrunners that he/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/her rights, and perform his/her obligations, under any contracts resulting therefrom and that he/she is not 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;

(ii) agreed with the Company 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);

(iii) agreed with the Company and each of the Joint Bookrunners that all applications and any contracts or non-contractual obligations resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England and Wales;

(iv) confirmed to the Company and each of the Joint Bookrunners that in making the application he/she is not relying on any information or representation other than that contained in this document, and he/she accordingly agrees that no person responsible solely or jointly for this document 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 document, he/she will be deemed to have had notice of all the information in relation to the Company contained in this document;

(v) confirmed to the Company and each of the Joint Bookrunners 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 document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or any of the Joint Bookrunners;

(vi) represented and warranted to the Company and each of the Joint Bookrunners that he/she is the Qualifying Shareholder originally entitled to the Basic Open Offer Entitlements or that he/she has received such Basic Open Offer Entitlements by virtue of a *bona fide* market claim;

(vii) represented and warranted to the Company and each of the Joint Bookrunners that if he/she has received some or all of his Basic Open Offer Entitlements from a person other than the Company, he/she is entitled to apply under the Open Offer in relation to such Basic Open Offer Entitlements by virtue of a *bona fide* market claim;

(viii) unless otherwise agreed by the Company in its sole discretion (after agreement with the Joint Bookrunners), represents and warrants to the Company, each of the Joint Bookrunners and the Receiving Agent that such person and any person on whose behalf the applicant is making the application (a) is not located in the United States or any Excluded Territory; (b) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the New Ordinary Shares; (c) is not applying for the account of any person who is located in the United States, unless (1) the instruction to apply was received from a person outside the United States and (2) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and (y) either (A) it has investment discretion over such account or (B) it is an investment manager or investment company that is acquiring the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S; and (d) it is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States, any of the Excluded Territories or any other jurisdiction referred to in (b) above;

(ix) requested that the New Ordinary Shares to which he/she will become entitled be issued to him/her on the terms set out in this document and the Application Form, subject to the Memorandum of Association and Articles;

(x) represented and warranted to the Company and each of the Joint Bookrunners that he/she is not, and nor is he/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

(xi) confirmed to the Company and each of the Joint Bookrunners that in making the application he/she is not relying and has not relied on any of the Joint Bookrunners or any person affiliated with any of the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this document or his/her 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 will also be deemed to have made the representations and warranties set out in paragraph 9 of this Part III (*Terms and Conditions of the Issue*).

(l) *Company's discretion as to the rejection and validity of applications*

The Company may in its sole discretion:

(i) reject any acceptance constituted by a USE Instruction, which is otherwise valid, in the event of a breach of any of the representations, warranties and undertakings set out or referred to in paragraph 6.1(e) of this Part III (*Terms and Conditions of the Issue*). Where an acceptance is made as described in this paragraph 6.2 which is otherwise valid, and the USE Instruction concerned fails to settle by 11.00 a.m. on 12 December 2016 (or by such later time and/or date as the Company may agree with the Banks), the Company shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this paragraph 6.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 6.2 above unless the Company is aware of any reason outside the control of the Qualifying CREST Shareholder or CREST sponsor (as appropriate) concerned for the failure of the USE Instruction to settle;

(ii) 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 paragraph 6.l of this Part III (*Terms and Conditions of the Issue*);

(iii) 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;

(iv) 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

(v) 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 Receiving Agent in connection with CREST.

(m) *Lapse of the Placing and Open Offer*

In the event that the Placing and Open Offer does not become unconditional by 8.00 a.m. on 15 December 2016 or such later time and/or date as the Company may agree with the Banks (not being later than 8.00 a.m. on 29 December), the Placing and Open Offer will lapse, the Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent 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.

7. Money Laundering Regulations

7.1 ***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 is lodged with payment (which requirements are referred to below as the "**verification of identity requirements**"). If the 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.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the "**acceptor**"), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 7.1 the "**relevant Open Offer Shares**") and shall thereby be deemed to agree to promptly provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements and to do all other acts and things as may reasonably be required as to comply with the Money Laundering Regulations.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company nor the Joint Bookrunners will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, 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.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, the Receiving Agent, and the Joint Bookrunners from the applicant that the Money Laundering Regulations will not be breached by application 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:

(a) 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

(b) if the acceptor is a company whose securities are listed on a regulated market subject to specified disclosure obligations; or

(c) 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

(d) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or

(e) 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

(f) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (approximately £12,711.86 as at the Latest Practicable Date).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

(i) if payment is made by cheque or banker's draft in Jersey sterling drawn on a branch in the UK of a bank or building society which bears an appropriate bank sort code number in the top right hand corner the following applies: Cheques should be made payable to "Capita Registrars Limited Re Chesnara Plc Open Offer Account" 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 bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the cheque/bankers' draft to such effect. However, third party cheques will be subject to compliance with 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

(ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above 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, India, 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 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 at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

To confirm the acceptability of any written assurance referred to in (b) above, or in any other case, the acceptor should contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

If the Application Form(s) is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he/she should ensure that he/she has with him/her evidence of identity bearing his/ her photograph (for example, his/her passport) and separate evidence of his or her address.

If, within a reasonable period of time following a request for verification of identity, and in any case by not later than 11.00 a.m. on 12 December 2016, the Receiving Agent has not received evidence

satisfactory to it as aforesaid, the Receiving Agent may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (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).

7.2 ***Basic Open Offer Entitlements in CREST***

If you hold your Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements 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 Receiving Agent 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 Receiving Agent 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 Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent 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.

8. Overseas Shareholders

This document has been approved by the FCA as a prospectus which may be used to offer securities to the public for the purposes of section 85 of FSMA and of the Prospectus Directive. Arrangements may also be made with the competent authority in certain member states of the EEA that have implemented the Prospectus Directive for the use of this document as an approved prospectus in such jurisdictions to make a public offer in such jurisdictions. Issue or circulation of this document may be prohibited in countries other than those in relation to which notices are given below.

No action has been or will be taken in any jurisdiction (other than the United Kingdom) that would permit a public offer of the New Ordinary Shares, or possession or distribution of this document or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the New Ordinary Shares may not be offered or sold, directly or indirectly, and this document may not be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of New Ordinary Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The comments set out in this paragraph 8 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.

8.1 ***General***

This document comprises a combined circular and prospectus relating to the New Ordinary Shares. Under no circumstance does this document generally constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Basic Open Offer Entitlements, Excess

Basic Open Offer Entitlements or New Ordinary Shares (whether Open Offer Shares or otherwise) in the United States or any Excluded Territories.

The distribution of this document, the Application Form and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of, or custodians, trustees or guardians for, persons who are citizens or nationals of, or resident in, countries other than the United Kingdom may be restricted by the laws or regulatory requirements of the relevant jurisdictions.

Any failure to comply with such restrictions may constitute a violation of the securities laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement 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 Bookrunners or any other person, to permit a public offering in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this document and/or an Application Form and/or a credit of Basic Open Offer Entitlements and Excess Basic 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 document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to, and Basic Open Offer Entitlements and/or Excess Basic Open Offer Entitlements will not be credited to stock accounts in CREST of, persons with registered addresses in the United States or any Excluded Territory or their agent or intermediary, 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 document and/or an Application Form and/or a credit of Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom 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 credit of Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements to a stock account in CREST, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Basic Open Offer Entitlements and Excess Basic 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 document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to 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.

None of the Company, the Joint Bookrunners, 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. Each investor should consult with his or her own advisers as to the legal, tax business, prospects, financial and related aspects of a purchase of the New Ordinary Shares.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Basic Open Offer Entitlements and Excess Basic 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 Basic Open Offer Entitlements and Excess Basic 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 document and/or an Application Form and/or a credit of Basic Open Offer Entitlements and Excess Basic 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 and the Joint Bookrunners determine 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 document and/or an Application Form and/or transfers Basic Open Offer Entitlements and Excess Basic 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 Issue*) and specifically the contents of this paragraph 8.

The Company reserves the right 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 dispatched from the United States or any 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 Basic Open Offer Entitlements and Excess Basic 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 in which it would be unlawful to deliver such share certificates or make such a credit to an account holder whose registered address would be, in the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to paragraph 6.1 above and paragraphs 8.2 to 8.4 (inclusive) and 9 below.

Notwithstanding any other provision of this document or the Application Form, the Company reserves the right (after agreement with the Joint Bookrunners) 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 United States and the Excluded Territories, and subject to certain limited exceptions, Qualifying Shareholders located in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Excluded Territory will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Basic Open Offer Entitlements or Excess Basic Open Offer Entitlements.

No public offer of New Ordinary Shares is being made by virtue of this document or the Application Form into the United States or any Excluded Territory. Receipt of this document and/or an Application Form and/or a credit of an Basic Open Offer Entitlements or Excess Basic 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 document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

8.2 ***United States***

None of the New Ordinary Shares, the Basic Open Offer Entitlements or the Excess Basic Open Offer Entitlements have been or will be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States. There will be no public offer of the New Ordinary Shares, the Basic Open Offer Entitlements or the Excess Basic Open Offer Entitlements in the United States.

The New Ordinary Shares made available pursuant to the Issue are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

Accordingly, subject to certain exceptions, the Company is not extending the Placing and Open Offer into the United States and, subject to certain exceptions, none of this document, the Application Form nor the crediting of Basic Open Offer Entitlements or the Excess Basic Open Offer Entitlements to a stock account in CREST constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any New Ordinary Shares in the United States. Subject to certain exceptions, neither this document, nor the Application Form will be sent to, and no Basic Open Offer Entitlements, Excess Basic Open Offer Entitlements or New Ordinary Shares will 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 sent from or postmarked in the United States, or including a United States registered address, will be deemed to be invalid and all persons acquiring Open Offer Shares and wishing to hold such Open Offer Shares in registered form must provide an address outside the United States for registration of the Open Offer Shares.

The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of New Ordinary Shares, or which does not make the warranties set out in the Application Form or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements. In addition, subject to certain exceptions, any person exercising Basic Open Offer Entitlements or the Excess Basic Open Offer Entitlements must make the representations and warranties set out in paragraph 6.1(c) and paragraph 9 of this Part III (*Terms and Conditions of the Issue*), as appropriate. Accordingly, the Company reserves the right to treat as invalid (i) any Application Form which does not make the representations and warranties set out in paragraph 9 of this Part III (*Terms and Conditions of the Issue*) and (ii) any USE Instruction which does not make the representations and warranties set out in paragraph 6.1(e) of this Part III (*Terms and Conditions of the Issue*). The attention of persons holding for the account of persons located in the United States is directed to such paragraphs. In addition, the Company and/or the Joint Bookrunners 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 or that appears to the Company to have been despatched from the United States or any Excluded Territory, or that was sent in a manner which they or their agents believe may violate any applicable legal or regulatory requirement, or which does not make the representations and warranties set out in paragraph 6.1(c) or paragraph 9 of this Part III (*Terms and Conditions of the Issue*).

Any person in the United States into whose possession this document comes should inform himself about and observe any applicable legal restrictions.

8.3 ***Other Excluded Territories***

Application Forms will be posted to Qualifying Non-CREST Shareholders (other than those Qualifying Non-CREST Shareholders who have registered addresses in the Excluded Territories) and Open Offer Entitlements and Excess Basic Open Offer Entitlements will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than those Qualifying CREST Shareholders who have registered addresses in the Excluded Territories). No offer of or invitation to subscribe for New Ordinary Shares is being made by virtue of this document or the Application Form into the Excluded Territories. Overseas Shareholders in jurisdictions other than the Excluded Territories may,

subject to the laws of the relevant jurisdiction, accept their entitlements under the Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form.

Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Entitlements and any Excess Basic Open Offer Entitlements. If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares, you should contact your appropriate professional adviser immediately.

8.4 ***Other overseas territories***

Qualifying Shareholders resident in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Basic Open Offer Entitlements.

8.5 ***Waiver***

The provisions of this paragraph 8 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company and the Joint Bookrunners in their absolute discretion. Subject to this, the provisions of this paragraph 8 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 8 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 8 shall apply to them jointly and to each of them.

9. Additional representations, warranties and agreements relating to US law

Subject to certain exceptions, each purchaser to whom the New Ordinary Shares (whether Open Offer Shares or Firm Placed Shares) are distributed, offered or sold will (on behalf of itself and on behalf of each investment account for which it is acting as fiduciary or agent) be deemed by its subscription for New Ordinary Shares to have represented, warranted and agreed as follows:

(a) it is acquiring the New Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;

(b) it is aware and acknowledges that the New Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States absent registration or an exemption from, or in a transaction not subject to, registration under the US Securities Act;

(c) if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the New Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act;

(d) it is acquiring the New Ordinary Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the New Ordinary Shares in any manner that would violate the US Securities Act or any other applicable securities laws;

(e) it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the New Ordinary Shares to any persons in the United States, nor will it do any of the foregoing;

(f) it is aware and acknowledges that the representations, undertakings and warranties contained in this document are irrevocable. It acknowledges that the Company, the Joint Bookrunners and their

respective directors, officers, agents, employees, advisors and others will rely upon the truth and accuracy of the foregoing representations and agreements; and

(g) if any of the representations or warranties made or deemed to have been made by its subscription or purchase of the New Ordinary Shares are no longer accurate or have not been complied with, it will immediately notify the Company and the Joint Bookrunners, and if it is acquiring any New Ordinary Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make, and does make, such foregoing representations, warranties and agreements on behalf of each such account.

10. Withdrawal rights

Persons wishing to exercise or direct the exercise of statutory withdrawal rights pursuant to section 87Q(4) of FSMA after the issue by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal within two Business Days commencing on the Business Day after the date on which the supplementary prospectus is published (the "**Withdrawal Period**"). 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 delivered by hand (during normal business hours only) to the Receiving Agent, Capita Asset Services or emailed to withdraw@capita.co.uk. Please call Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

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.

11. LSE Admission, settlement and dealings

The results of the Placing and Open Offer are expected to be announced on or around 13 December 2016. Application will be made to the FCA for the New Ordinary Shares to be admitted to listing on the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities.

Subject to certain conditions being satisfied, as set out in this paragraph 11 of this Part III (*Terms and Conditions of the Issue*), it is expected that Admission will become effective and that dealings in the New Ordinary Shares, fully paid, will commence at 8.00 a.m. on 15 December 2016.

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. Basic Open Offer Entitlements and Excess Basic Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 12 December 2016 (the latest date for applications under the Open Offer). If the condition(s) to the Placing and 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 15 December 2016, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be 15 December 2016). 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 document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Basic Open

Offer Entitlements and Excess Basic Open Offer Entitlements, 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 Receiving Agent in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for pursuant to the Open Offer are expected to be despatched by post by 23 December 2016. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the 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 6 above and their respective Application Form.

12. Times and dates

The Company shall, in agreement with the Joint Bookrunners and after consultation with its 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 document and in such circumstances shall notify the FCA and the London Stock Exchange and, where appropriate, Qualifying Shareholders by way of announcement issued via Regulatory Information Service. Qualifying Shareholders may not receive any further written communication. In this regard the attention of Shareholders is drawn to paragraph 6.2 of this Part III (*Terms and Conditions of the Issue*).

13. Taxation

Certain statements regarding United Kingdom taxation in respect of the New Ordinary Shares to be issued under the Placing and Open Offer are set out in Part XII (*United Kingdom Taxation*). Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the United Kingdom, should immediately consult a suitable professional adviser.

14. Further information

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent an Application Form, to the terms, conditions and other information printed on the accompanying Application Form.

15. Governing law and jurisdiction

The Terms and Conditions of the Issue as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England and Wales. 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 document and/or the Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document and/or the Application Form. By taking up Open Offer Shares in accordance with the instructions set out in this document and, where applicable, the 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

INFORMATION ON THE CHESNARA GROUP

The following information should be read in conjunction with the information appearing elsewhere in this document, including the financial and other information in Part VII (Operating and Financial Review of the Chesnara Group) and Part IX (Historical Financial Information Relating to the Chesnara Group).

1. Introduction

Chesnara plc is a life assurance and pensions consolidator. It has operations in the UK, Sweden and the Netherlands. The UK and Dutch businesses are closed to new business whereas its Swedish operation continues to write profitable new business.

2. History and Development

Chesnara listed on the London Stock Exchange in May 2004 with an opening EEV of £126 million, following the acquisition of its inaugural portfolio, Countrywide Assured, the life insurance business of the Countrywide estate agency group.

In May 2005 Chesnara acquired City of Westminster Assurance, Irish Life and Permanent plc's closed UK life insurance business, for a total consideration of £47.8 million. Chesnara realised an EEV gain of £30.3 million on the acquisition and undertook a placing and open offer to raise approximately £22 million.

In June 2006 the long-term business of City of Westminster Assurance was transferred to Countrywide Assured, delivering positive solvency effects, tax benefits and operational efficiencies.

In July 2009 Chesnara expanded its operations into Europe with the acquisition of Movestic, a Swedish open life and pensions business, from Moderna Finance AB for a total consideration of £20 million. Chesnara benefited from an EEV gain of £54.2 million on the acquisition. The Chesnara Group's EEV increased to £263 million in 2009.

In December 2010 Movestic acquired the business of Aspis Liv, a small Swedish life and health insurer.

In December 2010 Chesnara acquired the Save & Prosper Group from JPMorgan Asset Management Marketing Limited for a total consideration of £63.5 million. Taken together with the Aspis Liv acquisition, these acquisitions resulted in a combined EEV gain of £41 million. Chesnara undertook a £25.7 million placing to finance the Save & Prosper Group acquisition. The Chesnara Group's assets under management had now reached in excess of £4 billion.

In 2011 the long-term business of Save & Prosper was transferred to Countrywide Assured. The Chesnara Group's EEV reduces by £60 million that year as a result of dividend payments of £19 million, negative modelling adjustments of £10.3 million and an EEV loss of £29.8 million, principally arising as a result of falls in both equity markets and bond yields.

In November 2013 Chesnara acquired Direct Line Life Insurance Company Limited ("**Direct Line Life**") from Direct Line Insurance Group Plc for £39.3 million, resulting in an EEV gain on acquisition of £12.3 million. Strong investment markets drove the Chesnara Group's EEV growth, reaching £376 million at the end of 2013.

Following a name change from Direct Line Life to Protection Life, the long-term business of Protection Life was transferred into Countrywide Assured in December 2014. Chesnara raised £34.5 million by way of new equity in December 2014 in contemplation of its proposed acquisition of the Waard Group, a Dutch life insurer.

In May 2015 Chesnara completed its acquisition of the Waard Group for a total consideration of £50.1 million, resulting in an EEV gain on acquisition of £21.3 million. The Chesnara Group's EEV reached £455 million at the end of 2015.

3. Business Overview

The Chesnara Group is comprised of a closed UK business, an open Swedish life and pensions business and a closed Dutch business.

Key Chesnara Group metrics as at 30 June 2016 were as follows:

- £459.9 million of EcV;
- £5.1 billion of funds under management;
- 907,000 policyholders; and
- 6.96 per cent. dividend yield (based on Chesnara's closing share price on 30 June 2016).

The Chesnara Group operates in accordance with the following values, which are strongly influenced by the responsibility the Chesnara Group takes for its key stakeholders including policyholders, regulators, employees and investors. Chesnara's culture and values focus on:

Maintenance of adequate financial resources

Effective capital management underpins all of Chesnara's cultural and strategic objectives. The Chesnara Group considers financial stability to be a key aspect of treating customers fairly.

Fair treatment of customers

The fair treatment of customers across the Chesnara Group is Chesnara's primary responsibility. It's a foundation of the Chesnara business strategy as it promotes stronger relationships with the Chesnara Group's customers and regulators. When applying the terms of its customer contracts, coupled with the developing guidance from local regulators on the application of policy conditions, it is important that Chesnara takes the treatment of customers into account whilst balancing the interests of its other stakeholders. In addition to policyholder outcomes the Chesnara Group sees protecting the financial stability of the business as a whole and the provision of good service levels as key requirements.

Robust regulatory compliance

Working constructively with regulators and complying with regulatory requirements is imperative to the delivery of Chesnara's objectives. The Directors share the regulators' desire for robust and responsible governance.

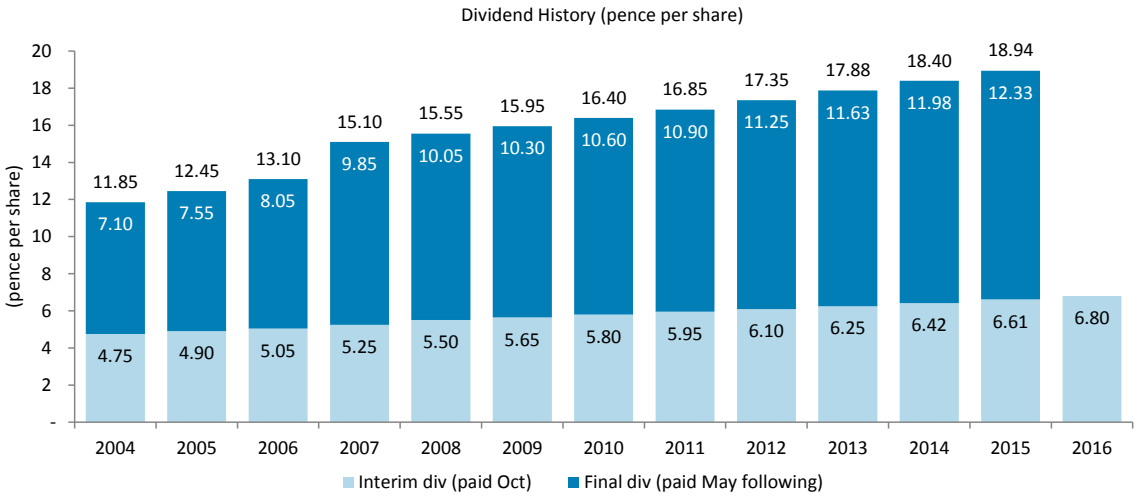
Responsible, risk-based management

Whilst risk-taking is a key part of the Chesnara business model, taking the right risks and managing them appropriately are both essential to the Chesnara Group's success. Chesnara achieves this by understanding the key risk drivers behind its business plan and strategy, and by making sure it monitors these risks and takes appropriate, risk-based decisions in a timely fashion, for the benefit of all of its stakeholders.

Providing competitive returns to Shareholders

As a public company it is imperative that Chesnara offers an attractive investment case. Given the majority of its investors hold Ordinary Shares through income funds, it is important that the Chesnara Group delivers an attractive and sustainable dividend. Chesnara also recognises the benefits of being a 'low maintenance' investment, offering clarity and consistency of performance.

The payment of interim and final dividends by Chesnara during the period from 2004 to 2016 is illustrated below:



4. The Chesnara Group Business Divisions

Countrywide Assured (UK)

Countrywide Assured was the original business when Chesnara plc was formed. The in-force book has grown throughout Chesnara's history as the books of City of Westminster Assurance, Save & Prosper Pensions, Save & Prosper Insurance and Protection Life have been acquired and consolidated into the Countrywide Assured portfolio.

The primary focus of this business division is the efficient management of the policies and policyholders' interests. This gives rise to the emergence of surplus which supports Chesnara's strategic objective of maximising value from existing business.

Wherever possible, the UK division's services are outsourced to professional specialists. Chesnara benefits from expert knowledge whilst the outsource contracts create a degree of cost variability which is vital for a closed book business whose size will naturally reduce over time. The outsourcing model also offers the flexibility to support and accommodate future acquisitions. Oversight of the outsourced functions is a core responsibility of a central, UK-based governance team.

The UK remains a key target market in which Chesnara aims to continue its acquisition strategy.

Key metrics of the UK business division as at 31 December 2015 were as follows:

- EEV of £181.4 million;
- £2.8 billion of funds under management;
- £222.7 million gross cash generated in the five year period to 31 December 2015;
- 349,000 policies; and
- 135 per cent. Solvency II ratio.

Key metrics as at 30 June 2016:

- Solvency II ratio of 137 per cent.; and
- £2.7 billion of funds under management.

Movestic (Sweden)

Movestic was acquired by Chesnara in 2009 and is the only part of the Chesnara Group which delivers against the core objective of enhancing value through profitable new business. From its Stockholm headquarters, Movestic operates as a challenger brand in the Swedish life insurance market. Movestic offers transparent, unit linked pension and savings solutions through IFAs. Movestic is currently one of the most selected providers of advised occupational pension plans within the fund insurance segment in Sweden.

Movestic places great importance on providing quality service to both customers and IFAs, with simple, clear unit-linked products, supported by an attractive and broad investment fund range. Movestic's aim is to offer policyholders the best funds and management services on the market.

Movestic also has a portfolio of risk and health products which offer protection should the worst happen. Their range of policies is closely adapted to the needs of their customers, and their claims handling is one of the best in the Swedish industry.

Unlike the UK operations where services are predominantly outsourced to professional specialists, Movestic manages its own servicing. An in-house services model is deemed more appropriate given the focus towards tailored high quality servicing of IFAs and the fact the business is growing.

As an "open" book business, Movestic not only adds value from sales but, as it gains in size, it will become increasingly cash generative which will fund further growth or contribute towards the Chesnara Group's dividend strategy.

Key metrics of the Movestic business division as at the end of 2015 were as follows:

- EEV of £147.1 million;
- £1.9 billion of Funds under management;
- 11.7 per cent. market share of Chesnara's target, unit-linked pension market;
- 481,000 policies; and
- 154 per cent. Solvency II ratio.

Key metrics as at 30 June 2016:

- Solvency II ratio of 154 per cent.; and
- Funds under Management £2.2 billion.

The Waard Group (Netherlands)

The Waard Group is a relatively small life and pension business based on the outskirts of Amsterdam. The business was acquired by Chesnara in 2015. It has an autonomous, high quality governance and operating structure. It is a small operation in the context of the Chesnara Group and is closed to new business. Whilst efficient management of its policies is expected to contribute to the cash generation of the Chesnara Group, Chesnara's acquisition of the business created a point of entry into the Dutch insurance market, a market in which Chesnara aims to continue to pursue its stated acquisition strategy.

Key metrics of the Waard Group business division as at the end of 2015 were as follows:

- EEV of £74.1 million;
- £0.2 billion of funds under management;
- 80,000 policies; and
- 597 per cent. Solvency II ratio.

Key metrics as at 30 June 2016:

- Solvency II ratio of 584 per cent.; and
- Funds under Management £0.2 billion.

5. Strategy

Chesnara is committed to delivering for stakeholders on three core, strategic objectives:

Maximising value from its existing businesses

The existing in-force books of business are the principal source of cash generation and are hence at the heart of the investment case.

In its UK operations, the Chesnara Group adopts an outsourced business model for its services. Governance oversight and corporate management is provided by a highly experienced, centralised governance team. This governance team also ensures robust and consistent governance practice across the Chesnara Group, although operational autonomy is devolved to Sweden and the Netherlands to ensure the Chesnara Group benefits from its strong divisional management teams. Core operations are not outsourced in Sweden or the Netherlands because it would not suit either the open business model or inherited model in those territories, respectively.

Making further life and pensions business acquisitions where they satisfy stringent assessment criteria

The Chesnara Group is primarily a closed book operation and as such will inevitably lose scale over time. Acquisitions maintain the effectiveness of the operating model. In addition, the Directors believe that considered and appropriately priced acquisitions will create a source of value enhancement and sustain the cash generation potential of the Chesnara Group.

The Chesnara Group looks to identify potential deals through an effective network of advisers and industry contacts. The Chesnara Group works collaboratively with regulators and assesses deals, applying well-established criteria to consider the impact on cash generation and embedded value under best estimate and stressed scenarios. The financial benefits are viewed in the context of the impact the deal will have on the Enlarged Group's risk profile.

Value enhancement through the writing of profitable new business

Whilst new business profits are a relatively modest component of the Chesnara financial model, they are an important and welcome regular source of value growth which supplements growth delivered from Chesnara's periodic acquisitions.

New business activity is currently limited to the Chesnara Group's operations in Sweden, where Chesnara primarily focuses on unit-linked pensions and savings. The Chesnara Group distributes through IFAs and target a realistic share of Chesnara's target market of between 10 and 15 per cent. To achieve higher volumes would require a pricing strategy that may compromise the keen focus on ensuring the business Chesnara writes is profitable.

6. Capital Management and Economic Value

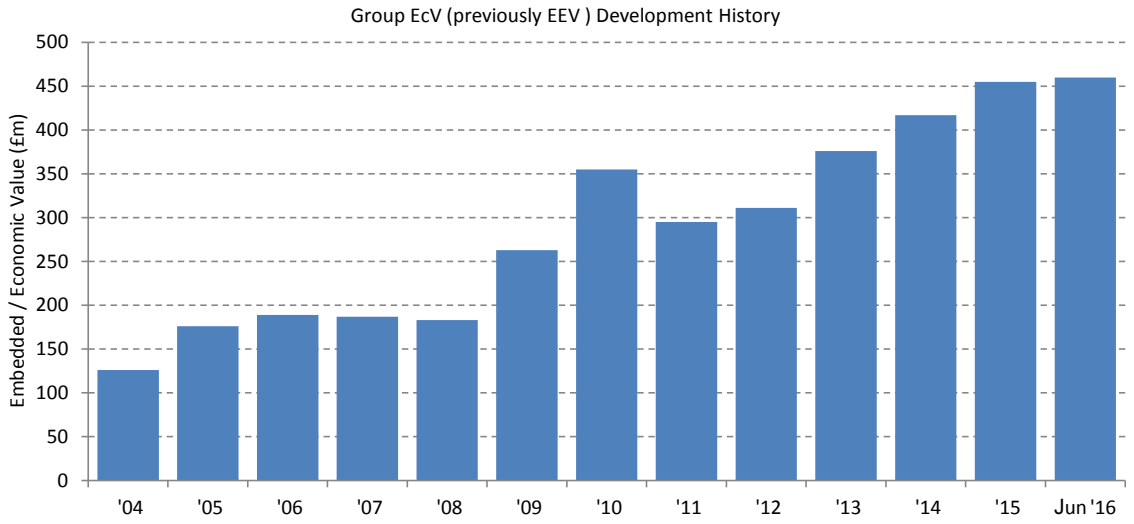
Managing the Chesnara Group's capital positions appropriately is a critical part of ensuring the Chesnara Group remains true to its culture and values, which includes a clear focus on maintaining adequate financial resources. The Chesnara Group is well-capitalised on a Solvency II basis. In applying Solvency II, the Chesnara Group has not made use of any elements of its long term guarantee package, including transitional arrangements.

The Chesnara Group manages capital in accordance with the relevant capital management policies, which are based on regulators' requirements. These policies introduce the concept of a "management buffer", which is incremental to the regulatory capital requirements.

As at 30 June 2016 the Chesnara Group solvency ratios were as follows:

Chesnara Group	148%
Countrywide Assured	137%
Movestic	154%
Waard Leven	584%

Until 2016 Chesnara employed the EEV reporting methodology. On that basis the Chesnara Group's value increased from £126 million at the end of 2004 to £455 million by the end of 2015. That growth occurred during a period in which total dividends payments to Shareholders were in excess of £200 million. During 2016, as a consequence of the commencement of Solvency II, Chesnara has moved to an "Economic Value" valuation measure. Economic Value is based on the Solvency II valuation adjusted for items within Solvency II which are deemed to understate the commercial value of the Company. The transition from EEV to EcV had a modest negative impact on value of £1.8 million. The closing Economic Value of the Chesnara Group as at 30 June 2016 was £459.9 million.



Note:

(1) The development of the Solvency II balance sheet value "Own funds" has led to a general demise of Embedded Value reporting. The Solvency II valuations have therefore been adjusted for these items to create "Economic Value", denoted "EcV" and which was first shown at 30 June 2016.

7. Property

The Chesnara Group does not own any material fixed assets.

8. Employees

The average number of employees of the Chesnara Group for each of the previous three financial years was as follows:

	Financial Year		
Region	*2013*	*2014*	*2015*
UK	23	22	24
Sweden	123	128	140
The Netherlands	n/a	n/a	22
Total	146	150	186

9. Pensions

In the UK, eligible employees are offered membership of either the Chesnara Stakeholder Scheme or other qualifying scheme, both of which operate on a defined contribution basis. In the UK, the Chesnara Group only makes contributions to defined contribution plans to provide pension benefits for employees upon retirement and, otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

The Swedish business participates in a combined defined benefit and defined contribution scheme operated by Forsakringsbranschens Pensionskassa, 'FPK' (the "**Combined Scheme**"). The Combined Scheme is a multi-employer scheme with participants including other Swedish insurance companies not related to the Chesnara Group. Assets and liabilities are held on a pooled basis and are not allocated by the trustee to any individual company. Consequently, reliable information is not available to account for the Combined Scheme as a defined benefit scheme and therefore, in accordance with IAS 19 Employee Benefits, the Combined Scheme is accounted for as a defined contribution scheme. The employers within the Combined Scheme are responsible collectively for the funding of the Combined Scheme as a whole and therefore in the event that other employers exit from the Combined Scheme, remaining employers would be responsible for the ongoing funding. The collective nature of the Combined Scheme results in all participating entities sharing the actuarial risk associated with it. The annual report for the Scheme states that it had a surplus of SEK 985 million as at 31 December 2014.

The Dutch business offers its employees a defined benefit plan which is insured by a large Dutch pension insurer unrelated to the Waard Group. Premiums are paid for by the employer and the employees jointly and the plan allows participants to choose from a range of investment funds. There are no further obligations for the Dutch business to invest in the plan other than the agreed on monthly premiums.

PART V

INFORMATION ON LEGAL & GENERAL NEDERLAND

1. Introduction

Legal & General Nederland is a specialist insurer operating in the life insurance and pensions sector in the Netherlands. Legal & General Nederland is a leading Dutch player in adviser-led risk and investment-linked products, serving high-end affluent customers and has an established defined contribution group pension platform focused on Dutch SMEs.

2. History and Development

Legal & General Nederland was founded in 1984 as an indirect wholly owned subsidiary of the Legal & General Group. Legal & General Nederland then acquired Unilife Netherlands later in 1984. Legal & General Nederland is a leading Dutch player in adviser-led risk and investment-linked products, serving high-end affluent customers and has an established defined contribution group pension platform focused on Dutch SMEs.

Legal & General Nederland is a "top 5" provider in the term assurance market and a market leader in investment linked products which are backed by a wide range of investment funds. It has numerous collaborative ties with independent financial advisers (c. 2,000 adviser relationships) through which its business is sold using its digital platform.

Legal & General Nederland's accounts indicate profitability with strong solvency ratios on a Solvency II basis. Over the period from 1 January 2013 to 30 June 2016 the business has paid €151 million of dividends to the Legal & General Group plc.

3. Business Overview

Key Legal & General Nederland metrics as at 30 June 2016 were as follows:

- €219.8 million of Solvency II own funds;
- €2.2 billion of funds under management;
- c. 170,600 Policies; and
- Solvency II ratio of 219 per cent.

Legal & General Nederland is split into three operating segments: risk, wealth and group pensions. As at 30 June 2016, the Legal & General Nederland business had 170,600 policies in force split by product as follows:

Product	*Policy numbers*
Risk – legal lifestyle	108,000
Risk – survival term policies	3,400
Risk – annuities	2,800
Wealth – universal life/unit-linked/other	38,500
Wealth – private pensions plans	6,400
Wealth – legal investments	3,000
Group pensions	8,500
Total	170,600

Legal & General Nederland operates in accordance with values which are strongly influenced by the responsibility Legal & General Nederland takes for its key stakeholders, including policyholders, regulators, employees and investors. It has policies and action plans which aim to ensure all stakeholders, particularly customers, have positive outcomes and experiences.

As a member of a group that is listed on the London Stock Exchange, Legal & General Nederland already has the financial reporting processes and procedures in place to ensure that it can report to the standards that will be required when under Chesnara ownership, benefiting the integration process. As an EU-based company, Legal & General Nederland is required to report under the Solvency II regime, which came into force since 1 January 2016. Legal & General Nederland reports using the standard formula for calculating its capital requirement, and does not use any transitional arrangements, nor volatility or matching adjustments.

Legal & General Nederland's operations are predominantly conducted "in-house" and are almost fully independent from the Legal & General Group support. As an exception, Legal & General Nederland receives investment management services from LGIM on an arm's length basis.

Legal & General Nederland has historically used a degree of reinsurance where it was deemed appropriate to manage the risks that it had written, including proportional and excess loss cover treaties.

New Business

Legal & General Nederland distributes its products primarily via IFAs, with limited reliance on key distributors. Its top 10 IFAs represent less than 15 per cent. of new business. Legal & General Nederland's distribution network comprises of circa 2,000 adviser relationships. Business is focussed on a higher net worth demographic as a result of commercially viable margins and where adviser conversations take place in a fee based (non-commission) remuneration environment. Legal & General Nederland's brand awareness is predominant with the IFAs and not the end customer and its position in the market is underpinned by a good reputation for financial stability, well-priced products and good service standards. Legal & General Nederland was awarded the title "best" life or pension insurance company in the Netherlands, twelve times during the past thirteen years.

The risk segment is primarily comprised of term products covering against mortality and disability risk (waiver of premium). It launched Legal Lifestyle (in 2011), which provides a lump sum pay-out on death and launched Survival Term (in 2013), which provides a regular income on death. This segment writes to €11.8 million Annualised Premium Equivalent ("**APE**") for the six months ended 30 June 2016 and €24.9 million APE for the year ended 31 December 2015. The expectation is that new APE could rise to give a 10 per cent. market share over the medium term. Legal & General Nederland is a "top 5" market player.

The wealth segment is largely made up of investment-linked products comprising index-linked funds. Nova Products (universal life products launched in 1999) are policies suitable for covering mortgages/pension build-out for company owners and other financial obligations. Private Pension Plan ("**PPP**") allows customers to invest in a number of mutual funds for deferred annuity as an additional pension. Legal Investment (launched in 2015) is a tax-friendly, investment-oriented pension used as an alternative to bank savings. The wealth segment intend to maintain an APE of €8 million.

Legal & General Nederland pensions segment (launched in 2012) is focused on SMEs. The product offering includes Prisma, a defined contribution Pillar-2 pension product, which involves no switching costs. The pensions segment currently, writes APE of €7.5 million.

4. Strategy

Whilst Legal & General Nederland focuses its three pillar strategy on individual investment products (wealth), individual protection products and group pensions, it plans to grow through:

- Delivering IT efficiencies which will improve end to end digital application and approval of all business, connectivity to aggregator sites (term), improved software for advisers (wealth) and efficient end to end service and support through its Group Pensions portal.
- Growth of the established risk and wealth business through its strong adviser network. For term business in particular there are opportunities to grow through successful deals with service providers or banks in an improving mortgage market. Extremely competitive levels of pricing for lower sum assured term business is currently a barrier to growing in this segment; although the Survival Term product and the introduction of a one year term product could see Legal & General Nederland opening this market sector for themselves.

- Growth of Legal & General Nederland pensions business in a growing defined contribution pensions market where its new portal will be market-leading for small to medium sized SMEs (up to 250 employees).

5. Current Trading, Trends and Prospects

A summary of the recent key financial metrics of Legal & General Nederland are summarised below.

Earnings metrics

	For the year ended 31 December		*For the six months ended 30 June*
	2014	*2015*	*2016*
		€'000	
Gross written premiums[2]	248,610	221,269	119,277
Net written premiums[2]	234,295	206,183	111,527
New business APE[1]	23,412	24,903	11,847
IFRS pre-tax profit[2]	85,127	1,347	25,801

Balance sheet metrics

	For the year ended 31 December		*For the six months ended 30 June*
	2014	*2015*	*2016*
		€'000	
Total assets[2]	2,362,078	2,242,436	2,241,640
Net assets[2]	200,163	160,180	138,580
Solvency II Own funds[1]	308,807	265,517	219,765
Solvency II SCR[1]	101,700	100,803	100,199
EEV[1]	303,501	269,548	219,782
Dividends (paid basis)[2]	52,000	41,000	42,000

Longer term trend analysis:

		For the year ended 31 December		*For the six months ended 30 June*
	2013	*2014*	*2015*	*2016*
			€'000	
IFRS pre-tax profit[2]	27,851	85,127	1,347	25,801
Economic conditions impact[1]	3,065	(54,414)	15,624	(20,218)
Underlying profit[2]	30,916	30,713	16,971	5,583

Notes:

(1) This information has been extracted from Legal & General Nederland management accounts or management information.

(2) This information has been extracted from Part X (*Historical Financial Information Relating To Legal & General Nederland*) of this document.

Commentary on IFRS profit volatility

The reported IFRS pre-tax profit of Legal & General Nederland is impacted by investment market movements and as such has shown reasonable volatility over the period disclosed in the tables above. The main reason that IFRS profits display sensitivity to economic conditions, especially interest rates, is largely due to the IFRS accounting treatment of actuarial liabilities and the assets backing these liabilities. As is common in the Dutch market, the actuarial liabilities for certain policies are valued using economic assumptions that applied at the point the policy was sold and are not revalued using updated economic inputs, thereby giving rise to more IFRS profit volatility.

In the table above an adjusted pre-tax profit has been shown which strips out the impact of this dynamic, and shows a more consistent profit over the period disclosed in the table above.

IFRS profitability is not directly linked to Solvency or EcV which are considered to be the more commercial relevant financial metrics. As can be seen in the capital management section below, the Solvency II own funds are less volatile due to the differing liability valuation techniques that are applied.

6. Capital Management

The following table, which has been extracted from Legal & General Nederland management accounts, shows how Solvency II "Own Funds" have progressed pre- and post-dividend over recent years:

	For the year ended 31 December			*For the six months ended 30 June*
	2013[(1)]	*2014*[(1)]	*2015*[(1)]	*2016*
		€'000		
Own funds – brought forward	320,557	344,354	308,807	265,517
Earnings	39,800	16,400	(2,300)	(3,700)
Dividends paid	(16,000)	(52,000)	(41,000)	(42,000)
Own funds – carried forward	344,354	308,807	265,517	219,765
SCR	104,521	101,700	100,803	100,199
Solvency II ratio	329%	304%	263%	219%

Notes:

(1) It should be noted that Solvency II only came into force on 1 January 2016, and prior to this the directive was still being debated. As a result, the Solvency II own funds information at 31 December 2012, 31 December 2013 and 31 December 2014 reflects Legal & General Nederland management's best interpretation of the rules at that time, which was prior to their being finalised.

During the period from 1 January 2013 to 30 June 2016, pre-dividend Solvency II "own funds" have increased by €50.2 million (15.7 per cent.). During that same period the SCR has reduced by €4 million (3.8 per cent.). On a year-on-year basis the movement in "own funds" is significantly more stable than the aforementioned IFRS profits. That said, a degree of variability has been evident which is dominated by the impact of movements in interest rates, bond spreads and equity values.

Legal & General Nederland is well capitalised with a Solvency II ratio of 219 per cent. as at 30 June 2016. The Solvency II "own funds" as at 30 June 2016 were €219.8 million against a statutory capital requirement of €100.2 million with an absolute level of surplus above the statutory requirement of approximately €120 million. Legal & General Nederland operates to a capital plan which requires a minimum Solvency II ratio of 160 per cent.

Whilst the "Own Funds" are less volatile than the IFRS results there remains a degree of variability which is in part due to the sensitivities detailed below:

Own Funds and SCR sensitivity analysis:

Sensitivity	*Impact on Own Funds*	*Impact on SCR*
	€'000	
100bp reduction in yield curve	(17,200)	900
100bp increase in yield curve	10,600	(700)
Equity fall (10%)	(6,200)	(1,500)
New business decline (44% reduction in new business volumes)	(8,200)	(3,300)
Expense increase (7.5%)	(5,400)	100
Spread risk (+150 bps)	(18,150)	(700)
Lapse risk (mass lapse of 20% of protection business)	(17,500)	(2,500)
Mortality increase (+15%)	(18,200)	(4,000)

The equity sensitivity is predominantly due to the decision to hold a significant proportion of shareholder assets in equities and that therefore much of the exposure to equity values could be removed by adopting a shareholder investment model more aligned to that currently adopted by the Chesnara Group, which is averse to investing shareholder funds in equities.

7. Regulation

Legal & General Nederland is regulated by De Nederlandsche Bank ("**DNB**"), the prudential supervisor of the Dutch financial market, and is subject to Solvency II capital requirements. Own Risk and Solvency Assessments on their strategic plans are submitted to the DNB.

Legal & General Nederland reports under the *Wet op het financieel toezicht* ("**Wft**") to the AFM, the conduct supervisor of the Dutch financial market, in connection with their policies.

8. Property

Legal & General Nederland owns two properties: one being its corporate headquarters, currently valued at €3.7 million and the second being an investment property (its former headquarters) which is valued at €1.2 million and is currently let to an IT company until May 2017.

9. Employees

Legal & General Nederland is led by an experienced management team who have an average of 25 years of experience and an average of 8 years working at Legal & General Nederland. As at 18 November 2016, the Legal & General Nederland management team is supported by 165 employees, of whom 155 are full time employees.

10. Pensions

Legal & General Nederland operates a defined benefit pension scheme. Despite the current low interest environment, the scheme is currently in surplus. The scheme assets are well matched to long term liabilities. Should the scheme fall into deficit there is no legal requirement for the employer to fund the pension fund, rather the employer pays the actuarial required premium for future benefits, which is influenced by a number of factors including the number of employees, interest rates and mortality rates. These future funding costs are recognised as a recurring element of Legal & General Nederland's cost base upon which Legal & General Nederland's actuarial reserves are based.

PART VI

REGULATORY OVERVIEW

1. UK

Overview

The Chesnara Group's operations are, and the Enlarged Group's operations will be, subject to extensive government regulation, including FSMA and other UK laws. Some of these laws require the relevant Group entity to be authorised, licensed or registered. Below is an overview of the regulatory framework for the insurance industry in the UK.

UK Financial Services and Markets Act 2000, as amended ("FSMA")

Countrywide Assured plc, the Chesnara Group's life assurance subsidiary in the UK, is currently dual regulated by the FCA (for conduct matters) and the PRA (for prudential matters).

Approach to regulation

The FCA employs a risk-based and proportionate approach to supervision comprising a firm systemic framework, which focuses on the continuous assessment of how firms manage the risks they create and identifying the root causes of risk.

The PRA employs a judgement-based, forward-looking and focused approach to regulation using a proactive intervention framework to identify and respond to risks at an early stage. The position of each insurer is reviewed regularly to ensure that the PRA's level of supervision is appropriate.

The FCA and PRA expect firms to avoid actions that jeopardise compliance with their statutory objectives. When the FCA and PRA are concerned that a firm may present a risk this may lead to negative consequences, including the requirement to maintain a higher level of regulatory capital (via capital "add-ons" under Solvency II) to match the higher perceived risks, and enforcement action where the risks identified breach the FCA and PRA's high-level or more prescriptive rules.

Overview of FSMA regulatory regime: dual regulators

The FCA and PRA regulate persons carrying out regulated activities in the financial services sector. In this regard, the FCA and PRA are 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. The PRA regulates banks, insurance companies and designated investment firms. These firms are referred to as "dual regulated" because they are authorised and regulated by the PRA (for prudential matters) and also regulated by the FCA (for conduct matters).

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 or exempt person. A firm that is authorised by the FCA (and PRA, if relevant) 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 a firm's application for authorisation, the FCA and PRA (if applicable) may delineate the scope of, and include such restrictions on, the grant of permission as the relevant regulator deems appropriate. Dual-regulated firms must apply to the PRA for authorisation, whilst solo-regulated firms (i.e., firms

regulated solely by the FCA), must apply to the FCA. In granting or varying the terms of a firm's permissions, the FCA and PRA 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 FCA Handbook and the PRA Rulebook which contain detailed rules covering, among other things, systems and controls, conduct of business and prudential (i.e., capital) requirements.

Principles for Businesses

The FCA Handbook and the PRA Rulebook contain high-level standards for conducting financial services business in the UK, known as the Principles for Business (in the case of the FCA Handbook) and the Fundamental Rules (in the case of the PRA Rulebook). All firms are expected to comply with these standards, which cover the maintenance of adequate systems and controls, treating customers fairly, communicating with customers in a manner that is clear, fair and not misleading and being open and co-operative with the FCA and PRA.

Application of FSMA regulatory regime to the Chesnara Group and the Enlarged Group

Countrywide Assured plc, the Chesnara Group's life assurance subsidiary in the UK, is subject to regulation and supervision by the FCA and the PRA in the carrying on of its regulated activities. The discussion below considers the main features of the regulatory regime applicable to the Chesnara Group's and the Enlarged Group's insurance business in the UK.

Regulation applicable to the Chesnara Group's and Enlarged Group's insurance business

Supervision of management ("Management") and change of control of authorised firms

One of the methods by which the FCA and PRA supervise the management of authorised firms is through the Approved Persons and Senior Insurance Managers regimes.

The Senior Insurance Managers Regime became fully effective in April 2016. The Senior Insurance Managers Regime is a new regulatory framework introduced by the FCA and PRA that aims to (i) make sure that insurance firms and groups have a clear and effective governance structure; and (ii) to enhance the accountability and responsibility of individual senior managers.

To some extent, the Senior Insurance Managers Regime incorporates the existing Approved Persons Regime, which provides that persons who hold positions of significant influence within an authorised firm must be pre-approved by the FCA and, if relevant, the PRA. For dual-regulated firms, certain Approved Persons, such as directors, are approved by the PRA and the PRA will consult with the FCA in relation to such approval. This was further enhanced following the implementation of Solvency II in early 2016.

Change of control of authorised firms

The FCA and PRA also regulate the acquisition and increase of control over authorised firms. Under FSMA, any person proposing to acquire control of, or increase (or decrease) control over, an authorised firm must first obtain the consent of the FCA and, if necessary, the PRA. In relation to dual-regulated firms, like Countrywide Assured, approval to the change of control is sought from the PRA which will consult with the FCA. In considering whether to grant or withhold its approval to the acquisition of control, the FCA and PRA 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.

A person ("**A**"), will acquire control (in accordance with section 181 FSMA, and be a "**controller**") of an authorised person ("**B**") if they hold:

(a) 10 per cent. or more of the shares in B or a parent undertaking of B ("**P**");

(b) 10 per cent. or more of the voting power in B or P; or

(c) shares or voting power in B or P, as a result of which A is able to exercise significant influence over the management of B.

In order to determine whether person A or a group of persons is a controller, the holdings (shares or voting rights) of A and other persons acting in concert with A, if any, are aggregated.

A person ("**A**") will be treated as increasing (or decreasing) his control over an authorised firm ("**B**"), requiring prior approval from the FCA (and PRA, if appropriate) if:

(i) the level of his percentage shareholding or voting power in B or P crosses the 10 per cent., 20 per cent., 30 per cent. or 50 per cent. threshold; or

(ii) if A becomes a parent undertaking of B.

Intervention and enforcement

The FCA and PRA have extensive powers to intervene in the affairs of an authorised firm and monitor compliance with their objectives, including withdrawing a firm's authorisation, prohibiting individuals from carrying on regulated activities, suspending firms or individuals from undertaking regulated activities and fining firms or individuals who breach their rules.

The FCA can also sanction persons who commit market abuse and can apply to the Court for injunctions and restitution orders. In addition to its ability to apply sanctions for market abuse, the FCA 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 FCA has indicated that it is prepared to prosecute more cases in the criminal courts where appropriate.

The FCA and PRA may also vary or revoke a firm's permission to carry on regulated activities or of a Senior Insurance Manager's approved status for reasons including (i) if it is desirable to protect the interests of consumers or potential consumers, (ii) if the firm has not engaged in regulated activity for 12 months, or (iii) if it is failing to meet the threshold conditions for authorisation. The FCA and PRA have further powers to obtain injunctions against authorised persons and to impose or seek restitution orders where persons have suffered loss. Once the FCA and PRA have 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 Upper Tribunal (Tax and Chancery Chamber). Breaches of certain FCA and PRA 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.

The FCA and PRA, although not creditors, 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 PRA.

FCA Conduct of Business Rules

The FCA'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. Whilst the FCA is primarily responsible for conduct regulation, the PRA will also seek to ensure that firms that it regulates conduct their business in a safe and sound manner.

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 FCA'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 FCA Conduct of Business Rules, for example in relation to the sale of new policies, have no relevance to such companies.

FCA "Outcomes"

The FCA has three operational objectives: (i) to secure an appropriate degree of protection for consumers; (ii) to protect and enhance the integrity of the UK financial system; and (iii) to promote effective competition in the interests of consumers.

The first objective is central to the FCA's expectation of a firm's conduct and is underpinned by six Treating Customers Fairly outcomes: (i) consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture; (ii) products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly; (iii) consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale; (iv) where consumers receive advice, the advice is suitable and takes account of their circumstances; (v) consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect; and (vi) consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

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 FCA and PRA have published detailed rules relating to the maintenance of minimum levels of regulatory capital for insurance and investment businesses in the Prudential Standards section of their Handbook and Rulebook, respectively.

The FCA's and PRA's regulatory capital rules for insurers are primarily contained in the Solvency II prudential framework (as to which, please refer to "Solvency II" below).

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.

The Financial Services Compensation Scheme

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 also intended to promote confidence in the financial system by limiting the systemic risk that the failure of a single firm might trigger a wider loss of confidence in the relevant financial sector. The scheme covers banking, insurance, investment business and mortgage advice, reflecting the different kinds of business undertaken by authorised firms. It is funded primarily by levies on participating firms that consist of (i) a management expenses levy comprising a base costs levy that relates to the cost of running the FSCS each year and a specific cost for the running costs attributable to a specific funding class and (ii) a compensation costs levy which relates primarily to the costs incurred by the FSCS in paying compensation.

Insurance Guarantee Schemes

Currently there are no rules at the EEA level requiring EU 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 end of 2012, but no new proposals are forthcoming. It is possible that such a directive may affect the operation of the FSCS.

Conduct of Business requirements for insurance business

The Conduct of Business Rules issued by the FCA 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 is a product which historically gave 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.

As an insurer in run-off in the UK, a number of the Conduct of Business Rules relating to the sale of new policies do not concern the Chesnara Group. However, there are 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 apply regardless of whether or not the insurer is actively selling its products.

Transfers 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 of England and Wales. As a practical necessity, PRA approval (which will involve consultation with the FCA) may also be 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.

Solvency II

Solvency II has applied since 1 January 2016.

The Financial Services Authority, and since April 2013, the PRA have required insurance companies to make preparations for the new EU Solvency II framework (the main aspects of this framework are described below and under "Regulatory capital and other requirements may change" in the section of this document headed "Risk Factors").

The Solvency II prudential framework has updated, among other things, the existing EU life, non-life, reinsurance and insurance groups directives. The main aim of the 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 the Basel 3 reforms introduced in relation to banks in 2014, the new approach is based on the concept of three pillars: quantitative requirements (the amount of regulatory capital an insurer should

hold), qualitative requirements on undertakings such as risk management as well as supervisory activities; and enhanced disclosure and transparency requirements.

Solvency II contains rules covering, among other things:

- technical provisions against insurance and reinsurance liabilities;
- the valuation of assets and liabilities;
- the maintenance of a minimum regulatory capital requirement ("**MCR**") and a higher and more risk sensitive solvency capital requirement ("**SCR**");
- what regulatory capital is eligible to cover technical provisions, the MCR and the SCR, and to what extent specific tiers of capital may so count;
- what regulatory 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 regulatory capital models may be used to calculate the SCR;
- governance requirements including risk management processes;
- considerably expanded reporting 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 "**regulatory capital add-on**" in appropriate cases, the add-on to be imposed by the relevant supervisor (the PRA in the case of UK firms);
- rules on insurance products which are linked to the value of specific property or indices ("**unit linked products**"); and
- 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.

Level 2 rules, which supplement the Solvency II Directive with more detail, were adopted by the European Commission on 10 October 2014 and entered into force on 18 January 2015. The European Commission has proposed amendments to these rules as part its initiative to build a Capital Markets Union. These amendments would, amongst other things, alter certain regulatory capital requirements of Solvency II with the intention of providing insurance companies with incentives to invest for the long-term in infrastructure and European Long-Term Investment Funds.

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. The PRA may also impose regulatory capital add-ons if it considers that the resultant regulatory capital requirement does not reflect the risk exposures of the relevant firm or insurance group. The Chesnara Group has not adopted an internal model for the purpose of determining its capital requirements under Solvency II. Instead, it has applied the "standard formula", and has not used any elements of Solvency II's long term guarantee package, including transitional arrangements.

The "The Own Risk and Solvency Assessment" (or "**ORSA**") is an important element of Pillar 2 under Solvency II, requiring forms to consider, in particular, how their internal assessment of capital compares with that under Pillar 1. However, whether or not insurance companies are subject to an additional capital requirement as a result of the ORSA depends on their individual circumstances. The ORSA combines the elements of strategy, risk and capital into a single report, placing emphasis on taking a forward-looking approach to risk management and on stress and scenario testing.

For further information, see also the risk factor entitled "Regulatory capital and other requirements may change" in the section of this document headed "Risk Factors".

Data protection

Data protection law in the UK is governed by the Data Protection Act 1998 ("**DPA**") which implements the European Parliament and the European Council's personal data directive (Directive 95/46/EC). The DPA only applies to data controllers established in the United Kingdom and sets out eight data protection principles which must be complied with in respect of any form of processing, transferring and handling personal data.

The DPA will be replaced in May 2018 by the General Data Protection Regulation ("**GDPR**") which itself replaces Directive 95/46/EC. The GDPR will have direct effect on all European Union Member States and is expected to have a significant impact on both data controllers and data processors as it introduces both new and more onerous obligations applicable to both controllers and processors and will include a stricter penalty regime. Under the DPA the maximum fine is £500,000, however, under the GDPR the maximum penalties will be up to €20 million or 4 per cent. of annual worldwide turnover. The GDPR will have effect in the United Kingdom prior to the finalisation of Brexit but it is expected that the United Kingdom will enact national laws to reflect the provisions of the GDPR and, as such, there will be minimal (if any) changes.

FCA thematic review on the fair treatment of long standing customers in the life insurance sector

The Chesnara Group's UK subsidiary, Countrywide Assured, charges a minority of customers "exit charges", when switching their pension policies to another provider or "paid-up charges" when realising their pension benefits prior to their specified retirement date. On 3 March 2016, the FCA published a thematic review report on the fair treatment of long standing customers in the life insurance sector. The FCA found a "mixed picture" where most firms reviewed demonstrated good practice in some areas but poor practice in others. A small number of firms were found to be delivering poor customer outcomes across a majority of the areas assessed. In particular, the FCA had concerns about:

- lack of board and senior management oversight of closed book customers and outcomes;
- whether customers were aware of the effect of exit and paid-up charges on their policies and the quality of information provision on the economic effect of exit and paid-up charges;
- firms' behaviour, policies and attitude towards applying exit charges;
- the impact of exit and paid-up on customers shopping around and customer choice;
- the absence, within most firms, of a review of products (and related charges) to assess whether customers were getting fair outcomes; and
- where there are product reviews, over-reliance or overemphasis on compliance with contractual terms and conditions even where actual customer detriment is identified.

The review does not draw final conclusions as to what changes for the future and/or remediation in respect of historic practices might be necessary and the FCA has undertaken to carry on further work in this area.

It is possible that the FCA may take the view that increasing the level of information provided to the customer will not mitigate the concerns listed above, meaning that a reduction or restructuring in the charges may be required. The FCA's work in this area is ongoing.

A number of the firms which are the subject of the review are now the subject of additional investigations, including the Chesnara Group.

More recently, the FCA announced on 15 November 2016 conclusions from its consultation launched in May 2016 on proposals to cap early exit pension charges, both for existing personal and stakeholder pension schemes that contain an early exit charge (where it was proposed the cap would be 1 per cent. of policy value) and also new personal and stakeholder pension schemes (where it was proposed that no exit charge would be permitted).

The review may result in a change in law and/or regulation which will change practices in the sector. In addition, the FCA may require affected firms to carry out remediation in respect of detriment suffered by customers as a result of historic practices. The FCA may also decide to impose financial penalties or compulsory customer remediation (depending on circumstances and its findings).

2. SWEDEN

Overview

The Chesnara Group's operations are, and the Enlarged Group's operations will be, subject to extensive Swedish regulatory laws as well as a large volume of regulations and guidelines from the Swedish Financial Supervisory Authority ("**SFSA**") (*Sw. Finansinspektionen*). Some of these laws require the relevant Chesnara Group entity to be authorised, licensed or registered with the SFSA.

Movestic, the Chesnara Group's life assurance subsidiary in Sweden, and Movestic K AB, the Chesnara Group's securities subsidiary in Sweden, are both subject to regulation and supervision by the SFSA in carrying on their regulated activities.

This overview considers the main features of the regulatory regime applicable to the Chesnara Group's and the Enlarged Group's, securities and insurance business in Sweden.

Overview of the regulatory regime

Sweden has one regulator, the SFSA, with responsibility for the authorisation and supervision of banks, insurers and other financial institutions. The role of the SFSA is to promote stability and efficiency in the financial system as well as to ensure an effective consumer protection. The SFSA authorises, supervises and monitors all companies operating in Swedish financial markets, examines the risks and control systems in financial companies and supervise compliance with statutes, ordinances and other regulations.

In addition, the SFSA monitors companies to ensure that they disclose complete and clear information to consumers and ensure that the systems put in place by the companies for the disclosure of such information are satisfactory. The duties of the SFSA also include preparing rules for financial reporting by financial companies.

Authorisation procedure

Movestic K AB is regulated under the Swedish Securities Markets Act (*Sw. lag* (*2007:528*) *om värdepappersmarknaden*) ("**SMA**").

Movestic is regulated under the Swedish Insurance Contracts Act (*Sw. försäkringsrörelselagen* (*2005:104*) ("**ICA**").

Under both the SMA and the ICA, no entity or individual may carry on or purport to carry on a regulated activity by way of business in Sweden unless it is authorised by virtue of the SMA or ICA (as applicable) to do so. In order to become authorised, an applicant must satisfy the SFSA that it meets the requirements for authorisation set out in the SMA and the ICA.

Broadly, the following conditions will need to be satisfied:

- *location of offices/residence of directors* – for Swedish incorporated companies, the head office must be located in Sweden. As to the composition of the board of directors, both the managing director and a majority of the board will need to be resident in the EEA;
- *effective supervision* – the applicant must be capable of being effectively supervised. This emphasises the need for securities/insurance companies to have a substantive presence in Sweden that is accessible to Swedish regulators enabling the SFSA to supervise such companies. The SFSA will also consider whether there are any impediments to their ability to supervise the applicant, including the group structure and any relevant laws restricting access to information;

- *appropriate resources* – applicants must satisfy the SFSA that they have adequate resources to carry on the securities/insurance business. Resources include financial as well as human resources (including management with required skills) and infrastructure;
- *suitability* – the applicants must be fit and proper to be authorised, having regard to all circumstances; and
- *business model* – the SFSA will examine the applicant's business model. In addition to understanding the economic aspects of the business, matters such as (i) the impact of the model on customers and (ii) ensuring that the planned operations will be conducted under the applicable regulations, will be regarded.

Conduct of business requirements for insurance business

The ICA and related laws and regulations contain certain conduct of business requirements relating to, *inter alia*:

- economic stability;
- information to be provided to existing policyholders and to those who are offered insurance policies;
- good insurance standard;
- rules for borrowing;
- insurance groups;
- capital adequacy;
- co-operation with the SFSA; and
- management of conflicts of interest.

Conduct of Business requirements for securities business

The SMA and related laws and regulations contain certain conduct of business requirements relating to *inter alia*:

- risk management;
- information to be provided to customers;
- management of conflicts of interest;
- collection of data from customers;
- best execution of customer orders;
- financial groups;
- outsourcing agreements;
- capital adequacy; and
- co-operation with the SFSA.

Change of management, senior management and material functions

The SFSA supervises the management of authorised insurance and securities companies by way of the requirement to notify the SFSA of changes regarding the management as well as the senior management of the authorised company. The SFSA should also be notified of changes to persons in charge of the risk management function, compliance function and internal audit function.

In addition to the above, changes regarding the actuary is notifiable for insurance companies.

Change of control of securities companies and insurance companies

Before a qualifying holding of shares in a securities company or an insurance company is acquired, an application for ownership assessment must be submitted to the SFSA. A qualifying holding refers to a direct or indirect ownership of a company, if the ownership represents 10 per cent. or more of the capital or of all votes or otherwise enables a significant influence over the company's management.

The SFSA grants permission for an acquisition if the acquirer is assessed and considered to be suitable and if the planned acquisition is financially sound. The assessment will be based on different criteria. For example, the acquirer's financial strength and possible connection to money laundering and financing of terrorism will be investigated.

Intervention and enforcement

The SFSA has extensive powers to intervene in the affairs of securities companies and insurance companies and monitors compliance with their objectives, including withdrawing a firm's authorisation, prohibiting individuals from carrying on regulated activities, suspending firms or individuals from undertaking regulated activities and fining firms or individuals that breach their rules.

As to securities companies, the SFSA has also recently, as a consequence of the implementation of the CRD IV directive[2], been granted the right to impose administrative sanctions against an individual executive or managing director of a securities company for a severe violation that the institution has committed if the individual in question wilfully or by gross negligence has caused the violation. Examples of gross negligence can be taking a deliberate risk or omission of the board of directors or the managing director. Sanctions may be imposed in the form of administrative fines or result in the individual being prohibited to hold executive positions (including deputy positions) in a securities company for a period of three to ten years. In addition, the SFSA may impose sanctions against individuals or corporations carrying on business or operations without required authorisation.

Prudential supervision

As set out above, in order to maintain authorised status under the SMA and the ICA, companies must continue to satisfy the threshold conditions, which, amongst other things, require the companies to have adequate resources for the carrying on of their business.

Transfer of insurance business

A transfer of a Swedish insurance business requires that an application for an authorisation of the transfer is submitted to the SFSA by the seller and the buyer. Such application must be made to the SFSA within four months from the date on which the seller has registered the approval of the sale and purchase agreement with the Swedish Companies Registration Office (*Sw. Bolagsverket*).

A transfer of an 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.

Solvency II

Solvency II has been applicable in Sweden since 1 January 2016. For more information on Solvency II, please refer to the section entitled "Solvency II" in paragraph 1 of this Part VI.

Data Protection

Data protection law in Sweden is derived from the first data Protection Directive (Directive 95/46/EC). For more information, please refer to the section entitled "Data Protection" in paragraph 1 of this Part VI.

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2 The fourth Capital Requirements Directive (Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC).

3. THE NETHERLANDS

Overview

The Waard Group's operations are, and the Enlarged Group's operations will be, subject to extensive government regulation, including DFSA (as defined below) and other Dutch laws. Some of these laws require the relevant group entity to be authorised, licensed or registered. Below is an overview of the regulatory framework for the insurance industry in the Netherlands.

Dutch Financial Supervision Act ("DFSA")

The Waard Group, the Chesnara Group's Dutch subsidiaries, is subject to substantial regulatory oversight from the DNB and the AFM. The DNB is the Waard Group's primary regulator.

Approach to regulation

The DNB employs a risk-based and proportionate approach to supervision comprising a firm systemic framework, which focuses on the continuous assessment of how firms manage the risks they create and identifying the root causes of such risk. The DNB regularly pro-actively contacts insurers to discuss matters of strategy, day-to-day operations and the current (and expected future) financial standing of the company, in order to assess what parts of a regulated company (if any) could pose (systemic) risk.

The DNB and AFM expect firms to avoid actions that jeopardise compliance with their statutory objectives. When the DNB and AFM are concerned that a company may present a risk, this may lead to imposed consequences, including the requirement to maintain a higher level of regulatory capital (via capital "add-ons" under Solvency II) to match the higher perceived risks, and enforcement action where the risks identified breach the DNB and AFM's high-level or more prescriptive rules. In case of such a breach, although both DNB and AFM must apply the principle of proportionality in all of their actions, the regulators have a large amount of discretion in determining what measures to impose in order to address, remedy or sanction a breach.

Overview of the DFSA regulatory regime

Competent regulatory authorities

The DFSA is the main source of financial regulations in the Netherlands. The DFSA provides for supervision based on a so-called twin peaks-model. The first peak is formed by prudential supervision consisting of supervising the liquidity and solidity of financial undertakings. Prudential supervision is exercised by DNB. As supervisor, DNB's aim is to ensure the solidity of individual market participants and of the Dutch financial system as a whole by, for example, regulating access to financial markets and supervising compliance with statutory capital requirements.

The second peak is formed by market conduct supervision. Supervision of market conduct is exercised by the AFM. Market conduct supervision is aimed at regulating the way in which market participants conduct their operations. The AFM aims to promote orderly and transparent market processes, proper treatment of consumers and fair relationships between financial undertakings.

Insurers are both subject to licensing and prudential supervision from DNB as well as conduct supervision from the AFM.

The relevant EU supervisory body for insurers – the European Insurance and Occupational Pension Schemes Authority ("**EIOPA**") – has limited supervisory powers in the Netherlands. However, it plays an important role in drafting and issuing technical standards and preparing guidance relating to various European directives and regulations. EIOPA aims to accomplish efficient and harmonised financial supervision across the whole of the EU.

Permission to carry on "regulated activities"

A broad range of financial activities are subject to supervision in the Netherlands. As a result, many companies operating in the financial sector require either a license to carry on a regulated activity or are

under an obligation to notify the relevant supervisor of their intent to carry out regulated activities in the Netherlands. Most regulated activities in the Netherlands are currently prescribed in the DFSA. These include life, non-life, funeral expenses and benefits in kind insurers and re-insurers. Pursuant to the DFSA, insurers will have to be authorised by the DNB. In addition to being regulated by the DNB, insurers are also regulated by the AFM (conduct supervision).

Authorisation procedure

The actual process of applying for an authorisation to perform certain regulated activities depends on a number of factors, such as the type of license or authorisation being applied for. However, most application processes take the form set out below.

The application process starts with the submission of the relevant forms and other essential documents. Usually, these essential documents must include financial projections for a period of at least three years. When this information has been received in good order by the relevant regulator, the regulator will evaluate the undertaking's compliance with the applicable requirements as set out in the DFSA. In general, the DNB and AFM have thirteen weeks to decide on a license application. However, the actual consideration period depends on many factors and regularly this consideration period is extended. Often, this is either due to (i) a lack of quality and completeness of the application or (ii) the submitted documents giving rise to further information requests.

Once authorised, and in addition to continuously meeting the threshold conditions to authorisation, regulated companies are obliged to comply with European regulations, European directives (in as far as these directives have direct effect in the Netherlands) and the DFSA (and the lower regulations set out thereunder), all of which contain detailed rules covering, among other things, systems and controls, conduct of business and prudential (i.e., capital) requirements.

Principles for business

European legislation and the DFSA (including secondary legislation set out thereunder) provide for standards relating to various matters of business conduct and sound business operations. In addition, the DNB maintains the so-called "open book of supervision" (*Open Boek Toezicht*) containing high-level standards and guidance for conducting regulated activities in the Netherlands which fall under the supervision of the DNB. The AFM has not published a handbook but has published various guidelines and interpretations on a wide range of financial regulatory topics.

All firms are expected to comply with these standards which cover matters such as sound business operations, customer care and communication with customers.

Application of DFSA regulatory regime to the Chesnara Group and the Enlarged group

Waard Leven N.V., the Chesnara Group's life assurance subsidiary in the Netherlands, is subject to regulation and supervision by the DNB and the AFM in the carrying on of its regulated activities. The discussion below considers the main features of the regulatory regime applicable to the Chesnara Group's and the Enlarged Group's, insurance business in the Netherlands.

Regulation applicable to Legal & General Nederland and the Enlarged group

Supervision of management ("Management") and change of control of authorised firms

One of the methods by which the DNB and AFM supervise the management of authorised firms is through the continuing assessment of policymakers (such as directors and supervisory board members). The regime for the assessment of policymakers is a regulatory framework that aims to (i) make sure that insurance firms and groups have a clear and effective governance structure and (ii) to enhance the accountability and responsibility of individual senior managers. Additionally, the regime provides that persons who hold positions of significant influence within an authorised firm must be pre-approved by the AFM and, if relevant, the DNB. For dual-regulated firms, certain co-policymakers, such as directors, are approved by the DNB and the DNB will consult with the AFM in relation to such approval. This regime (and the requirements

thereunder relating to the integrity and suitability of policymakers) was further enhanced following the implementation of Solvency II in early 2016.

Change of control of authorised firms

The AFM and DNB also regulate the acquisition and increase of control over certain authorised firms, such as insurers. Under the DFSA, any person intent on acquiring control of, or increasing (or decreasing) control over, certain authorised firms must first obtain the consent of the DNB and, if necessary, the AFM. In relation to dual-regulated firms, like the Waard Group, approval for the change of control is sought from the DNB. In considering whether to grant or withhold its approval for the acquisition of control, the DNB must be satisfied 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.

A person ("**A**"), will acquire control (in accordance with Section 3.3.11 of the DFSA, and be a "controller") of an authorised person ("**B**") if they hold:

(a) 10 per cent. or more of the shares in B or a parent undertaking of B ("**P**");

(b) 10 per cent. or more of the voting power in B or P; or

(c) shares or voting power in B or P, as a result of which A is able to exercise significant influence over the management of B.

In order to determine whether person A or a group of persons is a controller, the holdings (shares or voting rights) of A and other persons acting in concert with A, if any, are aggregated.

A person ("**A**") will be treated as increasing (or decreasing) his control over an authorised firm ("**B**"), requiring prior approval from the DNB (and AFM, if appropriate) if the level of his percentage shareholding or voting power in B or P crosses the 10 per cent., 20 per cent., 33 per cent., 50 per cent. or 100 per cent. threshold.

Intervention and enforcement

The AFM and DNB have extensive powers to intervene in the affairs of an authorised undertaking and monitor compliance with their objectives, including withdrawing a firm's authorisation, prohibiting individuals from carrying on regulated activities or acting as policymaker for a regulated firm, suspending firms or individuals from undertaking regulated activities and fining firms or individuals who breach their rules.

The AFM can also sanction persons who commit market abuse and can apply to the court for injunctions and restitution orders. In addition to its ability to apply sanctions for market abuse, the AFM has the power to prosecute criminal offences arising under DFSA, insider dealing under the DFSA and breaches of money laundering regulations.

The AFM and DNB may also vary or revoke a firm's permission to carry on regulated activities or of a policymakers' approved status for reasons including (i) if it is desirable to protect the interests of consumers or potential consumers, (ii) if the firm has not engaged in regulated activity for 12 months, or (iii) if it is failing to meet the threshold conditions for authorisation. The AFM and DNB have further powers to obtain injunctions against authorised persons and to impose or seek restitution orders where persons have suffered loss. Once the AFM and DNB have 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 competent court.

In general, the DNB and AFM are obliged to apply in all their actions the principle of proportionality. This means that the Dutch regulators in any (penalty) decision will have to take all facts and circumstances of the case into account in determining a proportional enforcement measure, such as the gravity and duration of the breach, the redress actions taken by the offender, the extent of cooperation by the offender during the investigation, the damage caused by the breach and the introduction date of the breached provision. In doing

so, the Dutch regulators can also decide not to take enforcement measures after becoming aware of a breach. The Dutch regulators have large discretionary power in doing so.

The DNB, although not a creditor, may seek administration orders (such as the appointment of an administrator under the Dutch emergency regulations (*noodregeling*)), present a petition for the winding-up of credit institution or insurer or have standing to be heard in the voluntary winding-up of a credit institution or insurer. It should be noted that insurers carrying on long-term insurance business cannot voluntarily be wound up without the consent of the DNB.

Conduct of Business Rules

The provisions of the DFSA and its secondary legislation with regard to conduct of business 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. In addition, certain regulated companies must also observe the standards set forth by European regulations and directives (in as far as these directives are directly applicable to such undertaking). Whilst the AFM is primarily responsible for conduct regulation, the DNB will also seek to ensure that companies that it regulates conduct their business in a safe and sound manner.

The scope and range of obligations imposed on an authorised company under the DFSA and its secondary legislation vary according to the scope of its business and the range of its clients. Generally speaking, however, the obligations imposed on an authorised company by the DFSA 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.

AFM "Klantbelang Centraal"

The AFM has the following main operational objectives: (i) to secure an appropriate degree of protection for consumers; (ii) to protect and enhance the integrity of the Dutch financial system; and (iii) to promote effective competition in the interests of consumers.

In this regard, the AFM has developed the key concept of "putting customers interest first" (*klantbelang centraal*), a concept used by the AFM to describe a regulated company's duty of care towards its customers. "Putting customers' interests first" is much broader than for example providing good customer service. The concept boils down to an obligation to provide services and products that fit the needs of a customer (and provide some form of long term and/or added value for that customer). A regulated company "puts customers' interests first" when it (i) actively takes its customers' needs into consideration when developing its products or services, (ii) provides the customer with all relevant information regarding a particular product or service and (iii) only provides services or products when this is in the best interest of the customer.

Prudential Supervision

As set out above, in order to maintain authorised status under the DFSA, 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 DNB has published detailed rules relating to the maintenance of minimum levels of regulatory capital for insurance and investment businesses in its Open Book of Supervision.

The DNB's regulatory capital rules for insurers are primarily contained in the Solvency II prudential framework (as to which, please refer to "Solvency II" below).

The Klachteninstituut Financiele Dienstverlening

Authorised firms must have appropriate complaints handling procedures. However, once these procedures have been exhausted, qualifying complainants may turn to the Complaint Institute for Financial Services (*Klachteninstituut Financiele Dienstverlening*, "**KiFiD**") 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 KiFiD is empowered to order firms who have indicated they wish to be bound by KiFiD's rulings 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.

Insurance Guarantee Schemes

Currently there are no rules at the EEA level requiring EU Member States to adopt insurance guarantee schemes. 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 end of 2012, but no new proposals are forthcoming. Currently, Dutch law does not provide for an insurance guarantee scheme.

Conduct of Business Requirements for insurance business

The relevant provisions of the DFSA and its secondary legislation apply requirements to the sale of insurance contracts. More stringent requirements apply where the contract has an investment value or otherwise is a product which historically gave rise to mis-selling problems. Authorised companies 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 company provides, and fee and remuneration arrangements.

Transfer of Insurance Business

Any transfer of Dutch insurance business must be effected in accordance with Section 3.5.1a of the DFSA, which requires a scheme of transfer to be prepared and approved by the DNB. A 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. 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.

Solvency II

Solvency II has been applicable in the Netherlands since 1 January 2016. For more information on Solvency II, please refer to the section entitled "Solvency II" in paragraph 1 of this Part VI (*Regulatory Overview*).

DNB thematic review

The DNB publishes an annual thematic review with relevant supervisory themes for the coming years. For the year 2016, these include for insurers:

- an emphasis on the correct implementation of Solvency II;
- gathering more good data to assess compliance;
- reviewing recovery plan for insurers that cannot comply with capital requirements and assisting with recovery to protect policyholders;
- the DNB will develop a crisis and resolution framework for insurers in the Dutch market;
- stimulate further development of Solvency II; and
- clear communication from the DNB toward insurers and increased transparency.

Data Protection

Data protection law in the Netherlands is codified in the Dutch Personal Data Protection Act (*Wet bescherming persoonsgegevens*, "**PDPA**"), of 6 July 2000, implementing the data protection directive

(Directive 95/46/EC). The PDPA was last amended on 5 June 2015, introducing the general data breach notification obligation and higher penalties, with effect from 1 January 2016. From this date, data controllers are generally obligated to report data security incidents to the Dutch Data Protection Authority ("*Autoriteit Persoonsgegevens*", "**DPA**") in the event that such data breach (likely) has an adverse effect on the protection of the personal data at issue. Further, if the data breach is likely to adversely affect the privacy of the relevant data subjects, then these data subjects must be notified of the data breach as well. At the same time, the maximum amount of penalties for violations of the PDPA was increased up to €820,000. The actual height of a penalty that can be imposed in case of a violation of the PDPA depends on the nature of the violation.

The current data protection laws will be replaced in 2018 by the General Data Protection Regulation ("**GDPR**") which repeals Directive 95/46/EC. While the GDPR has entered into force on 24 May 2016, it shall be in effect from 25 May 2018. The GDPR is expected to have significant impact on data controllers and data processors, as it introduces new and more detailed obligations and, more importantly, penalties that are substantially higher than those existing to date (the maximum penalty under the GDPR shall amount to €20 million or 4 per cent. of the controller's annual worldwide turnover).

PART VII

OPERATING AND FINANCIAL REVIEW OF THE CHESNARA GROUP

The operating and financial review should be read in conjunction with (i) the Chesnara Group's audited historical consolidated financial information and (ii) the notes explaining the financial statements contained in the 2013 Financial Statements, 2014 Financial Statements, 2015 Financial Statements, the 2015 Unaudited Interim Financial Statements and the 2016 Unaudited Interim Financial Statements which are incorporated by reference into this document, as referred to in Part XV (Documents Incorporated by Reference) of this document.

Unless otherwise indicated, the selected financial information included in this Part VII has been extracted without material adjustment from the Chesnara Group's audited historical consolidated financial statements contained in the 2013 Financial Statements, 2014 Financial Statements, 2015 Financial Statements, the 2015 Unaudited Interim Financial Statements and the 2016 Unaudited Interim Financial Statements which have been prepared in accordance with IFRS.

1. Selected Financial Information

IFRS Statement of Comprehensive Income

	Six months ended		*Year ended 31 December*		
	2016	*2015*	*2015*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*	*£000*
Net income	185,761	261,369	301,287	597,627	734,192
Total operating expenses	(183,867)	(245,976)	(272,141)	(566,671)	(566,671)
Finance costs	(1,226)	(1,609)	(3,457)	(3,008)	(3,527)
Share of (loss)/profit of associate	(428)	405	455	855	1,252
Profit recognised on business combination	–	16,209	16,644	–	2,807
Profit before tax	240	30,398	42,788	28,803	60,590
Income tax (expense)/credit	237	(2,138)	(3,000)	(3,228)	(11,227)
Profit for the period	477	28,260	39,788	25,575	49,363
Foreign exchange translation	15,188	(5,366)	(173)	(7,844)	(516)
Total comprehensive income	15,665	22,894	39,615	17,731	48,847

IFRS Balance Sheet

	As at 30 June		*As at 31 December*		
	2016	*2015*	*2015*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*	*£000*
Intangible assets	118,810	109,143	109,997	109,625	123,364
Financial assets	4,930,958	4,673,488	4,652,231	4,588,219	4,475,739
Cash	253,369	279,813	260,863	241,699	184,263
Other assets	339,556	386,871	344,711	398,503	453,342
Total assets	5,642,693	5,449,315	5,367,802	5,338,046	5,236,708
Insurance contract liabilities	2,260,524	2,330,084	2,232,083	2,308,043	2,362,063
Financial liabilities	2,974,884	2,672,882	2,726,909	2,642,015	2,508,404
Other liabilities	111,873	159,669	113,648	109,155	119,139
Total liabilities	5,347,281	5,162,635	5,072,640	5,059,213	4,989,606
Total equity	295,412	286,680	295,162	278,833	247,102

Other Financial Information

	As at 30 June		*As at 31 December*		
	2016	*2015*	*2015*	*2014*	*2013*
	£m	*£m*	*£m*	*£m*	*£m*
Cash generation	13.6	56.7	44.2	42.6	49.7
Economic Value[1]	459.9	441.2	455.2	417.2	376.4
EcV earnings net of tax[1]	(3.5)	44.9	57.5	44.2	82.7

1. In 2016, EEV basis reporting was replaced by EcV reporting.

2. Operating and Financial Review – Cross Reference List

The following list is intended to enable investors and Shareholders to identify easily specific items of financial information which have been incorporated by reference into this document.

2.1 ***Operating and Financial Review for the year ended 31 December 2013***

The page numbers below refer to the relevant pages of the 2013 Financial Statements.

- Business review – page 18-27
- Financial review – page 28-39

2.2 ***Operating and Financial Review for the year ended 31 December 2014***

The page numbers below refer to the relevant pages of the 2014 Financial Statements.

- Business review – page 18-27
- Financial review – page 28-39

2.3 ***Operating and Financial Review for the year ended 31 December 2015***

The page numbers below refer to the relevant pages of the 2015 Financial Statements.

- Business review – page 18-25
- Financial review – page 26-33

2.4 ***Operating and Financial Review for the six months ended 30 June 2016***

The page numbers below refer to the relevant pages of the 2016 Unaudited Interim Financial Statements.

- Business review – pages 9-15
- Financial review – pages 16-22

3. Capital Resources

3.1 ***Long-term Capital Resources and Funding Summary***

The Chesnara Group is funded by a combination of share capital, retained earnings and debt finance. The level of debt that the Chesnara Board is prepared to take on is determined by the Chesnara Group's "Debt and leverage policy" which incorporates the Chesnara Board's risk appetite in this area.

The following table summarises the absolute levels of debt and equity carried by the Chesnara Group at each of the respective balance sheet dates, together with the resultant gearing ratios:

	As at 31 December			As at 30 June
	2013	*2014*	*2015*	*2016*
	£000	*£000*	*£000*	*£000*
Unsecured bank loans[1]	73,040	64,327	52,522	52,580
Financial reinsurance	21,337	22,969	26,503	31,157
Total debt financing	94,377	87,296	79,025	83,737
Total Group equity	247,102	278,833	295,162	295,412
Gearing ratio[2]	29.6%	23.1%	17.8%	17.8%

Notes:

(1) Additional information on the unsecured bank loans can be found in Part VIII (*Capitalisation and Indebtedness*) of this document.

(2) The gearing ratio is stated after excluding the financial reinsurance which is used to fund the new business operation in Sweden.

3.2 ***Summary of Cash Position and Cash Flows***

The following table summarises the cash and cash equivalents held by the Chesnara, which represents the shareholder liquid assets available to meet short term funding requirements such as dividend payments to Shareholders, debt servicing costs, operational expenses and funding future acquisitions for the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 and for the six months ended 30 June 2016:

		For the year ended 31 December		For the six months ended 30 June
	2013	*2014*	*2015*	*2016*
	£000	*£000*	*£000*	*£000*
Cash and cash equivalents at end of year	37,489	80,102	43,298	30,486

3.3 ***Cash generation***

The cash generation discussed below differs from those presented in the cash flow statements reported under IFRS accounting standards. Instead, it represents the change in solvency surplus generated in the period, net of the movement in capital requirements during the same period.

Cash within the business is generated from increases in the Chesnara Group's surplus funds. Surplus funds represent the excess of assets held over management's internal capital needs, as laid down in each division's group management policy. These are based on regulatory capital requirements, with the inclusion of additional "management buffers".

The table below sets out the gross cash generated by each of the operating divisions during the respective reporting periods:

	For the year ended 31 December			For the six months ended 30 June
	2013	*2014*	*2015*	*2016*
	£m	*£m*	*£m*	*£m*
UK	54.1	50.9	42.5	1.5
Movestic	–	–	5.1	2.5
Waard	–	–	5.0	5.8
Total gross cash generated	54.1	50.9	52.6	9.8
Items affecting ability to distribute cash				
Synergistic effects of Part VII transfer	–	27.4	2.9	–
Protection Life capital injection	(13.1)	–	–	–
Cash generated on acquisition of the Waard Group	–	39.9	–	
Release of capital from with-profits funds	15.5	–	–	–
Movement in restricted surplus in with-profits funds	(15.4)	1.1	(4.6)	–
Net cash generation available for distribution	41.1	79.4	90.8	9.8

3.4 ***Cash utilisation***

Cash utilisation within the Chesnara Group is predominantly in respect of debt and equity servicing costs and the day to day cost of running the head office function. In addition, where the opportunity arises, cash will be utilised to wholly or partially fund future acquisitions. The table below sets out how cash within the Company has been utilised over the reporting period:

	For the year ended 31 December			For the six months ended 30 June
	2013	*2014*	*2015*	*2016*
	£m	*£m*	*£m*	*£m*
Cash utilisation:				
Dividends paid	20.1	20.7	23.5	15.6
Debt servicing:				
Loan repayments	–	9.	12	–
Financing costs	1.4	2.3	2.1	0.8
Chesnara Group expenses	3.9	7.9	7.8	2.2
Total cash utilised	25.4	39.9	45.4	18.6

In addition to the cash utilised in the table above, £8.3 million was utilised in 2013 to part fund the acquisition of Protection Life Company Limited. A further £2.8 million was utilised in 2015 to part fund the Waard Group acquisition.

3.5 ***Treasury policies and objectives***

Treasury management within the Chesnara Group is operated with strict adherence to the investment guidelines set by the Investment Committees at both group and divisional level. These guidelines ensure that a low risk approach is taken to treasury management, with only approved financial institutions which meet stringent credit rating criteria being utilised as deposit takers. Additionally, a

policy of short-term lending results in a highly liquid mix of treasury assets being available for utilisation at short notice should the need arise.

Further information regarding the management of financial risk in relation to financial assets held for treasury purposes, can be found in the note on "Management of financial risk" of the "Notes to the Consolidated Financial Statements" in the Company's published financial statements for each respective period.

PART VIII

CAPITALISATION AND INDEBTEDNESS

The following tables set out the Chesnara Group's capitalisation and indebtedness as at 30 September 2016. The tables should be read in conjunction with the financial statements contained in the 2013 Financial Statements, 2014 Financial Statements, 2015 Financial Statements, the 2015 Unaudited Interim Financial Statements and the 2016 Unaudited Interim Financial Statements which are incorporated by reference into this document, as referred to in Part XV (*Documents Incorporated by Reference*) of this document.

Indebtedness:

	For the nine months ended 30 September 2016 £m
Total current debt	
Bank loan facility – unsecured[1]	12.0
Financing reinsurance – unsecured[2]	8.4
Total current debt	20.4
Total non-current debt (excluding current portion of long term debt)	
Bank loan facility – unsecured[1]	40.6
Financing reinsurance – unsecured[2]	24.9
Total non-current debt	65.5

Notes:

(1) The Existing Debt Facilities consist of the following:

On 7 October 2013 tranche one of the Existing Debt Facilities was drawn down, amounting to £30 million. This facility is unsecured and is repayable in five increasing annual instalments on the anniversary of the draw down date. The outstanding principal on the loan bears interest at a rate of 2.25 percentage points above the London Inter-Bank Offer Rate and interest is payable over interest periods which vary between one and six months at the option of the borrower. To date, £10.4 million of the debt has been repaid.

On 27 November 2013 tranche two of the Existing Debt Facilities was drawn down, amounting to £31 million. As with tranche one, this facility is unsecured and is repayable in five increasing annual instalments on the anniversary of the draw down date. The outstanding principal on the loan bears interest at a rate of 2.25 percentage points above the London Inter-Bank Offer Rate and interest is payable over interest periods which vary between one and six months at the option of the borrower. To date, £10.6 million of the debt has been repaid.

On 27 November 2013 a short-term loan of £12.8 million was drawn down. This was originally repayable in full on 27 May 2015. During 2014, the repayment date of the loan was extended to November 2018. The outstanding principal on the loan bears interest at a rate of 2.75 percentage points above the London Inter-Bank Offer Rate.

The fair value of the bank loan as at 30 September 2016 was £52.8 million.

Bank loans are presented net of unamortised arrangement fees.

(2) The Group enters into certain financing arrangements, which are established in the form of a reinsurance contract, but which are substantively in the form of a financial instrument. The fair value of amounts due in relation to financial reinsurance as at 30 September 2016 was £34.1 million.

Capitalisation:

	As at 30 June 2016 £m
Shareholders' equity	
Share capital	42.6
Share premium	76.5
Treasury shares	(0.2)
Other reserves	14.4
Retained earnings	162.1
Total capitalisation	295.4

There has been no change in the issued share capital of the Company since 30 June 2016.

PART IX

HISTORICAL FINANCIAL INFORMATION RELATING TO THE CHESNARA GROUP

The 2013 Financial Statements, which are incorporated by reference into this document, which were published on 28 March 2014, are incorporated by reference into this document, as referred to in Part XV (*Documents Incorporated By Reference*) of this document.

The 2014 Financial Statements, which were published on 31 March 2015, are incorporated by reference into this document, as referred to in Part XV (*Documents Incorporated By Reference*) of this document.

The 2015 Financial Statements, which were published on 31 March 2016, are incorporated by reference into this document, as referred to in Part XV (*Documents Incorporated By Reference*) of this document.

The 2013 Financial Statements, 2014 Financial Statements and 2015 Financial Statements were prepared in accordance with IFRS.

The 2015 Unaudited Interim Financial Statements, which were published on 28 August 2015, are incorporated by reference into this document, as referred to in Part XV (*Documents Incorporated By Reference*) of this document.

The 2016 Unaudited Interim Financial Statements, which were published on 31 August 2016, are incorporated by reference into this document, as referred to in Part XV (*Documents Incorporated By Reference*) of this document.

PART X

HISTORICAL FINANCIAL INFORMATION RELATING TO LEGAL & GENERAL NEDERLAND

Section A: Accountant's report on the Historical Financial Information relating to Legal & General Nederland

Deloitte LLP
Saltire Court
20 Castle Terrace,
EH1 2DB

The Board of Directors
on behalf of Chesnara Plc
2nd floor
Building 4
West Strand Business Park
Preston
PR1 8UY

Shore Capital and Corporate Limited
Bond Street House
14 Clifford Street
London
W1S 4JU

24 November 2016

Dear Sirs

Legal & General Nederland (the "Target" and, with its subsidiaries, the "Target Group")

We report on the financial information for the three years ended 31 December 2015 set out in Part X of the combined Class 1 Circular and prospectus relating to the acquisition of the Target dated 24 November 2016 of Chesnara plc (the "Company" and, together with its subsidiaries, the "Group") (the "Investment Circular"). This financial information has been prepared for inclusion in the Investment Circular on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Listing Rule 13.5.21R and is given for the purpose of complying with that requirement and for no other purpose.

We have not audited or reviewed the financial information for the period ended 30 June 2016 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) 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 Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

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

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

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Investment Circular, a true and fair view of the state of affairs of the Target Group as at 31 December 2013, 2014 and 2015 and of its profits, cash flows and changes in equity for the three years ended 31 December 2015 and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest annual accounts.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), 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 Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Section B: Historical Financial Information relating to Legal & General Nederland

Historical financial information for the period ended 31 December 2015

Statement of Comprehensive Income

		Year ended 31 December		
		2015	*2014*	*2013*
	Note	*€000*	*€000*	*€000*
Insurance premium revenue		221,269	248,610	235,956
Insurance premium ceded to reinsurers		(15,086)	(14,315)	(13,777)
Net insurance premium revenue		206,183	234,295	222,179
Net investment return	7	59,181	192,493	92,163
Total revenue net of reinsurance payable		265,364	426,788	314,342
Other operating income	8	–	1,229	272
Total income net of investment return		265,364	428,017	314,614
Insurance contract claims and benefits incurred:				
Claims and benefits paid to insurance contract holders	9	(250,892)	(297,333)	(280,226)
Net decrease/(increase) in insurance contract provisions	9	13,143	(10,425)	28,731
Reinsurers' share of claims and benefits	9	8,833	4,781	5,264
Net insurance contract claims and benefits		(228,916)	(302,977)	(246,231)
Fees, commission and other acquisition costs	10	(10,549)	(16,715)	(18,733)
Administrative expenses	11	(24,552)	(23,198)	(21,799)
Total expenses net of change in insurance contract provisions		(264,017)	(342,890)	(286,763)
Total income less expenses		1,347	85,127	27,851
Profit before income taxes		1,347	85,127	27,851
Income tax expense	12	(1,005)	(21,455)	(7,036)
Profit for the year		342	63,672	20,815
Revaluation of land and buildings		151	(55)	(111)
Revaluation of pension obligations after tax		524	(720)	94
Other comprehensive income		–	(10)	(2)
Total comprehensive income for the year		1,017	62,887	20,796

Balance Sheet

		As at 31 December		
		2015	*2014*	*2013*
	Note	*€000*	*€000*	*€000*
Assets				
Intangible assets				
Deferred acquisition costs	13	18,647	23,167	27,485
Property and equipment	14	5,405	5,034	4,789
Investment properties	15	1,150	841	1,200
Reinsurers' share of insurance contract provisions	22	2,400	2,620	2,925
Financial assets:				
Holdings in collective investment schemes at fair value through income		820,799	765,760	690,662
Debt securities at fair value through income	16	1,317,545	1,444,523	1,468,688
Insurance and other receivables	17	19,394	23,799	32,263
Prepayments	17	5,558	6,909	7,097
Derivative financial instruments	18	–	18,034	31,048
Total financial assets		2,163,296	2,259,025	2,229,758
Income taxes	19	364	–	–
Cash and cash equivalents	20	51,174	71,391	33,243
Total assets		2,242,436	2,362,078	2,299,400
Liabilities				
Insurance contract provisions	22	1,979,579	1,992,748	1,982,543
Financial liabilities				
Investment contracts at fair value through income		30	223	308
Derivative financial instruments	18	27,460	44,927	34,143
Defined benefit scheme liability	33	–	92	–
Total financial liabilities		27,490	45,242	34,451
Deferred tax liabilities	23	15,998	32,819	25,172
Reinsurance payables	24	–	4,894	2,615
Payables related to direct insurance and investment contracts	25	48,350	41,489	39,129
Income taxes	26	–	11,281	13,193
Other payables	27	10,839	33,442	13,021
Total liabilities		2,082,256	2,161,915	2,110,124
Net assets		160,180	200,163	189,276
Shareholders' equity				
Share capital	28	19,059	19,059	19,059
Other reserves	30	634	483	538
Retained earnings	29	140,487	180,621	169,679
Total shareholders' equity		160,180	200,163	189,276

Statement of Cash Flows

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Profit for the year	342	63,672	20,815
Adjustments for:			
Depreciation of property and equipment	565	547	544
Amortisation of deferred acquisition costs	11,438	12,847	14,099
Revaluation of land and buildings	151	(55)	(111)
Revaluation of pension scheme obligations	524	(720)	94
Revaluation – other	–	(10)	(2)
Tax expense	1,005	21,455	7,036
Interest receivable	(45,462)	(70,550)	(66,395)
Dividends receivable	(13,318)	(17,098)	(12,896)
Fair value gains on financial assets	(404)	(104,536)	(10,645)
Interest received	49,267	77,996	72,245
Dividends received	13,318	17,098	12,896
Changes in operating assets and liabilities:			
Increase in intangible assets	(6,918)	(8,529)	(14,464)
Decrease in financial assets	89,866	67,049	51,832
Decrease in reinsurers' share of insurance contract provisions	220	305	35
Decrease in insurance and other receivables	600	1,018	4,033
Decrease/(increase) in prepayments	1,351	188	(7,097)
(Decrease)/increase in insurance contract provisions	(13,169)	10,205	(28,722)
Decrease in investment contract liabilities	(193)	(85)	(45)
(Decrease)/increase in reinsurance payables	(4,894)	2,279	1,576
Increase in payables related to direct insurance contracts	6,861	2,360	22,829
(Decrease)/increase in other payables	(56,983)	38,944	(56,620)
Cash generated by operations	34,167	114,380	11,037
Income tax paid	(12,650)	(23,367)	16,344
Net cash generated from operating activities	21,517	91,013	27,381
Cash flows from investing activities			
(Purchases)/sale of property and equipment	(734)	(865)	2
Net cash (utilised)/generated from investing activities	(734)	(865)	2
Cash flows from financing activities			
Dividends paid	(41,000)	(52,000)	(16,000)
Net cash utilised from financing activities	(41,000)	(52,000)	(16,000)
Net (decrease)/increase in cash and cash equivalents	(20,217)	38,148	11,383
Cash and cash equivalents at beginning of the year	71,391	33,243	21,860
Cash and cash equivalents at end of the year	51,174	71,391	33,243

Statement of Changes in Equity

	Year ended 31 December 2015			
	Share Capital	*Other reserves*	*Retained earnings*	*Total*
	€000	*€000*	*€000*	*€000*
Equity shareholders' funds at 1 January 2015	19,059	483	180,621	200,163
Profit for the year	–	–	342	342
Other comprehensive income	–	–	524	524
Revaluation land and buildings	–	151	–	151
Dividends paid	–	–	(41,000)	(41,000)
Equity shareholders' funds at 31 December 2015	19,059	634	140,487	160,180

	Year ended 31 December 2014			
	Share Capital	*Other reserves*	*Retained earnings*	*Total*
	€000	*€000*	*€000*	*€000*
Equity shareholders' funds at 1 January 2014	19,059	538	169,679	189,276
Profit for the year	–	–	63,672	63,672
Other comprehensive income	–	–	(730)	(730)
Revaluation land and buildings	–	(55)	–	(55)
Dividends paid	–	–	(52,000)	(52,000)
Equity shareholders' funds at 31 December 2014	19,059	483	180,621	200,163

	Year ended 31 December 2013			
	Share Capital	*Other reserves*	*Retained earnings*	*Total*
	€000	*€000*	*€000*	*€000*
Equity shareholders' funds at 1 January 2013	19,059	649	164,772	184,480
Profit for the year	–	–	20,815	20,815
Other comprehensive income	–	–	92	92
Revaluation land and buildings	–	(111)	–	(111)
Dividends paid	–	–	(16,000)	(16,000)
Equity shareholders' funds at 31 December 2013	19,059	538	169,679	189,276

Notes to the historical financial information

1. General information

Legal & General Nederland, is registered and based at Laapersveld 68, 1213 VB Hilversum in the Netherlands and was established on March 1 1984. It is a 100 per cent. subsidiary of Legal & General Overseas Holdings Limited, London, part of the Legal & General Group. Legal & General Nederland engages in pension and life insurance products for the Dutch market.

2. Significant accounting policies

(a) ***Statement of compliance***

The financial information for the three year period ended 31 December 2015 has been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('Adopted IFRSs') and therefore complies with Article 4 of the EU IAS Regulation. The financial information has been prepared and approved by the Directors in accordance with Adopted IFRSs. The standards are those to be applied to the next reporting period (being 31 December 2016). Those standards have been applied consistently to the historical period. The following standards are now effective and have therefore been applied:

Title	*Subject*
Annual Improvements to IFRSs: 2011-2013 cycle	Annual improvements to IFRSs

The adoption of this accounting standard does not materially impact this financial information.

At the date of authorisation of these financial statements the following Standards and Interpretations, which are applicable to Legal & General Nederland and which have not been applied in this financial information, were in issue but not yet effective (and in some cases have not been adopted by the EU):

Title	*Subject*
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Improvements to IFRSs	2010-2012 Cycle (issued December 2013)
Amendments to IAS 27	Separate Financial Statements
Amendments to IAS 1	Disclosure Initiative
Improvements to IFRSs	2012-2014 Cycle (issued September 2014)
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 and IAS 41	Bearer Plants

The following standards issued by the IAS will become effective in future years, after ratification by the EU:

Title	*Subject*
IFRS 9 (effective 1 January 2018)	Financial Instruments
IFRS 14 (effective 1 January 2016)	Regulatory Deferral Accounts
IFRS 15 (effective 1 January 2016)	Revenue from Contracts with Customers
IFRS 17 (effective 1 January 2021)	Insurance contracts
Amendments to IFRS 10, IFRS 12 and IAS 28 (effective 1 January 2016)	Investment Entities
Amendments to IFRS 10 and IAS 28 (effective 1 January 2016)	Sale or Contribution of Assets between an investor and its associate or joint venture

The directors of Legal & General Nederland do not expect that the adoption of the standards listed above will have a material impact on the financial information of Legal & General Nederland in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments. The implementation of this standard has been deferred for insurers until IFRS 17 becomes effective on 1 January 2021.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

(b) ***Basis of preparation***

The historical financial information of Legal & General Nederland has been prepared on a basis consistent with the accounting policies disclosed in the Chesnara consolidated IFRS financial statements for the year ended 31 December 2015.

The financial information is presented in euros, rounded to the nearest thousand and are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments at fair value through income.

The preparation of financial information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Judgements made by management in the process of applying Legal & General Nederland's accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are set out in Note 3.

The accounting policies set out below, unless otherwise stated, have been applied consistently to all years presented in these consolidated financial information.

(c) ***Product classification***

Legal & General Nederland's products are classified at inception as either insurance or investment contracts for accounting purposes. Insurance contracts are contracts which transfer significant insurance risk and remain as insurance contracts until all rights and obligations are extinguished or expire. They may also transfer financial risk. Investment contracts are contracts which carry financial risk, with no significant insurance risk. Where contracts contain both insurance and investment components and the investment component can be measured reliably, the contracts are unbundled and the components are separately accounted for as insurance contracts and investment contracts respectively.

In some insurance contracts and investment contracts the financial risk is borne by the policyholders. Such contracts are usually unit-linked contracts.

(d) ***Insurance contracts***

(i) *Premiums*

Premiums are accounted for when due, or in the case of unit-linked insurance contracts, when the liability is recognised, and exclude any taxes or duties based on premiums. Outward reinsurance premiums are accounted for when due.

(ii) *Claims and benefits*

Claims are accounted for in the accounting year in which they are due or notified. Surrenders are accounted for in the accounting year in which they are paid. Reinsurance recoveries are accounted for in the same period as the related claim.

(iii) *Acquisition costs*

Acquisition costs comprise all direct costs arising from the conclusion of insurance contracts. Acquisition costs are expensed when incurred.

(iv) *Measurement of insurance contract provisions*

Insurance contracts are defined as contracts that transfer significant insurance risk and remain as insurance contracts until all rights and obligations are extinguished or expire. The insurance risk is considered significant if the payment on occurrence of an insured event differs by at least 10 per cent. of the payment that would have occurred if the event had not occurred. Such contracts remain insurance contracts throughout the remaining period, irrespective of when the event may occur.

In accordance with IFRS 4, Insurance Contracts, obligations under insurance contracts with discretionary participation features are recognized based on the principles applied before the introduction of IFRS. The provisions for life insurance contracts are therefore based on the continuation of existing accounting standards in force before the introduction of IFRS and general actuarial principles, based on principles accepted in the industry. To determine the technical provisions for life insurance Legal & General Nederland uses the interest rate for the valuation of insurance liabilities for many of its products. The technical provision for insurance, unless they relate to insurance policies where policyholders bear the risk, is based on the actuarial and economic policies that were applicable at the time of taking out the policy. Thus, a change in market interest rates has basically no impact on the amount of these facilities unless the outcome of the adequacy test indicates a change in accounting policy would be required. As an exception, the provision for life insurance for immediate annuities is calculated based on market interest rates, the swap curve taking into account the Ultimate Forward Rate (UFR) (instead of fixed interest). This is the first adjustment to the valuation of insurance liabilities in accordance with the expected adjustment in phase 2 of IFRS 4.

The changes in the technical provisions are recognized in the income statement.

(v) *Insurance with guaranteed benefits*

The provision for guaranteed benefits, for insurance contracts, in line with all other technical provisions, is calculated in accordance with prevailing actuarial principles. This involves the use of a deterministic approach and prudent assumptions. For insurance policies where the investment allowance is being run with a variable interest rate, the provision is equal to the surrender value.

The provision for life insurance is calculated using the net prospective method using a discount rate of 4 per cent. or 3 per cent., depending on the date of the insurance.

For other insurance, the provision is calculated by a net prospective method based on the principles mentioned in the assumptions. In determining the benefits and obligations, any guarantees are taken into account. The provision is calculated on an actuarial interest rate equal to the rate of interest. The technical provision for insurance deductibles, in other words if they are not related to insurance policies where policyholders bear the investment risk, is determined using the net present value method based on expenses less cash value benefits. The provision is equal to the maximum deposit value or net provision on the basis of present value costs less cash value benefits.

The company has no discretionary participation system.

(vi) *Insurance policies where the policyholder bears the investment risk*

Unit-linked contracts without profit sharing, which invest directly in externally managed funds, are entirely at the expenses of the policyholders.

For the insurance which is run at no investment risk to the insurer, the provision is equal to the accrued value. The technical provision for insurance where policyholders bear the risk is equal to the value of the underlying investments. In addition to external funds, the company offers some internally managed depots, where the policyholder return is based on an external index. Legal & General Nederland offsets this risk by investing in fixed income securities with yields which have corresponding characteristics. If these policies have a decreasing death benefit on top of the accumulated value of the fund, a provision for the risk of death is also provided for.

(vii) *Liability adequacy tests*

The company conducts an annual adequacy test to determine whether the provisions are adequate. It conducts an adequacy test under the provisions of the Financial Supervision Act ("**Wft**"). This adequacy test is also used to perform the adequacy test required in accordance with the IFRS adequacy test, the so-called "Liability Adequacy Test" ("**LAT**"). The Wft adequacy test is more prudent than the LAT test required under IFRS. Where the Wft test results in a higher level of provisions than under the IFRS LAT, the IFRS liabilities are increased accordingly.

The estimation of outstanding claims provisions is described in Note 21.

(e) ***Investment contracts***

(i) *Amounts collected*

Amounts collected on investment contracts, which primarily involve the transfer of financial risk such as long-term savings contracts, are accounted for using deposit accounting, under which the amounts collected, less any initial fees deducted, are credited directly to the balance sheet as an adjustment to the liability to the investor.

(ii) *Benefits*

For investment contracts, benefits paid are not included in the income statement but are instead deducted from investment contract liabilities in the accounting period in which they are paid.

(iii) *Liabilities*

For investment contracts, benefits paid are not included in the income statement but are instead deducted from investment contract liabilities in the accounting period in which they are paid.

(f) ***Reinsurance***

The Company cedes reinsurance in the normal course of business for the purpose of avoiding the retention of undue concentration of risk on any one life, policyholder or loss event (for example multiple losses under a Group Life contract). Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expenses of the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets, which comprise amounts due from insurance companies for paid and unpaid losses and ceded life policy benefits. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments and are presented as amounts deposited with reinsurers.

The net premiums payable to a reinsurer may be more or less than the reinsurance assets recognised by Legal & General Nederland in respect of the reinsurance cover purchased. Any gain or loss is recognised in the income statement in the period in which the reinsurance premiums are payable.

Rights under reinsurance contracts comprising the reinsurers' share of insurance contract provisions and accrued policyholder claims are estimated in a manner that is consistent with the measurement of the provisions held in respect of the related insurance contracts and in accordance with the terms of the reinsurance contract. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that Legal & General Nederland may not recover all amounts due and the event has a reliably measurable impact on the amounts that Legal & General Nederland will receive from the reinsurer. Impairment losses reduce the carrying value of the related reinsurance assets to their recoverable amount and are recognised as an expense in the income statement.

(g) ***Investment income***

Investment income comprises income from financial assets.

Income from financial assets comprises interest income, net fair value gains and losses (both unrealised and realised) in respect of financial assets classified as at fair value through income, and realised gains on financial assets classified as loans and receivables.

Rental income from investment properties under operating leases is recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of each lease.

(h) ***Expenses – Operating lease payments***

Leases where a significant proportion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(i) ***Insurance benefits***

Benefits are recorded as an expense when Legal & General Nederland becomes aware of the claim. Provision is made for the full cost of settling outstanding claims at the balance sheet date. Costs for both direct and indirect claims handling costs are also included.

(j) ***Income taxes***

Income tax on the profit or loss for the year comprises current and deferred tax and is recognised in the income statement. Tax that relates directly to transactions reflected within equity is also presented within equity.

(i) *Current tax*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) *Deferred tax*

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) ***Property and equipment***

The land and buildings for own use, are measured at fair value as determined annually by external independent valuers. This valuation is performed at least annually at year end.

The fair values reflect market values as at the balance sheet date, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the Statement of Comprehensive Income.

The buildings are depreciated over their useful life which is set at 30 years. This useful life is reviewed annually. The private land is not depreciated.

Other items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful economic lives of the property and equipment on the following basis:

Computers and similar equipment	– 3 years
Fixtures and other equipment	– 5 years
Vehicles	– 5 years

Assets held under finance leases are depreciated over their useful economic lives on the same basis as owned assets, or where shorter, over the term of the relevant lease.

(l) ***Investment property***

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. On initial recognition investment properties are measured at cost including attributable transaction costs, and are subsequently measured at fair value. Independent external valuers, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, value the portfolio every 12 months.

The fair values reflect market values as at the balance sheet date, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the Statement of Comprehensive Income. Rental income from investment property is accounted for as described in accounting policy (g).

(m) ***Financial assets***

Financial assets are classified into different categories depending on the type of asset and the purpose for which it is acquired. Currently two different categories of financial assets are used: 'financial assets at fair value through income' and 'loans and receivables'. Financial assets classified as at fair value through income comprise financial assets designated as such on initial recognition and derivative financial instruments.

All financial assets held for investment purposes are designated as at fair value through income on initial recognition since they are managed, and their performance is evaluated, on a fair value basis in accordance with documented investment and risk management strategies.

Purchases and sales of 'regular way' financial assets are recognised on the trade date, which is when Legal & General Nederland commits to purchase, or sell, the assets.

All financial assets are initially measured at fair value plus, in the case of financial assets not classified as at fair value through income, transaction costs that are directly attributable to their acquisition.

Subsequent to initial recognition, financial assets classified as at fair value through income are measured at their fair value without any deduction for transaction costs that may be incurred on their disposal.

The fair values of financial assets quoted in an active market are their bid prices at the balance sheet date.

Financial assets classified as loans and receivables are stated at amortised cost less impairment losses. A provision for the impairment of loans and receivables is established when there is objective evidence that Legal & General Nederland will not be able to collect all the amounts due according to the original contract terms after the date of the initial recognition of the asset and when the impact on the estimated cash flows of the financial asset can be reliably measured.

Financial assets classified as prepayments are held at cost and are amortised over the relevant time period.

Financial assets not recognised at fair value through income are regularly reviewed for objective evidence of impairment. In determining whether objective evidence exists, Legal & General Nederland considers, among other factors, the financial stability of the counterparty, current market conditions and fair value volatility.

Financial assets are derecognised when contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred together with substantially all the risks and rewards of ownership.

(n) ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments. Highly liquid is defined as having a short maturity of three months or less at their acquisition.

(o) ***Other payables and payables related to direct insurance and investment contracts***

Insurance and investment contract payables and other payables are recognised when due and are measured on initial recognition at the fair value of the consideration paid. Subsequent to initial recognition, payables are measured at amortised cost using the effective interest rate method.

(p) ***Derivative financial instruments***

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. Hedge accounting has not been applied.

The fair value of interest rate swaps is the estimated amount that Legal & General Nederland would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(q) ***Defined benefit pension scheme obligations***

The company has a defined benefit plan. The pension scheme is an indexed average pay scheme with a pension of 1.7 per cent. per year of service. Indexation is conditional since January 1, 2013. The pension scheme is administered by Stichting Pensionfonds Legal & General Nederland. The company has agreed to contribute to the premium for the unconditional Part of the pension. Apart from the obligations which may arise from the collective agreement provisions, the Company is not obliged to make additional contributions to the claims brought under the pension fund. The company is not entitled to refunds or discounts.

Part of the plan consists of a defined contribution scheme. Legal & General Nederland pays a contribution to the scheme and subsequently has no further financial obligations with respect to this part of the scheme.

This contribution is recognised as an expense when paid.

The costs of the defined benefit plan are calculated using the projected unit credit method. This means that the cost of providing pensions charged to the profit and loss account are placed over the service lives of employees, according to actuarial calculations. The obligations are calculated as the difference between the present value of pension obligations, net of the fair value of the existing plan assets.

The present value of pension liabilities is determined by discounting the expected future retirement benefits at the rate of return on high quality corporate bonds in euros, which have a similar remaining period to when the pension payments are expected to be incurred. Any deficiency is recognised as a liability in the consolidated balance sheet. Any surplus is recognised as a receivable. A claim, however, will only be considered if the company involved the benefit can enforce law in the form of refunds or reductions in future contributions.

Actuarial gains and losses arising from deviations from expected outcomes are recognised as revaluations under IFRS through comprehensive income (other comprehensive income) and is recognised directly in equity.

(r) ***Share-based payments***

The value of employee share options and other equity settled share based payments is calculated at fair value at the grant date using appropriate and recognised option pricing models. Vesting conditions, which comprise service conditions and performance conditions, other than those based upon market conditions, are not taken into account when estimating the fair value of such awards but are taken into account by adjusting the number of equity instruments included in the ultimate measurement of the transaction amount. The value of the awards is recognised as an expense on a systematic basis over the period during which the employment services are provided. Where an award of options is cancelled by an employee, the full value of the award (less any value previously recognised) is recognised at the cancellation date.

(s) ***Dividends***

Dividend distributions to Legal & General Nederland's shareholders are recognised in the period in which the dividends are paid, and, for the final dividend, when approved by Legal & General Nederland's shareholders at the annual general meeting.

3. Critical accounting judgements and key sources of estimation and certainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities and also makes critical accounting judgments in applying Legal & General Nederland's accounting policies. Such estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The more critical areas, where accounting estimates and judgments are made, are set out below.

(a) ***Classification of long-term contracts***

Legal & General Nederland has exercised judgment in its classification of long-term business between insurance and investment contracts, which fall to be accounted for differently in accordance with the policies set out in Note 2 Significant Accounting Policies. Insurance contracts are those where significant risk is transferred to Legal & General Nederland under the contract and judgment is applied in assessing whether the risk so transferred is significant, especially with regard to pensions contracts, which are predominantly, but not exclusively, created for investment purposes.

(b) ***Deferred acquisition costs***

Legal & General Nederland applies judgment in deciding the amount of direct costs that are incurred in acquiring the rights to provide investment management services in connection with the issue of new insurance contracts. Judgment is also applied in establishing the amortisation of the assets

representing these contractual rights and the recognition of initial fees received in respect of these contracts. The assets are amortised over a period of 5 years.

4. Management of insurance risk

Legal & General Nederland sells business that is subject to both insurance and financial risk. Legal & General Nederland strives to maintain a healthy balance between risk and return.

The portfolio consists mainly of insurance contracts and annuity products sold exclusively in the Netherlands. The annuity portfolio is a relatively small part of the overall product portfolio.

Legal & General Nederland's management of insurance risk is a critical aspect of its business. The primary insurance activity carried out by Legal & General Nederland comprises the assumption of the risk of loss from persons that are directly subject to the risk. Such risks in general relate to life, accident, health and financial perils that may arise from an insurable event. As such, Legal & General Nederland is exposed to the uncertainty surrounding the timing and severity of claims under the related contracts. The principal risk is that the frequency and severity of claims is adverse to that expected. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. Insured events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques. The risk under assurance policies is partly naturally hedged by risks under annuity policies where the exposure is to the risk of longevity.

Legal & General Nederland manages its insurance risk through adoption of underwriting strategies, the aim of which is to avoid the assumption of undue concentration of risk, approval procedures for new products, pricing guidelines and adoption of reinsurance strategies, the aim of which is to reinforce the underwriting strategy by avoiding the retention of undue concentration of risk on any one life.

Insurance risk can arise from fluctuations in the timing, frequency and severity of insured events and their ultimate settlement, relative to the expectations of Legal & General Nederland at the time of underwriting, including those driven by inaccurate pricing, inappropriate underwriting guidelines and terms and conditions, and holding inadequate reserves.

The table below presents the expected cash flows arising from the insurance portfolio on an un-discounted basis:

31 December 2015	*0–5 years €000*	*6–10 years €000*	*11–15 years €000*	*16–20 years €000*	*>20 years €000*
Insurance – non-linked	324,662	220,940	144,892	82,681	47,012
Insurance – linked	773,086	452,110	260,505	135,361	73,036
Total	1,097,748	673,050	405,397	218,042	120,048

31 December 2014	*0–5 years €000*	*6–10 years €000*	*11–15 years €000*	*16–20 years €000*	*>20 years €000*
Insurance – non-linked	322,704	222,974	148,650	85,039	55,814
Insurance – linked	777,563	457,438	268,947	149,629	91,560
Total	1,100,267	680,412	417,597	234,668	147,374

31 December 2013	*0–5 years €000*	*6–10 years €000*	*11–15 years €000*	*16–20 years €000*	*>20 years €000*
Insurance – non-linked	324,584	224,335	161,222	88,531	63,077
Insurance – linked	786,891	485,168	292,426	168,665	107,718
Total	1,111,475	709,503	453,648	257,196	170,795

5. Management of financial risk

Legal & General Nederland is exposed to a range of financial risks, principally through its insurance contracts, financial assets, including assets representing shareholder assets, financial liabilities, including investment contracts, and its reinsurance assets. In particular, the key financial risk is that, in the long-term, proceeds from financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are market risk (interest rate risk), foreign currency exchange risk, liquidity risk and credit risk, including the risk of reinsurer default.

Legal & General Nederland manages its market risks within an asset liability matching (ALM) framework that has been developed to achieve long-term investment returns at least equal to its obligations under insurance and investment contracts, with minimal risk. The principal technique of the ALM framework is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to policyholders, with separate portfolios of assets being maintained for each distinct class of liability.

For unit-linked contracts Legal & General Nederland's objective is to match the liabilities, both insurance and investment contract liabilities, with units in the assets of the funds to which the value of the liabilities is linked, such that the policyholder bears the market risk. This minimises the impact of market risks on these contracts, such that the remaining primary exposure to market risk is the risk of volatility in asset-related fees due to the impact of interest rate, equity price and foreign currency movements on the fair value of the unit-linked assets, on which asset-related fees are based.

For non unit-linked business, Legal & General Nederland's objective is to match the timing of cash flows from insurance and investment contract liabilities with the timing of cash flows from assets subject to identical or similar risks. By matching the cash flows of liabilities with those of suitable assets, market risk is managed effectively, whilst liquidity risk is minimised. These processes to manage the risks, which Legal & General Nederland has not changed from previous periods, ensure that Legal & General Nederland is able to meet its obligations under its contractual liabilities as they fall due.

The impact of changes in insurance risk factors such as changes in mortality and morbidity rates are shown in Note 21.

6. Credit risk management

Legal & General Nederland is exposed to credit risk, which is the risk that a counterparty will be unable to meet its financial obligations. Legal & General Nederland is at risk with respect to:

- Counterparty risk with respect to debt securities and cash deposits;
- Reinsurers' share of insurance liabilities;
- Amounts deposited with reinsurers in relation to investment contracts;
- Amounts due from reinsurers in respect of claims already paid; and
- Insurance and other receivables.

Legal & General Nederland manages its credit risk exposure by setting limits on exposures with individual counterparties, groups of counterparties, geographical distribution and industrial sectors.

Legal & General Nederland's exposure to credit risk is summarised as:

31 December 2015	*AAA*	*AA*	*A*	*BBB*	*BB*	*No rating*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*	*€000*	*€000*
Fixed income	438,850	195,189	209,795	465,243	–	4,889	1,313,966
Loans and receivables	3,993	2,652	3,065	5,972	–	9,270	24,952
Cash and cash equivalents	–	18,505	27,316	5,018	–	335	51,174
Total	442,843	216,346	240,176	476,233	–	14,494	1,390,092

31 December 2014	*AAA*	*AA*	*A*	*BBB*	*BB*	*No rating*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*	*€000*	*€000*
Fixed income	491,231	178,747	267,169	487,239	8,870	6,055	1,439,311
Loans and receivables	5,247	2,300	2,919	7,872	164	12,206	30,708
Intermediaries	–	–	–	–	–	352	352
Reinsurers	–	2,620	–	–	–	–	2,620
Cash and cash equivalents	–	22,855	37,748	10,719	–	69	71,391
Total	496,478	206,522	307,836	505,830	9,034	18,682	1,544,382

31 December 2013	*AAA*	*AA*	*A*	*BBB*	*BB*	*No rating*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*	*€000*	*€000*
Fixed income	545,732	167,816	260,512	469,848	14,070	6,130	1,464,108
Loans and receivables	7,718	2,639	3,830	7,920	362	15,048	37,517
Intermediaries	–	–	–	–	–	253	253
Reinsurers	–	4,515	–	–	–	–	4,515
Cash and cash equivalents	–	19,971	6,361	6,835	–	76	33,243
Total	553,450	194,941	270,703	484,603	14,432	21,507	1,539,636

In the table above, the derivative positions at each respective period end are excluded, as these positions are fully covered by collateral, such that no remaining credit balances remain.

Liquidity risk

Liquidity risk is the risk that adequate liquid funds are not available to settle liabilities as they fall due and is managed by forecasting cash requirements and by adjusting investment management strategies to meet those requirements. Liquidity risk is generally mitigated by holding sufficient investments which are readily marketable in sufficiently short timeframes to allow the settlement of liabilities as they fall due. Legal & General Nederland's substantial holdings of liquid assets also serve to reduce liquidity risk.

Currency risk

Although Legal & General Nederland's operations take place exclusively in the Netherlands, with most insurance liabilities and corresponding investments denominated in euros, there is a limited number of insurance liabilities which are denominated in other currencies. To manage the resultant currency risk exposure, Legal & General Nederland holds investments in those foreign currencies in amounts broadly equal to the underlying insurance liabilities, thereby mitigating the exposure.

The following table summarises the non-euro denominated insurance liabilities and corresponding financial assets:

31 December 2015	*GBP*	*USD*	*Total*
Holdings in collective investment schemes at fair value through income	49,756	11,164	60,920
Total assets	49,756	11,164	60,920
Insurance liabilities	49,558	11,018	60,576
Total insurance liabilities	49,558	11,018	60,576

31 December 2014	*GBP*	*USD*	*Total*
Holdings in collective investment schemes at fair value through income	46,060	10,778	56,838
Total assets	46,060	10,778	56,838
Insurance liabilities	45,829	10,778	56,607
Total insurance liabilities	45,829	10,778	56,607

31 December 2013	*GBP*	*USD*	*Total*
Holdings in collective investment schemes at fair value through income	44,088	12,803	56,891
Total assets	44,088	12,803	56,891
Insurance liabilities	44,081	12,795	56,876
Total insurance liabilities	44,081	12,795	56,876

Sensitivities

The impact of movements in market risk variables identified above on profit before tax in the subsequent period and on shareholder equity as at the balance sheet date are shown in Note 21.

7. Net investment return

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Dividend income	13,318	17,098	12,896
Interest income	45,462	70,550	66,395
Rental income from investment properties	142	139	137
Other investment income	366	(262)	2,015
Net fair value gains and (losses)			
Holdings in collective investment schemes designated as at fair value through income	35,034	55,069	48,885
Debt securities designated as at fair value through income	(41,643)	54,703	(57,097)
Derivative financial instruments	6,502	(4,804)	18,932
Net investment return	59,181	192,493	92,163

8. Other operating income

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Revenue generated from banking operations	–	1,229	272
Total other operating income	–	1,229	272

9. Insurance contract claims and benefits

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Claims and benefits paid to insurance contract holders	250,892	297,333	280,226
Net (decrease)/increase in insurance contract provisions	(13,143)	10,425	(28,731)
Total insurance claims and benefits	237,749	307,758	251,495
Recoveries from reinsurers	(8,833)	(4,781)	(5,264)
Net insurance contract claims and benefits incurred	228,916	302,977	246,231

10. Fees, commission and other acquisition costs

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Directly expensed costs:			
Insurance contracts			
Commission	2,737	5,295	9,933
New business and renewal costs	3,292	7,102	9,162
Deferred amount	(6,918)	(8,529)	(14,461)
	(889)	3,868	4,634
Amortisation of deferred acquisition costs	11,438	12,847	14,099
Total	10,549	16,715	18,733

11. Administrative expenses

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Personnel-related costs	16,266	15,728	15,773
Investment management fees	2,498	3,060	2,954
Depreciation charge on property and equipment	565	547	544
Consultancy fees	2,157	3,569	3,938
Sales and marketing costs	1,464	1,197	1,691
Medical fees	365	368	1,011
Other goods and services	4,529	5,831	5,050
Reallocation to acquisition costs	(3,292)	(7,102)	(9,162)
Total	24,552	23,198	21,799

Included in Other Goods and Services above are the following amounts payable to the Auditor and its associates, exclusive of VAT.

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Fees payable to the Company's Auditor for the audit of the company's financial statements	150	149	172
Audit-related assurance services	10	–	–
Total	160	149	172

The audit fees for 2013 include those in relation to the banking operations which were discontinued during 2014.

12. Income tax expense

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Current tax			
Current year expense	(11,260)	(13,291)	(22,085)
Adjustment to prior years	–	–	(73)
Net expense	(11,260)	(13,291)	(22,158)
Deferred tax charge			
Origination and reversal of temporary differences	10,255	(8,164)	15,122
Total income tax expense	(1,005)	(21,455)	(7,036)
Reconciliation of effective tax rate on profit before tax			
Profit before tax	1,347	85,127	27,851
Income tax using the domestic corporation tax rate of 25%	(337)	(21,282)	(6,963)
Amendments to IAS 19	(619)	–	–
Non-deductible expenses	(255)	(173)	–
Foreign withholding tax	206	–	–
(Overprovided)/underprovided in prior years	–	–	(73)
Total income tax expense	(1,005)	(21,455)	(7,036)

13. Deferred acquisition costs

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Balance at 1 January	23,167	27,485	27,120
Additions arising from new business	6,918	8,529	14,464
Amortisation charged to income	(11,438)	(12,847)	(14,099)
Balance at 31 December	18,647	23,167	27,485
Current	6,784	6,405	5,994
Non-current	11,863	16,762	21,491
Total	18,647	23,167	27,485

14. Property and equipment

Land and buildings

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Cost			
Balance at 1 January	5,441	5,514	5,772
Disposals	–	–	(110)
Fair value adjustments	202	(73)	(148)
Balance at 31 December	5,643	5,441	5,514
Amortisation and impairment losses			
Balance at 1 January	1,716	1,564	1,522
Disposals	–	–	(110)
Amortisation charge for the year	152	152	152
Balance at 31 December	1,868	1,716	1,564
Carrying amounts at 31 December	3,775	3,725	3,950
Current	152	152	152
Non-current	3,623	3,573	3,798
Total	3,775	3,725	3,950

Property and equipment – other

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Cost			
Balance at 1 January	5,147	4,446	5,721
Additions	799	937	200
Disposals	(1,061)	(236)	(1,475)
Balance at 31 December	4,885	5,147	4,446
Amortisation and impairment losses			
Balance at 1 January	3,838	3,607	4,636
Disposals	(996)	(164)	(1,421)
Amortisation charge for the year	413	395	392
Balance at 31 December	3,255	3,838	3,607
Carrying amounts at 31 December	1,630	1,309	839
Current	381	413	395
Non-current	1,249	896	444
Total	1,630	1,309	839

Property and equipment – total

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Cost			
Balance at 1 January	10,588	9,960	11,493
Additions	799	937	200
Disposals	(1,061)	(236)	(1,585)
Fair value adjustments	202	(73)	(148)
Balance at 31 December	10,528	10,588	9,960
Amortisation and impairment losses			
Balance at 1 January	5,554	5,171	6,158
Disposals	(996)	(164)	(1,531)
Amortisation charge for the year	565	547	544
Balance at 31 December	5,123	5,554	5,171
Carrying amounts at 31 December	5,405	5,034	4,789
Current	533	565	547
Non-current	4,872	4,469	4,242
Total	5,405	5,034	4,789

15. Investment properties

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Balance at 1 January	841	1,200	1,275
Fair value adjustments	309	(359)	(75)
Balance at 31 December	1,150	841	1,200
Current	–	–	–
Non-current	1,150	841	1,200
Total	1,150	841	1,200

16. Financial assets

	31 December		
	2015	*2014*	*2013*
Financial assets by measurement category	*€000*	*€000*	*€000*
Fair value through income			
– Designated at fair value through income on initial recognition	2,138,344	2,210,283	2,159,350
– Derivative financial instruments	–	18,034	31,048
Insurance and other receivables	19,394	23,799	32,263
Prepayments	5,558	6,909	7,097
Total	2,163,296	2,259,025	2,229,758

Fair value is the amount for which an asset could be exchanged between willing parties in an arms' length transaction. The tables below show the determination of fair value according to a three-level valuation hierarchy. Fair values are generally determined at prices quoted in active markets (Level 1). However, where such information is not available, Legal & General Nederland applies valuation techniques to measure such instruments. These valuation techniques make use of market-observable data for all significant inputs where

possible (Level 2), but, in some cases it may be necessary to estimate other than market-observable data within a valuation model for significant inputs (Level 3).

Financial assets and liabilities

	Fair value measurement at 31 December 2015			
	Level 1	*Level 2*	*Level 3*	*Total*
	€000	*€000*	*€000*	*€000*
Financial assets				
Holdings in collective investment schemes	794,298	26,501	–	820,799
Debt securities – fixed rate	1,286,021	31,524	–	1,317,545
Total	2,080,319	58,025	–	2,138,344
Current				39,334
Non-current				2,099,010
Total				2,138,344
Financial liabilities				
Investment contracts at fair value through income	–	30	–	30
Derivative financial instruments	–	27,460	–	27,460
Total	–	27,490	–	27,490

Holdings in collective investment schemes classified as Level 2 are valued using market observable data. The debt securities classified as Level 2 are structured bond-type or non-standard debt products for which there is no active market. At the balance sheet date no coupon is being paid, resulting in these products behaving like zero coupon bonds. These assets have been classified as Level 2 because they are valued using observable inputs.

The investment contract liabilities in Level 2 of the valuation hierarchy represent the fair value of liabilities valued using established actuarial techniques utilising market observable data for all significant inputs, such as investment yields.

The derivatives classified as Level 2 consist of interest rate swaps, which are valued using market observable data.

	Fair value measurement at 31 December 2014			
	Level 1	*Level 2*	*Level 3*	*Total*
	€000	*€000*	*€000*	*€000*
Financial assets				
Holdings in collective investment schemes	734,241	31,519	–	765,760
Debt securities – fixed rate	1,411,516	33,007	–	1,444,523
Derivative financial instruments	–	18,034	–	18,034
Total	2,145,757	82,560	–	2,228,317
Current				58,481
Non-current				2,169,836
Total				2,228,317
Financial liabilities				
Investment contracts at fair value through income	–	30	–	30
Derivative financial instruments	–	27,460	–	27,460
Total	–	27,490	–	27,490

	Fair value measurement at 31 December 2013			
	Level 1	*Level 2*	*Level 3*	*Total*
	€000	*€000*	*€000*	*€000*
Financial assets				
Holdings in collective investment schemes	651,055	39,607	–	690,662
Debt securities – fixed rate	1,437,476	31,212	–	1,468,688
Derivative financial instruments	–	31,048	–	31,048
Total	2,088,531	101,867	–	2,190,398
Current				53,443
Non-current				2,136,955
Total				2,190,398
Financial liabilities				
Investment contracts at fair value through income	–	308	–	308
Derivative financial instruments	–	34,143	–	34,143
Total	–	34,451	–	34,451

Legal & General Nederland held no Level 3 securities at 31 December 2015, 31 December 2014 or at 31 December 2013.

17. Insurance and other receivables and prepayments

Insurance and other receivables

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Receivables arising from insurance contracts			
Policyholders	1,207	1,518	551
Brokers	2,272	3,081	4,293
Other receivables			
Accrued interest income	14,215	18,020	25,466
Policy loans	692	483	443
Receivables from fund management companies	867	324	1,687
Other	141	373	(177)
Total	19,394	23,799	32,263
Current	18,702	23,316	31,820
Non-current	692	483	443
Total	19,394	23,799	32,263

The carrying amount is a reasonable approximation of fair value.

Prepayments

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Prepayments	5,558	6,909	7,097

All prepayments are classified as current assets. The carrying amount is a reasonable approximation of fair value.

18. Derivative financial instruments

	2015		*2014*		*2013*	
	Asset	*Liability*	*Asset*	*Liability*	*Asset*	*Liability*
	€000	*€000*	*€000*	*€000*	*€000*	*€000*
Interest rate swaps	–	(27,460)	18,034	(44,927)	31,048	(34,143)
Total	–	(27,460)	18,034	(44,927)	31,048	(34,143)
Current	–	–	–	–	–	(7,875)
Non-current	–	(27,460)	18,034	(44,927)	31,048	(26,268)
Total	–	(27,460)	18,034	(44,927)	31,048	(34,143)

19. Income tax assets

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Corporation tax recoverable	364	–	–
Total	364	–	–

20. Cash and cash equivalents

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Bank and cash equivalents	51,174	71,391	33,243
Total	51,174	71,391	33,243

21. Capital management

(a) ***Objective***

Legal & General Nederland's capital management framework is designed to provide security for all shareholders, while meeting the expectations of policyholders and shareholders. Accordingly it:

(i) safeguards policyholders interests by meeting regulatory requirements established by the regulators of the insurance markets in which Legal & General Nederland operates, while not retaining unnecessary excess capital;

(ii) seeks to meet the dividend expectations of shareholders and to optimise the gearing ratio to ensure an efficient capital base;

(iii) ensures there is sufficient liquidity to meet obligations to policyholders, debt financiers and creditors as they fall due; and

(iv) maintains Legal & General Nederland as a going concern so that it continues to provide returns and to meet obligations to all stakeholders.

Throughout the period 1 January 2013 to 31 December 2015 Legal & General Nederland operated exclusively in the Netherlands and Legal & General Nederland's regulatory capital requirements were, accordingly, determined by the regulations established by the Financial Supervision Act.

(b) ***Regulatory capital resources and requirements***

The following table summarises the capital resources and requirements of Legal & General Nederland, as determined for regulatory purposes (Pillar 1):

	31 December		
	2015	*2014*	*2013*
	€m	*€m*	*€m*
Available capital resources (CR)	202.4	236.4	251.8
Total capital resource requirements (CRR)	84.0	83.6	84.7
Ratio of available CR to CRR	241%	283%	297%

For each of the years reported on, the excess of the CR of Legal & General Nederland was significantly in excess of its CRR.

The board of Legal & General Nederland strives to maintain minimum capital of at least 160 per cent. of required solvency. For each year reported above, Legal & General Nederland has met the stated capital requirement of at least 160 per cent.

(c) ***Technical provisions net of reassurance***

(i) The technical provisions established to determine the regulatory capital resources as set out above are:

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Technical provisions			
Non-participating:			
Insurance contracts	1,977,179	1,990,128	1,979,618
Total	1,977,179	1,990,128	1,979,618

(ii) Process used to determine assumptions underlying the calculation of technical provisions.

The process used to determine the assumptions underlying the calculation of technical provisions, which are checked to ensure that they are consistent with observed market prices or other published information, is intended to result in conservative estimates of the most likely, or expected, outcome. The assumptions which are considered include the expected number and timing of deaths, other claims and investment returns over the period of risk exposure. A reasonable allowance is made for the level of uncertainty within the contracts.

(iii) Assumptions

IFRS insurance provisions for traditional life insurance is determined according to the principle of present value of costs less benefits, based on the prevailing interest rate at the time of contract inception, including a fixed interest rate in accordance with good business practice. An exception to this is in respect of group annuities (temporary / life) in which all the interest assumptions are equal to the interest rate assumptions in determining the adequacy test. For Unit Linked insurance is the provision IFRS insurance based on the deposit value.

Models and assumptions are discussed in detail with the actuary.

Liability adequacy test

Legal & General Nederland has performed annually from 2007, a liability adequacy test. This must be done under the provisions of the Financial Supervision Act ("**Wft**"). The Wft adequacy test performed at the end of 2015 shows a surplus value.

The outcome of the adequacy test is also used as a basis for the IFRS compulsory LAT. The Wft adequacy test is performed on a more prudent basis than the IFRS LAT test.

The derived interest assumptions used for the adequacy test is the nominal yield curve (zero coupon) produced by DNB at the end of December 2015, including the Ultimate Forward Rate ("**UFR**"). An exception to this, relates to the small collection of group rate guarantee insurance policies, where matching to the return on the investment will be used for the determination of the provision.

The costs are allocated on the basis of a standard cost allocation methodology. The expected mortality rate varies by product and is based on the AG Forecast Table 2012-2062 with an adjustment for mortality experience. Expected disability is based on the experience of society. The expected unnatural decay is based on the experience of society. An annual assessment of whether the assumptions require adjustment is performed. The risk margin complies with the "Good Practices Liability adequacy test" drawn up taking into account both the uncertainty (for not to hedge market risks) and under the Act, any surrender value restrictions. The key feature is at least equal to the redemption value after deduction of the provision reversal ("**clawback**"). In determining the valuation, the impact of the time value of financial options and guarantees is also taken into account.

Sensitivities

The tables below show the impact on movements in market risk variables identified above on profit before tax in the subsequent period and on shareholder equity as at the balance sheet date.

The variables are:

(i) a 15 per cent. decrease in equity and property prices;

(ii) a 10 per cent. favourable movement in foreign currency exchange rates;

(iii) a 100 basis point increase and decrease in per annum market rates of interest;

(iv) a 100 basis point increase in credit spreads;

(v) a 5 per cent. reduction in mortality/morbidity rates; and

(vi) a 10 per cent. increase in expenses of management.

Sensitivities – December 2015

Variation in/arising from	*Shareholders' equity €m*	*Subsequent period results €m*
15% decrease in equity prices	(4.7)	(0.2)
15% decrease in property prices	(0.6)	–
10% favourable increase in exchange rates	–	–
100 bp decrease in market rates of interest	23.5	(7.8)
100 bp increase in market rates of interest	(29.0)	7.7
100 bp increase in credit spreads	(23.2)	4.3
5% reduction in mortality/morbidity rates	–	(0.4)
10% adverse movement in expenses of management	–	(0.8)

Sensitivities – December 2014

Variation in/arising from	*Shareholders' equity €m*	*Subsequent period results €m*
15% decrease in equity prices	–	–
15% decrease in property prices	(0.5)	–
10% favourable increase in exchange rates	–	–
100 bp decrease in market rates of interest	22.0	(7.8)
100 bp increase in market rates of interest	(31.6)	7.3
100 bp increase in credit spreads	(26.5)	5.0
5% reduction in mortality/morbidity rates	–	(0.3)
10% adverse movement in expenses of management	–	(0.7)

Sensitivities – December 2013

Variation in/arising from	*Shareholders' equity €m*	*Subsequent period results €m*
15% decrease in equity prices	–	–
15% decrease in property prices	(0.6)	–
10% favourable increase in exchange rates	–	–
100 bp decrease in market rates of interest	24.4	(9.4)
100 bp increase in market rates of interest	(29.4)	8.3
100 bp increase in credit spreads	(22.9)	5.0
5% reduction in mortality/morbidity rates	–	(0.3)
10% adverse movement in expenses of management	–	(0.9)

22. Insurance contract provisions

(a) ***Analysis of insurance contract provisions***

	31 December 2015		
	Gross €000	*Reinsurance €000*	*Net €000*
Insurance contract provisions	1,979,579	2,400	1,977,179
Total insurance contract provisions	1,979,579	2,400	1,977,179
Current	163,548	2,181	161,367
Non-current	1,816,031	219	1,815,812
Total	1,979,579	2,400	1,977,179

	31 December 2014		
	Gross €000	*Reinsurance €000*	*Net €000*
Insurance contract provisions	1,992,748	2,620	1,990,128
Total insurance contract provisions	1,992,748	2,620	1,990,128
Current	167,036	2,335	164,701
Non-current	1,825,712	285	1,825,427
Total	1,992,748	2,620	1,990,128

	31 December 2013		
	Gross €000	*Reinsurance €000*	*Net €000*
Insurance contract provisions	1,982,543	2,925	1,979,618
Total insurance contract provisions	1,982,543	2,925	1,979,618
Current	169,717	2,563	167,154
Non-current	1,812,826	362	1,812,464
Total	1,982,543	2,925	1,979,618

(b) ***Analysis of movement in insurance contract provisions***

	Year ended 31 December 2015		
	Gross	*Reinsurance*	*Net*
	€000	*€000*	*€000*
Balance at 1 January	1,992,748	2,620	1,990,128
Premiums received	191,563	–	191,563
Fees deducted	(49,146)	–	(49,146)
Reserves released in respect of benefits paid	(239,154)	(374)	(238,780)
Investment return	67,901	–	67,901
Other movements	15,667	154	15,513
Balance at 31 December	1,979,579	2,400	1,977,179

	Year ended 31 December 2014		
	Gross	*Reinsurance*	*Net*
	€000	*€000*	*€000*
Balance at 1 January	1,982,543	2,925	1,979,618
Premiums received	225,646	–	225,646
Fees deducted	(48,401)	–	(48,401)
Reserves released in respect of benefits paid	(288,713)	(415)	(288,298)
Investment return	128,086	–	128,086
Other movements	(6,413)	110	(6,523)
Balance at 31 December	1,992,748	2,620	1,990,128

	Year ended 31 December 2013		
	Gross	*Reinsurance*	*Net*
	€000	*€000*	*€000*
Balance at 1 January	2,011,265	2,518	2,008,747
Premiums received	215,581	–	215,581
Fees deducted	(45,695)	–	(45,695)
Reserves released in respect of benefits paid	(274,601)	427	(275,028)
Investment return	74,150	–	74,150
Other movements	1,843	(20)	1,863
Balance at 31 December	1,982,543	2,925	1,979,618

23. Net deferred tax liabilities

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Net deferred tax liabilities	15,998	32,819	25,172
Total	15,998	32,819	25,172
Current	–	–	–
Non-current	15,998	32,819	25,172
Total	15,998	32,819	25,172

(a) ***Movement during the year***

	2015			
	Balance at 1 January €000	*Recognised in income €000*	*Other movements €000*	*Balance at 31 December €000*
Deferred acquisition costs	(9,551)	941	–	(8,610)
Defined benefit scheme obligations	(2,999)	(152)	3,151	–
Unrealised and deferred investment gains	31,954	(10,156)	(10,500)	11,298
Tax gains on insurance contract provisions	8,789	(965)	–	7,824
Other	4,626	77	783	5,486
Total	32,819	(10,255)	(6,566)	15,998

	2014			
	Balance at 1 January €000	*Recognised in income €000*	*Other movements €000*	*Balance at 31 December €000*
Deferred acquisition costs	(10,733)	1,182	–	(9,551)
Defined benefit scheme obligations	(2,757)	–	(242)	(2,999)
Unrealised and deferred investment gains	21,532	10,423	(1)	31,954
Tax gains on insurance contract provisions	12,140	(3,351)	–	8,789
Other	4,990	(90)	(274)	4,626
Total	25,172	8,164	(517)	32,819

	2013			
	Balance at 1 January €000	*Recognised in income €000*	*Other movements €000*	*Balance at 31 December €000*
Deferred acquisition costs	(7,275)	(3,458)	–	(10,733)
Defined benefit scheme obligations	(2,843)	–	86	(2,757)
Unrealised and deferred investment gains	37,139	(15,569)	(38)	21,532
Tax gains on insurance contract provisions	12,571	(431)	–	12,140
Other	654	4,336	–	4,990
Total	40,246	(15,122)	48	25,172

Other movements include the deferred tax charge in respect of movements in items of other comprehensive income charged directly to retained earnings. Additionally, in 2015, there was a deferred tax movement of €2,976 relating to pension commitments accounted for under IAS 19 and also a one-off revaluation of deferred taxes in respect of derivatives (€10,500) arising from a change in tax laws.

24. Reinsurance payables

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Net deferred tax liabilities	–	4,894	2,615
Total	–	4,894	2,615

All reinsurance payables are classified as current liabilities. Their carrying value is a reasonable approximation of fair value.

25. Payables related to direct insurance contracts

	Year ended 31 December 2015		
	Gross	*Reinsurance*	*Net*
	€000	*€000*	*€000*
Accrued claims	6,083	–	6,083
Intermediaries payable	577	–	577
Policyholder premium liabilities	41,690	–	41,690
Total	48,350	–	48,350
Current	48,350	–	48,350
Non-current	–	–	–
Total	48,350	–	48,350

	Year ended 31 December 2014		
	Gross	*Reinsurance*	*Net*
	€000	*€000*	*€000*
Accrued claims	3,695	–	3,695
Intermediaries payable	678	–	678
Policyholder premium liabilities	37,116	–	37,116
Total	41,489	–	41,489
Current	41,489	–	41,489
Non-current	–	–	–
Total	41,489	–	41,489

	Year ended 31 December 2013		
	Gross	*Reinsurance*	*Net*
	€000	*€000*	*€000*
Accrued claims	3,536	–	3,536
Intermediaries payable	1,170	–	1,170
Policyholder premium liabilities	34,423	–	34,423
Total	39,129	–	39,129
Current	39,129	–	39,129
Non-current	–	–	–
Total	39,129	–	39,129

All payables related to direct insurance contracts are classified as current liabilities. Their carrying value is a reasonable approximation of fair value.

26. Income tax liabilities

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Corporation tax	–	11,281	13,193
Total	–	11,281	13,193

All income tax liabilities are classified as current liabilities. Their carrying value is a reasonable approximation of fair value.

27. Other payables

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Income and employment tax	4,671	8,259	4,201
Trade payables	1,530	1,865	2,141
Staff payables	3,507	3,560	3,084
Dividends payable	–	17,000	–
Other	1,131	2,758	3,595
Total	10,839	33,442	13,021

All other payables are classified as current liabilities. Their carrying value is a reasonable approximation of fair value.

28. Share capital

	31 December 2015, 2014 and 2013	
	Number of Shares	*Share capital*
Authorised	100,000	45,000
Issued and fully paid	42,000	19,059

There have been no changes in the share capital of Legal & General Nederland during the years ended 31 December 2015, 31 December 2014 and 31 December 2013.

29. Retained earnings

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Balance at 1 January	180,621	169,679	164,772
Profit for the year	342	63,672	20,815
Revaluation of pension obligations	524	(730)	92
Dividends paid	(41,000)	(52,000)	(16,000)
Balance at 31 December	140,487	180,621	169,679

30. Other reserves

	31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Balance at 1 January	483	538	649
Revaluation – land and buildings	151	(55)	(111)
Balance at 31 December	634	483	538

31. Employee benefit expense

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Wages and salaries	11,221	12,019	11,416
Social security costs	1,337	1,643	1,472
Pension costs	1,899	758	1,640
Remuneration in shares	266	454	344
Other personnel	1,543	854	901
Total	16,266	15,728	15,773
Average number of employees			
Permanent employees	148	153	177
Temporary employees	17	15	10
Total	165	168	187

32. Share Based Payments

The remuneration committee of Legal & General Group Plc has under the Share Bonus Plan ("**SBP**"), granted rights to eligible employees (called "**Identified Staff**") conditional and unconditional rights to shares in Legal & General Group Plc. These rights are met by share buybacks by Legal & General Group Plc, whose costs are subsequently charged to Legal & General Nederland. This arrangement is, in terms of IFRS 2 for Legal & General Nederland, therefore a "cash settled" share-based payment. For the rights granted in the fiscal year 2011, 60 per cent. are unconditional. The remaining 40 per cent. are conditional rights and are allocated proportionally over a period of three years. After these three years, if the conditional rights are met, the rights are converted into shares with a mandatory one year retention period.

In 2015, 70,387 shares were granted for the year 2014 (2014 in respect of 2013: 106,812 shares). The Company has charged EUR 128 (2014: EUR 277) to the income statement in respect of this grant.

Employee Share Plan (PAP)

For other employees, the Employee Share Plan (PAP) applies, from which a conditional right to shares exists. For shares granted under the PAP Legal & General Nederland calculates its own purchase with the Foundation's Employee Share Plan Legal & General Nederland. The plan is cash-settled.

In 2015, 50,737 shares for the 2014 Financial Year (2014 in 2013: 52,945) were granted. The Company has charged EUR 150 to the income statement in 2015 (2014: EUR 141) for awards made in shares.

The following table shows a summary of the year-end outstanding conditional rights to the number of shares in Legal & General Group Plc:

	2015 (Shares)		*2014 (Shares)*		*2013 (Shares)*	
	SBP	*PAP*	*SBP*	*PAP*	*SBP*	*PAP*
Outstanding at 1 January	221,624	191,128	318,282	146,547	267,802	148,885
Transfer to Stitching Employee Share Plan Legal & General Nederland	–	(191,128)	–	–	–	–
Granted	70,387	–	106,812	52,945	107,682	46,236
Expired/paid	–	–	–	6,110	–	(35,031)
Vested	(86,328)	–	(203,470)	(14,474)	(57,202)	(13,543)
Outstanding at 31 December	205,683	–	221,624	191,128	318,282	146,547
	Euro	*Euro*	*Euro*	*Euro*	*Euro*	*Euro*
Fair value per award	2.86	–	2.72	2.72	1.98	1.91
Fair value at year-end	3.67	–	3.18	3.18	2.67	2.67

33. Net liability for defined benefit scheme

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Present value of defined benefit obligations	43,989	43,713	28,784
Fair value of plan assets	(44,151)	(43,621)	(32,135)
Surplus	(162)	92	(3,351)
Effect of asset ceiling test	162	–	3,351
Net liability	–	92	–

Movements in the net liability for defined benefit obligations comprised:

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Charged to profit	1,819	388	1,208
Recognised in equity (other comprehensive income)	(699)	960	(123)
Employer	(1,212)	(1,256)	(1,085)
Change in provision for pension	(92)	92	–

The total directly through equity revaluation of the net liability for defined benefit obligations is as follows:

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Revaluation of net liability defined benefit tax	861	(4,311)	436
Asset ceiling, tax	(162)	3,351	(313)
Tax on net liability defined benefit scheme	(175)	240	(31)
Tax on net liability	524	(720)	92

The change in the present value of the defined benefit plans are as follows:

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Balance 1 January	43,713	28,784	27,605
Current service pension costs	1,834	1,162	1,234
Interest cost on the present value of retirement benefits	958	1,046	988
Employee	388	405	407
Revaluation of the present value of retirement benefits	(2,478)	13,363	(1,420)
Benefits paid	(354)	(318)	(324)
Value of transfers	(72)	1	294
Pension costs attributable to past service	–	(730)	–
Balance 31 December	43,989	43,713	28,784

The change in plan assets in the year is as follows:

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Balance 1 January	43,621	32,135	30,537
Benefits paid	(354)	(318)	(324)
Employer	1,212	1,256	1,085
Employee	388	405	407
Value of transfers	(72)	1	294
Interest income on assets	973	1,214	1,120
Revaluation fund investments	(1,617)	8,928	(984)
Balance 31 December	44,151	43,621	32,135

The changes in the valuation by application of an "Asset Ceiling" during the year are as follows:

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Balance 1 January	–	3,351	2,932
Revaluation "Asset Ceiling"			
– Revaluation by interest	–	124	106
– Revaluation by other	162	(3,475)	313
Balance 31 December	162	–	3,351

The cost of defined benefit pension amounts:

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Pension costs			
Current service pension costs	1,834	1,162	1,234
Post service pension credit	–	(730)	–
Total pension costs	1,834	432	1,234
Net interest			
Interest cost on the present value of promised retirement benefits	958	1,046	988
Interest income on scheme assets	(973)	(1,214)	(1,120)
Interest cost by applying "Asset Ceiling"	–	124	106
Net interest on the net liability defined benefit	(15)	(44)	(26)
Total charged to the profit and loss account	1,819	388	1,208

The principal assumptions used for the revaluation of the net liability defined benefit pension amounts:

	Year ended 31 December		
	2015	*2014*	*2013*
Discount rate	2.76%	2.20%	3.70%
Interest income on assets	2.76%	2.20%	3.70%
General salary increases	2.00%	2.00%	2.00%
Deferred pension increases	1.00%	0.70%	0.70%
Inflation	2.00%	2.00%	2.00%

During the year, an increase in the discount rate of 0.56 per cent. resulted in a reduction in the value of the defined benefit liabilities of €6,596.

Summary of plan assets:

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Equities	6,697	6,291	5,523
Debt securities	37,130	36,802	25,860
Cash	73	307	379
Other	251	221	373
Balance 31 December	44,151	43,621	32,135

2015 plan assets:

	Listed *€000*	*Unlisted* *€000*	*Total* *€000*
Equities	2,805	3,892	6,697
Debt securities	37,130	–	37,130
Cash	–	73	73
Other	–	251	251
Balance 31 December	39,935	4,216	44,151

2014 plan assets:

	Listed *€000*	*Unlisted* *€000*	*Total* *€000*
Equities	3,091	3,200	6,291
Debt securities	36,432	370	36,802
Cash	–	307	307
Other	–	221	221
Balance 31 December	39,523	4,098	43,621

2013 plan assets:

	Listed *€000*	*Unlisted* *€000*	*Total* *€000*
Equities	2,777	2,746	5,523
Debt securities	25,586	274	25,860
Cash	–	379	379
Other	–	373	373
Balance 31 December	28,363	3,772	32,135

The plan assets do not include investments that are issued by Legal & General Nederland and do not include assets used by Legal & General Nederland.

	2015 *€000*	*2014* *€000*	*2013* *€000*	*2012* *€000*	*2011* *€000*
Actual return on plan assets	(644)	10,142	136	3,491	(902)

Present value of defined benefit obligations

	2015 *€000*	*2014* *€000*	*2013* *€000*	*2012* *€000*	*2011* *€000*
Present value of defined benefit obligations	43,989	43,713	28,784	27,605	19,207
Fair value of assets	(44,151)	(43,621)	(32,135)	(30,537)	(25,326)
Net (asset)/liability	(162)	92	(3,351)	(2,932)	(6,119)

The risks faced by Legal & General Nederland in connection with the pension commitments are determined by the duration of these obligations. The table below shows how these obligations are distributed between active and non-active participants.

	Cash value of defined benefit €000	*Duration Years*
Active participants	24,536	28.7
Non-active participants with deferred claims	13,255	22.3
Totally or partially disabled participants	1,212	20.4
Not active participants in payment claims	4,984	10.3
Total	43,987	24.4

The present value of the defined benefit obligations is sensitive to a change in the assumptions used. The tables below show the potential impact of changes to the key underlying valuation principles.

2015	*Change in value of pension rights €000*	*Change in service cost €000*
Discount rate		
Increase by 0.50%	(4,951)	(292)
Decrease by 0.50%	5,820	353
Salary		
Increase by 0.50%	695	83
Decrease by 0.50%	(681)	(82)
Mortality – age increase by 1 year	1,401	61

2014	*Change in value of pension rights €000*	*Change in service cost €000*
Discount rate		
Increase by 0.50%	(5,104)	(321)
Decrease by 0.50%	6,023	389
Salary		
Increase by 0.50%	557	61
Decrease by 0.50%	(604)	(67)
Mortality – age increase by 1 year	1,414	68

2013	*Change in value of pension rights €000*	*Change in service cost €000*
Discount rate		
Increase by 0.50%	(2,950)	(209)
Decrease by 0.50%	3,426	250
Salary		
Increase by 0.50%	496	73
Decrease by 0.50%	(464)	(68)
Mortality – age increase by 1 year	716	35

34. Key management personnel

The aggregate remuneration of directors during the period was as follows:

	Year ended 31 December		
	2015	*2014*	*2013*[(1)]
	€000	*€000*	*€000*
Wages and salaries	640	406	–
Social security costs	17	17	–
Pension costs	94	91	–
Remuneration in shares	57	141	–
Other	400	–	–
Total	1,208	655	–

(1) In 2013, Legal & General Nederland was exempt from disclosing the remuneration of directors under Article 383 (paragraph 1) of Part 9 of the Netherlands Civil Code (*Burgerlijk Wetboek – BW*) Book 2.

The aggregate remuneration of key management personnel was as follows:

	Year ended 31 December		
	2015	*2014*	*2013*
	€000	*€000*	*€000*
Wages and salaries	2,011	1,805	1,667
Social security costs	81	68	58
Pension costs	325	283	243
Remuneration in shares	174	323	352
Other	122	–	–
Total	2,713	2,479	2,320

35. Capital commitments

There were no capital commitments as at 31 December 2015, 31 December 2014 or 31 December 2013.

36. Related party transactions

All related party transactions occur on an arm's length basis.

In 2015, Legal & General Nederland paid investment fees to LGIM of €1,576,000 (2014: €2,000,000, 2013: €1,800,000).

In 2014, Legal & General Nederland provided additional capital to Legal & General Investments Netherlands BV of €1,250,000 (2013: €1,250,000).

In 2014, Legal & General Nederland provided additional capital to Legal & General Manager Netherlands B.V. of €500,000.

In 2014, Legal & General Nederland provided support services to Legal & General Investments Netherlands BV and Legal & General Manager Netherlands B.V. of €1,400,000 (2013: €1,700,000).

37. Post balance sheet events

There were no events after the balance sheet date.

PART XI

UNAUDITED PRO FORMA COMBINED IFRS FINANCIAL INFORMATION FOR THE ENLARGED GROUP

Section A: Unaudited Pro Forma IFRS Financial Information

The unaudited pro forma IFRS financial information set out below has been prepared to illustrate the impact of the Acquisition and of associated financing through the Issue and debt financing on the consolidated IFRS income statement, the consolidated net assets and the gearing ratio of the Chesnara Group. The pro forma IFRS financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not and will not present Chesnara's actual financial position or results.

The unaudited pro forma IFRS income statement has been prepared to illustrate the effect on earnings of the Company as if the Acquisitions and associated financings had taken place on 1 January 2015. The unaudited pro forma IFRS financial information is stated on the basis of the accounting policies that will be adopted by the Company in preparing its financial statements for the year ending 31 December 2016

Unaudited pro forma statement of consolidated IFRS income for the Enlarged Group

(£ million)	*Chesnara IFRS income year ended 31 December 2015 Note 1*	*Legal & General Nederland IFRS income year ended 31 December 2015 Note 2*	*Adjustments Acquisition adjustments Note 3*	*Pro forma total*
Insurance premium revenue	114.7	160.5	–	275.2
Insurance premium ceded to reinsurer	(46.8)	(10.9)	–	(57.7)
Net insurance premium revenue	67.9	149.6	–	217.5
Fee and commission income	66.2	–	–	66.2
Net investment return	148.5	42.9	–	191.4
Total revenue net of reinsurance payable	282.6	192.5	–	475.1
Other operating income	18.6	–	–	18.6
Total income net of investment return	301.2	192.5	–	493.7
Insurance contract claims and benefits incurred				
Claims and benefits paid to insurance contract holders	(318.7)	(182.0)	–	(500.7)
Net decrease in insurance contract provisions	191.9	9.5	–	201.4
Reinsurers' share of claims and benefits	32.0	6.4	–	38.4
Net insurance contract claims and benefits	(94.8)	(166.1)	–	(260.9)
Change in investment contract liabilities	(100.5)	–	–	(100.5)
Reinsurers' share of investment contract liabilities	0.7	–	–	0.7
Net change in investment contract liabilities	(99.8)	–	–	(99.8)

(£ million)	*Chesnara IFRS income year ended 31 December 2015 Note 1*	*Adjustments Legal & General Nederland IFRS income year ended 31 December 2015 Note 2*	*Acquisition adjustments Note 3*	*Pro forma total*
Fees, commission and other acquisition costs	(20.9)	(7.7)	–	(28.6)
Administration expenses	(41.1)	(17.8)	(3.1)	(62.0)
Other operating expenses				
Charge for the amortisation of acquired value in-force business	(9.3)	–	(12.4)	(21.7)
Charge for the amortisation of acquired value of customer relationships	(0.2)	–	–	(0.2)
Other	(5.9)	–	–	(5.9)
Total expenses net of change in insurance contract provisions and investment contract liabilities	(272.0)	(191.6)	(15.5)	(479.1)
Total income less expenses	29.2	0.9	(15.5)	14.6
Share of profit of associates	0.5	–	–	0.5
Profit on business combinations	16.6	–	22.2	38.8
Financing costs	(3.5)	–	(0.9)	(4.4)
Profit before income taxes	42.8	0.9	5.8	49.5
Income tax expense	(3.0)	(0.7)	2.7	(1.0)
Profit for the year	39.8	0.2	8.5	48.5
Revaluation of land and buildings	–	0.1	–	0.1
Revaluation of pension obligations after tax	–	0.4	–	0.4
Foreign exchange translation differences arising on the revaluation of foreign operations	(0.2)	–	–	(0.2)
Total comprehensive income for the year	39.6	0.7	8.5	48.8

Notes:

(1) The financial information for the Company has been extracted, without material adjustment, from the 2015 Financial Statements.

(2) The financial information for Legal & General Nederland for the year ended 31 December 2015 has been extracted, without material adjustment, from the financial information included in Part X (*Historical Financial Information Relating to Legal & General Nederland*) of this document .

(3) This column represents the following adjustments:

(a) An adjustment of £3.1 million has been made to the line item "Administrative expenses" to reflect an estimate of the one-off transaction costs incurred. No tax relief is expected to be available on these expenses.

(b) A fair valuation exercise of the assets and liabilities as at the date of acquisition will be performed upon completion. This will include a fair valuation of future cash flows associated with Legal & General Nederland's in-force insurance contracts. The resultant asset will be recognised as Acquired Value of In-Force business ("AVIF") in the statement of consolidated financial position. Under the Group's accounting policy, AVIF is amortised over the estimated life of the contracts on a basis which recognises the emergence of the economic benefits. The estimated life of the contracts will not be known until completion of the acquisition. In order to provide an indication of the effect of amortising the estimated AVIF asset and related deferred tax liability shown in the pro forma statement of net assets, management has, for illustrative purposes, assumed that the value of the in-force book at acquisition emerges evenly over a seven year period. An estimated net of tax annual amortisation charge of £9.9 million (£12.4 million gross, off-set by deferred tax liability amortisation of £2.5 million) has therefore been calculated on a straight line basis.

This has resulted in the following adjustments:

(i) a £12.4 million charge within the line item "Charge for amortisation of acquired in-force business";

(ii) a £2.5 million credit within the line item "Income tax expense" representing the unwind of the deferred tax liability on the "AVIF".

(c) A gain on acquisition of £22.2 million has been included in the pro forma income statement. This has been calculated by taking the difference between the purchase price of £132.4 million and an estimate of the IFRS net assets acquired of £154.7 million. This gain does not represent the amount that will ultimately be reflected in the Chesnara report and accounts upon completion of acquisition as this assessment will need to be performed at the point of completion.

(d) A revised facility agreement has been entered into as part of the funding arrangements of the acquisition. As this pro forma information assumes that the acquisition and associated funding took place on 1 January 2015 the pro forma income statement includes an estimate of a full year of interest on the full revised facility, estimated as being £2.4 million. In addition to this, loan arrangement fees of £0.8 million will be recognised in the income statement on a straight line basis over the five year loan period, and consequently this pro forma income statement includes a charge of £0.2 million, representing 1 year of amortisation. Off-setting this is a £2.1 million credit, representing the interest charge that was recognised in the 2015 Chesnara accounts on the current loan facility. This has been treated as a credit to avoid double counting interest costs in the pro forma income statement.

(e) The tax credit of £2.7 million represents the amortisation of the deferred tax liability (£2.5 million, see (b) above) coupled with a £0.2 million credit relating to the tax affect of the net change in interest costs (see (d) above).

(4) The income statement of Legal & General Nederland has been translated into sterling at the average exchange rate for the year ended 31 December 2015 of £1 = Euro 1.38.

(5) In preparing the unaudited pro forma IFRS income statement, no account has been taken of the trading activity or other transactions of the Group or Legal & General Nederland since 31 December 2015.

(6) In preparing the unaudited pro forma IFRS income statement, no account has been taken of the amortisation of other intangibles or items subject to fair value acquisition accounting, including any gain on acquisition, other than the AVIF as described in note 3(b), on the basis that the actual amortisation charges will not be known until completion of the fair value exercise.

(7) All of the adjustments described in Note 3 to the unaudited pro forma income statement will have a continuing impact, with the exception of the adjustment in relation to the one-off transaction costs.

The pro forma IFRS financial information is based on the consolidated net assets of Chesnara as at 30 June 2016 and has been prepared on the basis that the Acquisition and associated financing took place on that date. Within this illustration the IFRS net assets of Legal & General Nederland have been taken at 31 December 2015, as extracted from the Historical Financial Information presented in Part X of this document. The IFRS net assets of Legal & General Nederland have been adjusted for the dividends that have been paid subsequent to 31 December 2015, but have not been adjusted for any profits arising in the six month period to 30 June 2016, or thereafter.

Unaudited pro forma statement of IFRS net assets of the Enlarged Group

			Adjustments					
(£ millions)	*Chesnara net assets 30 June 2016*	*Legal & General Nederland net assets 31 December[1] 2015*	*Debt raise[2]*	*Equity Raise[3]*	*Purchase price and transaction costs[4]*	*Dividends[5]*	*Acquisition accounting[6]*	*Pro forma net assets*
Assets								
Intangible assets								
Deferred acquisition costs	43.1	15.4	–	–	–	–	(15.4)	43.1
Acquired value of in-force business	67.8	–	–	–	–	–	86.5	154.3
Acquired value of customer relationships	0.8	–	–	–	–	–	–	0.8
Software assets	7.1	–	–	–	–	–	–	7.1
Property and equipment	0.6	4.5	–	–	–	–	–	5.1
Investment in subsidiary	–	–	–	–	132.4	–	(132.4)	–
Investment in associates	4.7	–	–	–	–	–	–	4.7
Investment properties	0.2	1.0	–	–	–	–	–	1.2
Deferred tax assets	–	–	–	–	–	–	–	–
Reinsurers' share of insurance contract provisions	276.3	2.0	–	–	–	–	–	278.3
Amounts deposited with reinsurers	34.6	–	–	–	–	–	–	34.6
Financial assets		–						–
Equity securities at fair value through income	479.5	679.4	–	–	–	–	–	1,158.9

(£ millions)	Chesnara net assets 30 June 2016	Legal & General Nederland net assets 31 December[1] 2015	Adjustments: Debt raise[2]	Equity Raise[3]	Purchase price and transaction costs[4]	Dividends[5]	Acquisition accounting[6]	Pro forma net assets
Holdings in collective investment schemes at fair value through income	3,682.4	–	–	–	–	–	–	3,682.4
Debt securities at fair value through income	494.8	1,090.6	–	–	–	–	–	1,585.4
Policyholders' funds held by the group	209.1	–	–	–	–	–	–	209.1
Insurance and other receivables	55.8	16.1	–	–	–	–	–	71.9
Prepayments	6.1	4.6	–	–	–	–	–	10.7
Derivative financial instruments	3.4	–	–	–	–	–	–	3.4
Total financial assets	4,931.0	1,790.7	–	–	–	–	–	6,721.7
Reinsurers' share of accrued policyholder claims	21.4	–	–	–	–	–	–	21.4
Income taxes	1.7	0.3	–	–	–	–	–	2.0
Cash and cash equivalents	253.4	42.4	45.2	66.1	(135.6)	(34.8)	–	236.7
Total assets	5,642.7	1,856.2	45.2	66.1	(3.1)	(34.8)	(61.4)	7,510.9

(£ millions)	Chesnara net assets 30 June 2016	Legal & General Nederland net assets 31 December[1] 2015	Adjustments: Debt raise[2]	Equity Raise[3]	Purchase price and transaction costs[4]	Dividends[5]	Acquisition accounting[6]	Pro forma net assets
Liabilities								
Insurance contract provisions	2,260.5	1,638.6	–	–	–	–	–	3,899.1
Other provisions	0.9	–	–	–	–	–	–	0.9
Financial liabilities		–						–
Investment contracts at fair value through income	2,678.2	–	–	–	–	–	–	2,678.2
Liabilities relating to policyholders' funds held by the group	209.1	–	–	–	–	–	–	209.1
Borrowings	83.7	–	45.4	–	–	–	–	129.1
Derivative financial instruments	3.9	22.7	–	–	–	–	–	26.6
Total financial liabilities	2,974.9	22.7	45.4	–	–	–	–	3,043.0
Deferred tax liabilities	7.2	13.2	–	–	–	–	14.2	34.6
Reinsurance payables	6.7	–	–	–	–	–	–	6.7
Payables related to direct insurance and investment contracts	66.8	40.0	–	–	–	–	–	106.8
Deferred income	5.8	–	–	–	–	–	–	5.8
Income taxes	1.7	–	–	–	–	–	–	1.7
Other payables	21.2	9.0	–	–	–	–	–	30.2
Bank overdrafts	1.5	–	–	–	–	–	–	1.5
Total liabilities	5,347.3	1,723.6	45.4	–	–	–	14.2	7,130.5
Net assets	295.4	132.6	(0.2)	66.1	(3.1)	(34.8)	(75.6)	380.4

Notes:

(1) The net assets of Legal & General Nederland have been extracted without adjustment from the financial information included in Part X (*Historical Financial Information Relating to Legal & General Nederland*) of this document.

(2) £40 million of sterling and €71 million euros will be raised as a result of an agreement for a new bank facility. £52.8 million of this will be used to settle the Existing Debt Facilities, resulting in an increase of borrowings of £46.2 million. This has been presented net of £0.8 million of arrangement fees.

(3) £70.0 million (£66.1 million net of related expenses) was raised as the result of placing 23,333,334 New Ordinary Shares to institutional investors, as referred to in Part I of this document.

(4) This represents the acquisition price of Legal & General Nederland of £135.6 million (€160 million) as disclosed in Part V (*Information on Legal & General Nederland*) of this document plus estimated transaction costs of £3.1 million.

(5) In preparing the unaudited pro forma IFRS net asset statement, no account of trading activity or other transactions other than dividends paid to the Seller post-31 December 2015 out of the Legal & General Nederland retained earnings as at that date, as follows:

  (a) A dividend of £19 million (€23 million) was settled on 9 March 2016.

  (b) A further dividend of £15.8 million (€19 million) was settled on 27 June 2016.

(6) Acquisition accounting consists of the following adjustments:

  (a) Elimination of the deferred acquisition cost asset that is recognised in the Legal & General Nederland balance sheet. Deferred acquisition costs are not recognised on acquisition as they do not meet the recognition criteria under IFRS. This adjustment removes the deferred acquisition costs asset of £15.4 million, less an associated deferred tax liability of £3.1 million.

  (b) The recognition of an "AVIF" asset (Acquired Value of In-Force business), representing an illustration of the value that has been ascribed to the Legal & General Nederland in-force book. This is not what will ultimately be recognised in the Chesnara annual financial statements on acquisition as a full assessment will need to be performed at the point of completion of the Acquisition. The AVIF asset has been estimated as being £86.5 million on a gross basis, less a deferred tax liability of £17.3 million.

  (c) Elimination of the cost of the investment in Legal & General Nederland by Chesnara (£132.4 million). This adjustment is required to avoid double counting in the pro-forma net assets statement.

  (d) The deferred tax liability of £14.2 million is comprised of the £17.3 million deferred tax liability arising upon the creation of the "AVIF" asset described in note (b) above, net of the reversal of the deferred tax liability upon the elimination of the deferred acquisition costs asset described in (a) above.

  (e) No other adjustments have been made to the fair values of assets and liabilities acquired, including the recognition of goodwill or other intangible assets, as the necessary re-measurements will not be known until completion of the Acquisition.

(7) The net assets of Legal & General Nederland and all other Euro amounts have been translated into sterling using the closing exchange rate as at 30 June 2016 of £1 = Euro 1.21.

Pro forma gearing ratio

The pro forma gearing ratio is based upon the consolidated net assets and debt of Chesnara as at 30 June 2016 and has been prepared on the basis that the Acquisition and associated financing took place at that date. Within the illustration the IFRS net assets of Legal & General Nederland have been taken as at 31 December 2015, as extracted from the Historical Financial Information presented in Part X of this document. The IFRS net assets of Legal & General Nederland have been adjusted for the dividends that have been paid subsequent to 31 December 2015, but have not been adjusted for any profits arising in the six month period to 30 June 2016, or thereafter.

		Adjustments		
(£ million)	*Chesnara*	*Legal & General Nederland*	*Acquisition adjustments Note 1*	*Pro forma total*
Unsecured bank loans	52.6	–	45.4	98.0
Financial Reinsurance	31.1	–	–	31.1
Total Group debt	83.7	–	45.4	129.1
Group net assets	295.4			380.4
Gearing ratio(2)	17.8%			25.8%

Notes

(1) This represents the net impact of the additional unsecured debt to partially fund the acquisition and consists of:

(i)	Repayment of existing loan facility	(£52.8) million
(ii)	Proceeds from new loan facility	£98.8 million
(iii)	Arrangement costs of new facility	(£0.8) million
(iv)	Write-off of unamortised arrangement costs on old facility	£0.2 million

(2) The gearing ratio is stated after excluding the financial reinsurance which is used to fund the new business operation in Sweden.

Section B: Accountants' Report on the Unaudited Pro Forma Financial Information on the Enlarged Group

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on behalf of Chesnara Plc
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PR1 8UY

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24 November 2016

Dear Sirs,

Chesnara plc (the "Company")

We report on the pro forma financial information (the "**Pro forma financial information**") set out in Part XI of the combined Class 1 circular and prospectus dated 24 November 2016 (the "**Investment Circular**"), which has been prepared on the basis described in the notes, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 June 2016. This report is required by the Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) 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 Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

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 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 financial information with the Directors.

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 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 jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) 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 Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

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PART XII

UNITED KINGDOM TAXATION

The statements on taxation referred to in this Part XII (*United Kingdom Taxation*) are for general information purposes only and are not intended to be a comprehensive summary of all technical aspects of the structure and are not intended to constitute legal or tax advice to potential investors.

The statements on taxation below are intended to be a general summary of certain tax consequences that may arise for prospective investors in relation to the Ordinary Shares (which may vary depending upon the particular individual circumstances and status of prospective investors). These comments are based on the laws and published practices as at the time of writing and may be subject to future revision. This discussion is not intended to constitute advice to any person and should not be so construed.

Each prospective Shareholder should consult their own tax advisers as to the possible tax consequences of buying, holding or selling Ordinary Shares under the laws of their country of citizenship, residence or domicile or other jurisdictions in which they are subject to tax.

The comments in this section are intended as a general guide to certain UK tax considerations for UK resident (and in the case of individuals, domiciled) Shareholders and do not purport to be a complete analysis of all the potential UK tax consequences of acquiring and holding Ordinary Shares as investments and their subsequent disposal. The following statements are based on current UK tax law as applied in England and Wales, and the current published practice of HMRC (which may not be binding on HMRC) as at the date of this document. These may change, possibly with retrospective effect.

The tax position of certain Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Ordinary Shares by reason of an office or employment, dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. The statements summarise the position as described above and are intended as a general guide only. Any Shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.

The statements apply only to persons who hold their shares directly and who are the absolute beneficial owner of the Ordinary Shares (and who do not hold their shares through a Self-Invested Personal Pension or an Individual Savings Account).

Any prospective subscriber for Ordinary Shares who is in any doubt about his tax position or who is subject to tax in any jurisdiction other than the United Kingdom should consult his own professional tax advisers.

Taxation of Chargeable Gains

(a) ***Acquisition of Ordinary Shares pursuant to the Placing***

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount of subscription monies paid for the New Ordinary Shares will constitute the capital gains base cost of the new shareholding.

(b) ***Acquisition of Ordinary Shares pursuant to the Open Offer***

On a strict application of the law, the acquisition of Ordinary Shares under the Open Offer may not be regarded as a reorganisation of the share capital of the Company for the purposes of UK taxation on chargeable gains. Although HMRC's published practice to date has been to treat an acquisition of shares by an existing shareholder up to his pro-rata entitlement pursuant to the terms of an open offer

as a reorganisation, it is understood that HMRC may not apply this practice in circumstances where an open offer is not made to all Shareholders.

If the issue of the New Ordinary Shares by the Company pursuant to the Open Offer is regarded as a reorganisation of the Company's share capital for the purposes of UK taxation on chargeable gains, to the extent that a Shareholder takes up all or part of their Basic Open Offer Entitlements it should not be treated as acquiring a new asset nor will it be treated as making a disposal of any part of their corresponding holding of Existing Ordinary Shares. No liability to UK taxation on chargeable gains should arise on the issue of the New Ordinary Shares to the extent that the Shareholder takes up their Basic Open Offer Entitlement. The New Ordinary Shares will be treated as acquired at the same time as the Existing Ordinary Shares in respect of which they are acquired and the cost of acquisition of the New Ordinary Shares will be pooled with the expenditure allowable on the Existing Ordinary Shares in respect of which they are acquired for the purposes of determining the amount of any chargeable gain arising on a subsequent disposal.

If, or to the extent that, the issue of New Ordinary Shares pursuant to the Open Offer is not regarded by HMRC as a reorganisation or to the extent any Shareholder acquires Excess Shares, the New Ordinary Shares acquired by each Qualifying Shareholder under the Open Offer will, for the purposes of the UK taxation of chargeable gains, be treated as acquired as part of a separate acquisition of Ordinary Shares. The amount of subscription monies paid for the New Ordinary Shares will constitute the capital gains base cost of the new shareholding.

(c) ***A Disposal or Deemed Disposal of Ordinary Shares***

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is resident in the UK for tax purposes, may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains, depending on the Shareholder's circumstances and subject to any available exemption or relief.

Shareholders who are not resident in the UK for tax purposes may not, depending on their personal circumstances, be liable to UK taxation on chargeable gains arising from the sale or other disposal of their Ordinary Shares (unless they carry on a trade, profession or vocation in the UK through a branch or agency or, in the case of a shareholder which is a body corporate, a permanent establishment with which their Ordinary Shares are connected).

An individual Shareholder who has ceased to be resident for tax purposes in the UK for a period of five complete tax years or less (or for a period of five years or less where split year treatment applies) and who disposes of all or part of his shares during that period of temporary non-residence may be liable on his return to the UK to UK tax on chargeable gains arising during the period of absence, subject to any available exemption or relief.

(i) Individuals

Where an individual Shareholder who is resident in the UK for tax purposes disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£11,100 for 2016/17) and after taking account of any capital losses or exemptions available to the individual. Capital gains tax at the rate of 10 per cent. (to the extent the gain falls within the basic rate band) or 20 per cent. (to the extent the gain falls within the higher or additional rate band) will be payable on any gain on the disposal of Ordinary Shares.

Where a Shareholder resident in the UK for tax purposes disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains. In certain circumstances the loss may be available to offset against taxable income in the current year (depending upon, *inter alia*, the circumstances of the Company and the Shareholder).

(ii) Shareholders Chargeable to UK Corporation Tax

Where a Shareholder is within the charge to corporation tax, a disposal or deemed disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax by increasing the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index but indexation allowance cannot create or increase any allowable loss. Such Shareholders will be subject to corporation tax at their applicable corporation tax rate of 20 per cent. (reducing to 19 per cent. from 1 April 2017. It has been announced that the rate will further reduce to 17 per cent. from 1 April 2020 and this reduction is included in the Finance Act 2016).

Taxation of Dividends

No UK tax is required to be withheld from dividend payments by the Company.

(a) ***UK resident individual Shareholders***

An individual Shareholder who is resident for tax purposes in the UK will pay no tax on the first £5,000 of dividend income received in a year (the "**dividend allowance**"). The rates of income tax on dividends received above the dividend allowance are: (a) 7.5 per cent. for dividends taxed in the basic rate band; (b) 32.5 per cent. for dividends taxed in the higher rate band; and (c) 38.1 per cent. for dividends taxed in the additional rate band (2016/2017).

Dividend income that is within the dividend allowance counts towards an individual's basic or higher rate limits – and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of this allowance. In calculating into which tax band any dividend income over the £5,000 allowance falls, savings and dividend income are treated as the highest part of an individual's income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

(b) ***Companies***

Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of UK taxation of dividends legislation) will not generally expect to be subject to UK tax on dividends from the Company. Other corporate Shareholders (within the charge to UK corporation tax) will not be subject to tax on dividends from the Company provided the dividends fall within an exempt class and certain conditions are met. In general, almost all dividends received by corporate Shareholders will fall within an exempt class. Examples of dividends that fall within exempt classes include dividends paid on shares that are non-redeemable ordinary shares, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the Company (or any class of that share capital), and who would be entitled to less than ten per cent. of the profits or assets of the Company available for distribution.

However, the exemptions are not comprehensive and are subject to anti-avoidance rules and other conditions. In the event that the dividends do not qualify for such exemption, Shareholders within the charge to corporation tax will be subject to corporation tax on them.

Stamp duty and Stamp Duty Reserve Tax ("SDRT")

No UK stamp duty or SDRT will be payable by a Shareholder on the allotment, issue or registration of Ordinary Shares.

The transfer on sale of Ordinary Shares held in certificated form will generally be subject to stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary shares (rounded up, if necessary, to the nearest multiple of £5). An exemption from stamp duty is available on an instrument transferring shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of

a larger transaction or series of transactions for which the aggregate amount or value of the consideration exceeds £1,000. Stamp duty is normally paid by the purchaser of the shares.

An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration for the ordinary shares. However, where, within six years of the date of the agreement or, in the case of a conditional agreement, within six years of the date of the agreement becoming unconditional, an instrument of transfer is executed and duly stamped or certified as exempt, the SDRT liability will automatically be cancelled and any SDRT which has been paid may be reclaimed. SDRT is normally the liability of the purchaser of the shares.

Paperless transfers of ordinary shares within CREST will generally be subject to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the system. Deposits of ordinary shares into CREST will generally not be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration.

The above comments are intended as a guide to the general UK stamp duty and SDRT position. Special rules apply to persons such as market intermediaries, charities, persons connected with depositary arrangements or clearance services and to certain sale and repurchase and stock borrowing arrangements.

PART XIII

DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

1. Directors

1.1 ***Current Directors***

The current Directors of Chesnara and their functions are as follows:

Name	*Position*	*Date appointed to the Board*
Peter Mason	Chairman	1 March 2004
John Deane	Chief Executive	3 December 2014
Frank Hughes	Business Services Director	1 March 2004
David Rimmington	Group Finance Director	17 May 2013
Michael Evans	Senior Independent Non-Executive Director	4 March 2013
Veronica Oak	Non-Executive Director	16 January 2013
Peter Wright	Non-Executive Director	1 January 2009
Jane Dale	Non-Executive Director	19 May 2016
David Brand	Non-Executive Director	16 January 2013

The business address of each of the Directors (in such capacity) is 2nd Floor, Building 4, West Strand Business Park, Preston, PR1 8UY.

1.2 ***Profiles of the Directors***

The business experience and principal business activities (both for and outside of Chesnara) of each of the Directors are as follows:

(a) *Peter Mason, Chairman*

Peter Mason was appointed to the Board as Non-Executive Director in March 2004 and as Chairman of the Board on 1 January 2009. He is also Chairman of the Nomination & Governance Committee and a member of the Remuneration Committee. Peter is Chairman of Movestic Livförsäkring AB, Chesnara BV and Chairman of Countrywide Assured plc and Non-Executive Director of Countrywide Assured Life Holdings Limited. He was the Investment Director and Actuary of Neville James Group, an investment management company, and was admitted as a Fellow of the Institute of Actuaries in 1979. He has over forty years' experience in financial services and has held several non-executive posts within the industry.

(b) *John Deane, Chief Executive*

John Deane was appointed as Chief Executive January 2015. He is a qualified actuary and has over thirty years' experience in the life assurance industry. John joined Century Life, a closed book acquisition company in 1993. As CEO, he oversaw the creation of the outsourcing company Adepta in 2000. He joined Old Mutual plc in 2003 and became their Corporate Development Director later that year. In 2007 he joined the Board of Royal London with responsibility for its open businesses in the UK, Ireland and Isle of Man.

(c) *Frank Hughes, Business Services Director*

Frank Hughes joined the Board as an Executive Director in March 2004. He joined Countrywide Assured plc in November 1992 as an IT Project Manager and was appointed to the Countrywide Assured plc board as IT Director in May 2002 and to the Chesnara Board as Business Services Director in May 2004. He has 27 years' experience in the life assurance industry gained in CA and Chesnara and also with Royal Life, Norwich Union and CMG. Frank will be stepping down

from the Chesnara Board with effect from 31 December 2016. He will remain in his current role until 30 April 2017 after which point he will leave the Chesnara Group.

(d) *David Rimmington, Group Finance Director*

David Rimmington was appointed as Group Finance Director with effect from May 2013. He trained as a chartered accountant with KPMG, has more than 17 years' experience in financial management within the life assurance and banking sectors and has had a significant role in a number of major acquisitions and business integrations. Prior to joining Chesnara plc in 2011 as Associate Finance Director, David held a number of financial management positions within the Royal London Group including 6 years as Head of Group Management Reporting.

(e) *Michael Evans, Senior Independent Non-Executive Director*

Michael Evans was appointed to the Board in March 2013 and became Senior Independent Non-Executive Director in May 2013. He is also a member of the Nomination & Governance Committee, the Audit & Risk Committee and the Remuneration Committee. Michael is currently Non-Executive Chairman of Hargreaves Lansdown plc and Zoopla Property Group plc. He is also Director of Chesnara BV and the Senior Independent Director and a Non-Executive Director of Countrywide Assured plc. Michael is a qualified actuary with over thirty years' experience in the financial services industry. He was formerly Chief Operating Officer at Skandia UK Limited.

(f) *Peter Wright, Non-Executive Director*

Peter Wright was appointed to the Board in January 2009. He is also Chairman of the Audit & Risk Committee and a member of the Nomination & Governance Committee. Peter is a Non-Executive Director of Countrywide Assured plc and Chairman of both the Audit & Risk Committee and its With-Profits Committee.

(g) *Veronica Oak, Non-Executive Director*

Veronica Oak was appointed to the Board in January 2013. She is also a member of the Nomination & Governance Committee, the Audit & Risk Committee and Chairman of the Remuneration Committee. Veronica is currently a Non-Executive Director of Hanley Economic Building Society, Sanlam Investment Holdings UK Limited, Sanlam UK Limited, the Investment and Life Assurance Group Limited and Non-Executive Director of Countrywide Assured plc, where she also serves on the With-Profits Committee.

(h) *Jane Dale, Non-Executive Director*

Jane Dale was appointed to the Board in May 2016. She is also a member of the Nomination & Governance Committee and the Audit & Risk Committee. Jane is a Non-Executive Director of Countrywide Assured plc and has over thirty years' financial and operational experience in the financial and insurance sector. She has previously held senior finance and managing director roles at AIG Life Limited, Aviva Group, and Legal & General Group plc. Jane has also held the position of Independent Non-Executive Director of British Gas Services Limited since 2009 and is currently the Chairman of BHSF Group Ltd. Jane is also a qualified Chartered Accountant.

(i) *David Brand, Non-Executive Director*

David Brand was appointed to the Board as a Non-Executive Director in January 2013. He is a member of the Nomination & Governance Committee and the Audit & Risk Committee. David is currently a Director of Movestic Livförsäkring AB and Chairman of its Audit & Risk Committee. David is a Non-Executive Director of Countrywide Assured plc. He is a Non-executive Director at Exeter Friendly Society, where he is Chairman of the Investment Committee and the Audit Committee and also sits on the Governance and Risk Committee and the Nomination and Remuneration Committee. He is a qualified actuary who, prior to his

retirement in June 2012, had worked for the Hannover Re Group in the UK, acting as the Managing Director of the UK life reinsurance subsidiary since 2003.

A list of the companies and partnerships (other than Chesnara and its subsidiaries) of which the Chesnara Directors are or have been a director or partner within the past five years is set out in paragraph 6.1 of this Part XIII (*Directors, Senior Managers and Corporate Governance*).

2. Interests of the Directors

2.1 *Interests of Directors in Ordinary Shares*

As at the Latest Practicable Date, the aggregate interests (all of which are beneficial) of each of the Directors in the share capital of the Company which have been notified by each Director to the Company pursuant to Article 19 of MAR and its predecessor legislation or the interests of persons closely associated with them which have been disclosed under Article 19 of MAR and its predecessor legislation (and the existence of which is known to, or could with reasonable diligence be ascertained by, that Director), together with such interests as are expected to subsist immediately following Admission of the New Ordinary Shares, are set out below:

Director	*Ordinary Shares held prior to the Firm Placing, Placing and Open Offer*	*Per cent. of issued Ordinary Share capital prior to the Firm Placing, Placing and Open Offer*	*Ordinary Shares held after the Firm Placing, Placing and Open Offer*	*Per cent. of issued Ordinary Shares capital after the Firm Placing, Placing and Open Offer*
Chairman and Executive Directors				
Peter Mason	21,743	0.02	25,743	0.02
John Deane	9,677	0.01	19,677	0.01
Frank Hughes	12,123	0.01	15,456	0.01
David Rimmington	8,048	0.01	8,848	0.01
Non-Executive Directors				
Michael Evans	6,709	0.01	7,959	0.01
Veronica Oak	2,000	0.002	3,000	0.002
Peter Wright	70,000	0.06	70,000	0.05
Jane Dale	–	–	3,333	0.002
David Brand	3,000	0.002	5,500	0.004

Taken together, the combined percentage interest of the Directors in the issued share capital expected to subsist immediately following the Firm Placing, Placing and Open Offer is approximately 0.11 per cent., assuming that the Directors take up their indicated levels of participation.

2.2 *Interests of Directors in Ordinary Shares pursuant to the Share Schemes*

As at the Latest Practicable Date, the following options over Ordinary Shares have been granted to the Directors under the Share Schemes:

Chesnara Director	*Scheme*	*Grant date*	*Number of Ordinary Shares subject to award*	*Exercise price (pence)*	*Exercisable from*	*Expiry date*
John Deane	2014 LTI	28 April 2016	133,017	Nil	28 April 2019	27 April 2026
	2014 LTI	28 April 2015	84,639	Nil	28 April 2018	28 April 2025
	2014 STI	28 April 2016	26,575	Nil	28 April 2019	27 April 2016
	Share Save	29 September 2015	6,298	285.08	1 November 2018	N/A
David Rimmington	2014 LTI	28 April 2016	71,259	Nil	28 April 2019	27 April 2026
	2014 LTI	28 April 2015	47,727	Nil	28 April 2018	28 April 2025
	2014 LTI	20 May 2014	41,800	Nil	20 May 2017	20 May 2024
	2014 STI	28 April 2016	15,434	Nil	28 April 2019	27 April 2026
	2014 STI	27 March 2015	14,086	Nil	27 March 2018	20 May 2024
	Share Save	29 September 2015	6,298	285.08	1 November 2018	N/A

Chesnara Director	*Scheme*	*Grant date*	*Number of Ordinary Shares subject to award*	*Exercise price (pence)*	*Exercisable from*	*Expiry date*
Frank Hughes	2014 LTI	28 April 2015	48,399	Nil	28 April 2015	28 April 2025
	2014 LTI	20 May 2014	48,443	Nil	20 May 2017	20 May 2024
	2014 STI	27 March 2015	15,237	Nil	27 March 2018	20 May 2024
	Share Save	29 September 2015	6,298	285.08	1 November 2018	N/A

3. Remuneration and Benefits

Executive Directors' base salaries and benefits are reviewed each year with any changes usually taking effect from 1 January. The fees for the Chairman and the other Non-Executive Directors were last reviewed as of 30 March 2015.

For the 2015 Financial Year, the aggregate total remuneration paid (including contingent or deferred consideration) and benefits in kind granted (under any description whatsoever) to each of the current Directors by members of the Chesnara Group was £1,695,000. Remuneration was paid as follows:

Director[1]	*Salary or fee*[2] *(£'000)*	*Pension*[3] *(£'000)*	*Other cash allowances*[4] *(£'000)*	*Annual bonus*[5] *(£'000)*	*Benefits in kind*[6] *(£'000)*	*Total (£'000)*
Chairman and Executive Directors						
Peter Mason	106	–	–	–	–	106
John Deane	290	37	3	240	26	596
Frank Hughes	206	16	5	127	15	369
David Rimmington	227	18	6	139	12	402
Non-Executive Directors						
Michael Evans	52	–	–	–	–	52
Veronica Oak	54	–	–	–	–	54
Peter Wright	64	–	–	–	–	64
David Brand	52	–	–	–	–	52
Total	1,051	71	–	506	53	1,695

Notes:

(1) This table does not include Jane Dale, who was not appointed as a Non-Executive Director until 19 May 2016.

(2) John Deane received fees of £100,000 from his directorship appointment with Atom Bank plc, and therefore the salary paid by the Company was reduced by this amount. Resulting from the Remuneration Review in the year, both John Deane and David Rimmington received a salary increase effective from 1 July 2015.

(3) The pension component represents employer's contributions that form part of the Director's remuneration package. The employer's contribution is based on a fixed percentage of each Executive's salary, and can vary between Executive Directors.

(4) The other cash allowances are non-taxable benefits that relate to the Executive Directors' life cover, an element of which (for Frank Hughes and David Rimmington) provides a spouse's pension in the event of a claim.

(5) The amount reported as Annual Bonuses in 2015 is entirely made up of awards made under the 2014 STI Scheme.

(6) The benefits in kind relate to the provision of a car, fuel allowance and medical insurance and, in respect of John Deene, an allowance for widow's pension benefit.

The total amount set aside or accrued by the Chesnara Group to provide pension, retirement or similar benefits to the Chesnara Directors is nil.

4. Directors' Service Contracts and Letters of Appointment

4.1 ***Executive Directors***

The following table summarises the key terms of the Executive Directors' service contracts or terms of appointment:

Director	*Date of service contract*	*Commencement date of appointment to the Board*	*Commencement date of continuous employment*	*Notice period*	*Base salary for the 2016 Financial Year (£)*	*Annual bonus potential for the 2016 Financial Year (% of salary)*[(1)]
Frank Hughes	18 March 2004	March 2004	2 November 1992	12 months	212,032	80
David Rimmington	21 November 2012	May 2013	25 July 2011	12 months	250,000	90
John Deane	3 December 2014	January 2015	3 December 2014	12 months	420,000	100

Notes:

(1) This is the annual bonus potential under the STI Scheme.

Details of the share options and awards held by the Executive Directors are set out in paragraph 2.2 above.

(a) *Frank Hughes' Service Contract*

Mr Hughes is employed as the Business Services Director. Mr Hughes' service contract will continue until terminated by either party giving to the other one year's prior notice in writing, subject to earlier termination provisions. Chesnara may terminate his employment without any payment in certain circumstances, such as if he is guilty of gross misconduct. If Mr Hughes becomes unable to perform his duties properly by reason of illness or injury for a period or periods aggregating at least 26 weeks in any period of 12 months then Chesnara may, by not less than three months prior written notice to Mr Hughes, terminate his employment.

Mr Hughes' service agreement provides that Chesnara may in its absolute discretion elect to terminate his employment by paying him in lieu of notice (or any part thereof) an amount equivalent to his basic salary (at the rate then payable) and benefits in kind for such period or part period excluding any bonus.

Under Mr Hughes' service agreement, Chesnara may in its absolute discretion decide to pay him, in addition to his basic salary, bonuses of such amounts (if any) at such times and subject to such condition as the Remuneration Committee may in its sole discretion decide.

Mr Hughes is entitled to be provided with a company car and Chesnara will bear all standing and running expenses of the car. He must return his company car in certain circumstances, including on the termination of his employment. Mr Hughes may elect to receive a car allowance as an alternative to Chesnara providing a company car, in which case such amount of the car allowance is determined by reference to Chesnara's car policy in effect from time to time. Mr Hughes is also entitled to life assurance and private medical insurance.

Mr Hughes receives an amount equal to 9.5 per cent. of his salary in lieu of a company pension scheme contribution.

Mr Hughes is subject to confidentiality obligations and to non-competition, non-solicitation, non-deal, non-interference and non-engagement restrictive covenants for a period of six months following termination of employment (less any period served on garden leave).

(b) *David Rimmington's Service Contract*

Mr Rimmington is employed as Group Finance Director. Mr Rimmington's service contract will continue until terminated by either party giving to the other 12 months' prior notice in writing, subject to earlier termination provisions. Chesnara may terminate his employment

without any payment in certain circumstances, such as if he is guilty of gross misconduct. If Mr Rimmington becomes unable to perform his duties properly by reason of illness or injury for a period or periods aggregating at least 26 weeks in any period of 12 months then Chesnara may, by not less than one month's prior written notice to Mr Rimmington, terminate his employment.

Mr Rimmington's service agreement provides that Chesnara may in its absolute discretion elect to terminate his employment by paying him in lieu of notice (or any part thereof) an amount equivalent to his basic salary. Chesnara may in its absolute discretion pay any such payment in lieu of notice either in one lump sum or in instalments over the period until the date on which notice would have expired. If Chesnara chooses to pay in instalments, Mr Rimmington is obliged to seek alternative income over the relevant period and to disclose the gross amount of any such income to Chesnara. The gross instalment payments would then be reduced by the gross amount of such income.

Under Mr Rimmington's service agreement, Chesnara may in its absolute discretion decide to pay him, in addition to his basic salary, bonuses of such amounts (if any) at such times and subject to such condition as the Remuneration Committee may in its sole discretion decide.

Mr Rimmington is entitled to be provided with a company car and Chesnara will bear all standing and running expenses of the car. He must return his company car in certain circumstances, including on the termination of his employment. Mr Rimmington may elect to receive a car allowance as an alternative to Chesnara providing a company car, in which case such amount of the car allowance is determined by reference to Chesnara's car policy in effect from time to time. Mr Rimmington is also entitled to life assurance and private medical insurance.

Mr Rimmington receives an employer contribution into his private pension at a rate of 9.5 per cent. of pensionable salary.

Mr Rimmington is subject to confidentiality obligations. He is also subject to a non-competition restrictive covenant for a period of six months following termination of employment (less any period served on garden leave) and to non-solicitation, non-deal, non-interference and non-engagement restrictive covenants for a period of twelve months following termination of employment (less any period served on garden leave).

(c) *John Deane's Service Contract*

Mr Deane is employed as Chief Executive Officer. Mr Deane's service contract will continue until terminated by either party giving to the other 12 months' prior notice in writing, subject to earlier termination provisions. Chesnara may terminate his employment without any payment in certain circumstances, such as if he is guilty of gross misconduct. If Mr Deane becomes unable to perform his duties properly by reason of illness or injury for a period or periods aggregating at least 26 weeks in any period of 12 consecutive calendar months then Chesnara may, by not less than one month's prior written notice to Mr Deane, terminate his employment.

Mr Deane's service agreement provides that Chesnara may in its absolute discretion elect to terminate his employment by paying him in lieu of notice (or any part thereof) an amount equivalent to his basic salary and contractual benefits (including pension contributions that would have become due during such period) for such period or part period. Chesnara may in its absolute discretion pay any such payment in lieu of notice either in one lump sum or in instalments over the period until the date on which notice would have expired. If Chesnara chooses to pay in instalments, Mr Deane is obliged to seek alternative salary/fees over the relevant period and disclose the gross amount of any such salary/fees to Chesnara. The gross instalment payments would then be reduced by the gross amount of such salary/fees.

Under Mr Deane's service agreement, Chesnara may in its absolute discretion decide to pay him, in addition to his basic salary, a bonus in such form and of such amounts (if any) at such times and subject to such condition as the Remuneration Committee may in its sole discretion decide.

Mr Deane is entitled to be provided with a company car and Chesnara will bear all standing and running expenses of the car. He must return his company car in certain circumstances, including on the termination of his employment. Mr Deane may elect to receive a car allowance as an alternative to Chesnara providing a company car, in which case such amount of the car allowance is determined by reference to Chesnara's car policy in effect from time to time. Mr Deane is also entitled to life assurance and private medical insurance.

Mr Deane receives an amount equal to 9.5 per cent. of his salary in lieu of a company pension scheme contribution. Mr Deane is entitled to receive a sum of £5,000 per annum for widow's pension benefit which is payable in equal monthly instalments together with his basic salary.

Mr Deane is subject to confidentiality obligations. He is also subject to a non-competition restrictive covenant for a period of six months following termination of employment (less any period served on garden leave) and to non-solicitation, non-deal, non-interference and non-engagement restrictive covenants for a period of twelve months following termination of employment (less any period served on garden leave).

4.2 ***Chairman and Current Non-Executive Directors***

The following table summarises the key terms of the current Non-Executive Directors' letters of appointment:

Director	*Date of appointment as a Director*	*Date of current appointment letters*	*Anticipated expiry of present term of appointment (subject to annual re-election)*	*Fees for the 2016 Financial Year (£)*
Peter Mason	1 March 2004	16 July 2015	31 October 2017	107,500[5]
Michael Evans	4 March 2013	24 March 2016	25 February 2019	55,000[1]
Veronica Oak	16 January 2013	24 March 2016	16 January 2019	55,000[2]
Peter Wright	1 January 2009	29 June 2015	31 December 2017	65,000[5]
Jane Dale	19 May 2016	29 February 2016	19 May 2019	45,000[3]
David Brand	16 January 2013	24 March 2016	16 January 2019	55,000[4]

Notes:

(1) Mr Evans' annual fee comprises of £45,000 for serving on Chesnara's Board and for his committee membership and £10,000 for serving as a Senior Independent Director.

(2) Ms Oak's annual fee comprises of £45,000 for serving on Chesnara's Board and for her committee membership and £10,000 for serving as Remuneration Committee Chairman.

(3) Ms Dale's may also receive additional fees of £10,000 for serving as Audit & Risk Committee Chairman and £5,000 for serving as Chairman of the Audit & Risk Committee for a subsidiary company subject to regulatory approval of her appointment to these roles.

(4) Mr Brand's annual fee comprises of £45,000 for serving on Chesnara's Board and for his Chesnara committee membership and £10,000 for serving on a subsidiary board and for his subsidiary company committee membership.

(5) The annual fees for both Peter Mason and Peter Wright have not been broken down by Chesnara to indicate which proportion of their respective fee is for each of the roles they respectively hold.

Each of the Non-Executive Directors is appointed by a letter of appointment for a fixed term of three years subject to early termination by either party giving to the other three months' prior written notice or by Chesnara for cause. The appointment of each Non-Executive Director is subject to the articles of association of Chesnara. Continuation of the appointment of each Non-Executive Director is also subject to their continued satisfactory performance and any relevant statutory provisions regarding the removal of a director.

In certain circumstances, Chesnara may terminate the appointment of a Non-Executive Director with immediate effect, including where the Non-Executive Director (1) has committed any material breach of their obligations; (2) has committed any serious or repeated breach or non-observance of their obligations to Chesnara; (3) are guilty of any fraud or dishonesty or have acted in any manner which (in the opinion of the Chesnara) brings or is likely to bring them or Chesnara into disrepute or is materially adverse to the interests of the Chesnara; (4) are convicted of any arrestable criminal offence other than an offence under road traffic legislation in the UK or elsewhere for which a fine or non-custodial penalty is imposed; (5) has been declared bankrupt or have made an arrangement with or for the benefit of their creditors; (6) has been disqualified from acting as a director; and (7) ceases to be individually registered by the appropriate regulator as an approved person carrying out the controlled functions in respect of Chesnara or its relevant subsidiaries.

Each Non-Executive Director is subject to a non-competition restriction for a period of six months following the termination of their office.

Each Non-Executive Director is entitled to reimbursement from Chesnara of reasonable expenses incurred in the performance of their duties. All Non-Executive Directors are subject to a confidentiality undertaking without limitation in time. The Non-Executive Directors may, in certain circumstances, obtain independent professional advice in the furtherance of their duties as Director at Chesnara's expense.

5. CORPORATE GOVERNANCE

The Chesnara Board is firmly committed to high standards of corporate governance. The principal governance rules applying to UK companies listed on the Main Market of the London Stock Exchange are the UK Corporate Governance Code. The Board considers that as at the Latest Practicable Date the Company is in compliance with the principles and provisions of the UK Corporate Governance Code.

5.1 *Board of Directors*

A Chesnara Director is appointed by ordinary resolution (i.e. a simple majority of votes cast) at a general meeting of ordinary shareholders of Chesnara. The Chesnara Board also has the power to appoint a Chesnara Director, but any person so appointed must stand for reappointment by shareholders at the first annual general meeting following his or her appointment by the Chesnara Board. After appointment, Chesnara Directors must offer themselves for reappointment at least every three years. It is Chesnara's policy to review rigorously the reappointment of non-executive directors who have served more than six years.

The Corporate Governance Code currently recommends that at least half of the board of directors (excluding the chairman) of a UK listed company should be independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment.

As at the date of this document, the Chesnara Board is composed of 9 members, consisting of the Chairman (Peter Mason), three Executive Directors (Frank Hughes, David Rimmington and John Deane), and five Non-Executive Directors whom are considered by the Chesnara Board to be independent: Michael Evans, Veronica Oak, Peter Wright, Jane Dale, and David Brand.

The Corporate Governance Code also recommends that the board of directors should appoint one of its independent non-executive directors as senior independent non-executive director and Michael Evans has been appointed to fill this role. The Senior Independent Non-Executive Director should be available to shareholders if they have concerns which have not been resolved through contact with the normal channels of Chairman, Chief Executive or Finance Director of Chesnara or for which contact is inappropriate.

The Chesnara Board has established Audit and Risk, Remuneration and Nomination & Governance Committees, with formally delegated duties and responsibilities with written terms of references.

5.2 ***Board Committees***

(a) *Audit & Risk Committee*

Current members

The Chesnara Audit & Risk Committee is made up entirely of Non-Executive Directors, namely: Peter Wright (Committee Chairman), Jane Dale, Veronica Oak, David Brand and Michael Evans. On invitation, several key members of Chesnara (such as the Chesnara Group Chairman, Chief Executive, Group Actuary, Group Chief Risk Officer or Head of UK Internal Audit) and external consultants/auditors attend meetings to assist the Committee in the fulfilment of its duties. Peter Wright was elected to the Chesnara Board on 1 January 2009 and was appointed as the Chairman of the Committee on the same date. He was formerly a Principal of Towers Perrin and is also a former Vice President of the Institute of Actuaries, having been admitted as a Fellow in 1979. Mr Wright is also the Chairman of the Audit and Risk Committee and of the With-profits Committee of Countrywide Assured plc.

The Audit & Risk Committee met seven times during the year ended 31 December 2015.

Role of the Audit & Risk Committee

The Audit & Risk Committee operates under defined terms of reference and its principal responsibilities include:

- assisting the Board in discharging its duties and responsibilities for financial reporting;
- focus on risk and risk management and assisting the Board in fulfilling its obligation in respect of the same;
- making recommendations to the Board in relation to the appointment and removal of the external Auditor;
- keeping under review the scope and results of the audit work, its cost effectiveness and the independence and objectivity of the external Auditor;
- reviewing the appropriateness of the Chesnara Group's accounting policies;
- providing guidance with respect to the annual financial statements being fair, balanced and understandable;
- reviewing and approving internal audit plans for the internal audit of the Chesnara Group's internal controls, embracing operating, financial and business controls; and
- reviewing an annual report on the Chesnara Group's systems of risk management and internal control and their effectiveness and reporting to the Board on the results of the review.

(b) *Remuneration Committee*

Current members

The Remuneration Committee is made up of Veronica Oak (Committee Chairman), Peter Mason and Michael Evans. Veronica Oak is a Non-Executive Director who was appointed to the Chesnara Board on 16 January 2013. Ms Oak also serves on the Nomination & Governance and Audit & Risk Committees. She was previously appointed to the Board of the Hanley Economic Building Society as a Non-Executive Director.

The Remuneration Committee met five times during the year ended 31 December 2015.

Role of the Remuneration Committee

The Remuneration Committee operates under defined terms of reference and its principal responsibilities include:

- considering and making recommendations to the Board on the strategy and policy for the remuneration of the Executive Directors, the Chairman and senior employees across the Chesnara Group;
- ensuring pay levels are appropriate to enable the Company to attract, retain and motivate its Executive Directors and other members of staff;
- determining the design, conditions and coverage of annual and long-term incentive plans for senior executives and approving total and individual payments/awards under the plans;
- determining the targets for any performance-related incentive schemes;
- determining the issue and terms of all share-based plans available to all employees; and
- determining the compensation (if any) in the event of termination of service contracts of Executive Directors and senior employees across the Chesnara Group.

(c) *Nomination & Governance Committee*

Current members

The Nomination & Governance Committee comprises: Peter Mason (Committee Chairman), Peter Wright, David Brand, Veronica Oak, Jane Dale and Michael Evans. Peter Mason has been the Chairman of Chesnara since 1 January 2009. He was also appointed as Chairman of Movestic Livförsäkring AB with effect from 23 July 2009. In addition to chairing the Nomination & Governance Committee, Mr Mason serves on the Remuneration Committee. He has over 40 years' experience in financial services and has held several non-executive posts within the industry.

The Nomination & Governance Committee met three times during the year ended 31 December 2015.

Role of the Nomination & Governance Committee

The Nomination & Governance Committee operates under defined terms of reference and its principal responsibilities include:

- reviewing the balance and composition of the Board and its Committees, ensuring that they remain appropriate;
- responsibility for overseeing the Board's succession planning requirements including the identification and assessment of potential Board candidates and making recommendations to the Board for its approval;
- keeping under review the leadership needs of, and succession planning for, the Chesnara Group in relation to both its Executive Directors and other senior executives;
- identify and nominate, for the approval of the Board, candidates to fill board vacancies as and when they arise; and
- evaluate the balance of skills, knowledge, experience and diversity of the Board.

6. Other Directorships

6.1 In addition to their directorships of Chesnara (in the case of the Chesnara Directors), the Chesnara Directors hold or have held the following directorships (other than directorships of subsidiaries of Chesnara), and are or were members of the following partnerships, within the past five years.

Name	*Current directorship/partnership*	*Previous directorship/partnership*
Chairman and Executive Directors		
Peter Mason	Atlas Assurance Company Limited Motor Union Insurance Company Limited Caledonian Insurance Company Guardian Eastern Insurance Company Limited	N/A Atlas Assurance Company Limited Motor Union Insurance Company Limited Caledonian Insurance Company Guardian Eastern Insurance Company Limited
John Deane	N/A	Royal London Mutual Insurance Society Limited (converted-closed) Atom Bank PLC PJA Capital Limited RL Money Manager Limited Scottish Life Administration Services Limited Royal London Trustee Services Limited Scottish Life Assurance Company (The) Royal London 360 Holdings Limited RL LA Limited Royal London Mutual Insurance Society, Limited (The) RL Corporate Pension Services Limited
Frank Hughes	N/A	N/A
David Rimmington	N/A	N/A
Non-Executive Directors		
Michael Evans	Hargreaves Lansdown EBT Trustees Limited Hargreaves Lansdown PLC Zoopla Property Group plc	Esure Group PLC Wessex Heartbeat Limited Wessex Cardiac Trust CBRE Global Investors (UK Funds) Limited CBRE Global Investors Group (UK) Limited
Veronica Oak	Hanley Economic Building Society Hanley Mortgage Services Limited Hanley Financial Services Limited Sanlam UK Limited Sanlam Investment Holdings UK Limited Investment & Life Assurance Group Limited	Family Assurance Friendly Society Limited Whiteleaf Golf Club, Limited (The)
Peter Wright	N/A	N/A

Name	*Current directorship/partnership*	*Previous directorship/partnership*
Jane Dale	Wellwork Limited	Jane Dale Limited
	M3OH Services Limited	AIG Life Limited
	Network Insurance Brokers Limited	
	Abbott Burke Associates Limited	
	Occupational Health Consultants Limited	
	BHSF Corporate Healthcare (Holdings) Limited	
	BHSF Employee Benefits Limited	
	BHSF Occupational Health Limited	
	BHSF Group Limited	
	BHSF Limited	
	British Gas Services Limited	
	BHSF Newhall Medical Practice Limited	
	Nexus Healthcare Limited	
David Brand	Exeter Cash Plan Holdings Limited	Hannover Life Reassurance (UK) Limited
	The Exeter Cash Plan	Hannover Services (UK) Limited
	Exeter Friendly Society	Hanover Finance (UK) Limited

7. Directors' Confirmations

As at the date of this document, none of the Directors have, during the five years prior to the date of this document:

(a) been convicted in relation to a fraudulent offence;

(b) been associated with any bankruptcies, receiverships or liquidations while acting in the capacity of a member of the administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company;

(c) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies); or

(d) been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company.

No Director has any material interest, either currently or on completion of the Firm Placing, Placing and Open Offer, in any significant contract with the Company or any of its subsidiary undertakings.

The Board does not presently consider there are to be any potential conflicts of interests between any of the Directors' duties to Chesnara or the Chesnara Group and their private interests and/or other duties.

None of the Directors were selected to act in such capacity pursuant to any arrangement or understanding with any major shareholder, customer, supplier or other person having a business connection with the Enlarged Group.

As at the date of this document, no restrictions have been agreed by any Director on the disposal within a certain time period of their holdings of their Ordinary Shares.

There are no family relationships between any of the Directors.

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

benefit, save that each of the Directors has, and will have, the benefit of a qualifying third party indemnity pursuant to which Chesnara agrees to indemnify the Directors against liabilities that they may incur as a result of their office as director, in terms which are in accordance with the relevant provisions of the 2006 Act.

PART XIV

ADDITIONAL INFORMATION

1. Responsibility

The Directors whose names appear in paragraph 1 of Part XIII (*Directors, Senior Managers and Corporate Governance*) and Chesnara accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and Chesnara (who have each taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and Registered Office

Chesnara was incorporated and registered in England and Wales on 29 October 2003 under the Companies Act 1985 as a public company limited by shares with registered number 04947166 and with the name PINCO 2042 plc. On 23 December 2003, it changed its name to Chesnara plc.

The registered and head office of Chesnara is at 2nd Floor, Building 4, West Strand Business Park, Preston, PR1 8UY. The telephone number of Chesnara's registered and head office is +44 01772 972 050.

The principal legislation under which Chesnara operates is the Companies Act 2006 and the regulations made thereunder.

The Ordinary Shares are admitted to the premium segment of the Official List and traded on the main market of the London Stock Exchange. The ISIN of the Ordinary Shares is GB00B00FPT80 and the SEDOL number is B00FPT8. The Ordinary Shares are in registered form and are capable of being held in either certificated or uncertificated form.

The Ordinary Shares are ordinary shares in registered form and are capable of being held either: (i) in certificated form; or (ii) in uncertificated form, and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations).

Deloitte LLP, whose address is 2 New Street Square, London, EC4A 3BZ are the auditors of Chesnara. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales.

3. Chesnara's Share Capital

3.1 ***Issued share capital***

The issued and fully paid share capital of the Company as at the Latest Practicable Date was as follows:

Nominal value of Ordinary Shares	*Number of Ordinary Shares issued, allotted, called up and fully paid*	*Amount of share capital (£)*
Ordinary Shares of £0.05	126,552,427	6,327,621.35

The issued and fully paid share capital of the Company immediately following completion of the Firm Placing, Placing and Open Offer is expected to be as follows:

Nominal value of Ordinary Shares	*Number of Ordinary Shares issued, allotted, called up and fully paid*[(1)]	*Amount of share capital (£)*
Ordinary Shares of £0.05	149,885,761	7,494,288.05

(1) Assumes that no share options are exercised between the Latest Practicable Date and Admission and that the maximum number of New Ordinary Shares is issued.

3.2 ***Share capital history***

As at 31 December 2012, the first day covered by the audited financial statements incorporated by reference into this document, the authorised share capital of the Company was 201,000,000 Ordinary Shares of 5 pence each. The Company had an issued share capital of 115,047,662 Ordinary Shares of 5 pence each, 199,011 of which were own shares held in treasury. The Company has the authority to purchase its own shares where the Directors believe that to do so would result in an increase in earnings per share and would promote the success of the Company for the benefit of its shareholders generally. Such shares purchased by the Company may be held by the Company as treasury shares (or otherwise cancelled). The shares held in treasury are not eligible to vote nor is any dividend paid on such shares and, under sections 724 to 732 of the 2006 Act, they can be cancelled, sold for cash or, in appropriate circumstances, used to meet obligations under employee share schemes.

There were no changes to the Company's issued share capital during the 2013 Financial Year. Accordingly, as at 31 December 2013, the Company still had 115,047,552 issued Ordinary Shares of 5 pence each, though 194,183 of these were shares held in treasury.

On 5 December 2014, 11,504,765 new shares were issued to existing shareholders, as part of a fund raising exercise in respect of the proposed acquisition of the Waard Group. This increased the Company's issued share capital to 126,552,427 Ordinary Shares at 31 December 2014, of which 154,031 were shares held in treasury.

There were no changes to the Company's issued share capital during the 2015 Financial Year. Accordingly, as at 31 December 2015, the Company still had 126,552,427 issued Ordinary Shares, of which, 147,535 of these Ordinary Shares were shares held in treasury.

During the period from 31 December 2015 to the Latest Practicable Date, the Company has not issued any shares and its issued share capital remains 126,552,427 issued Ordinary Shares of which, 147,535 shares are held in treasury.

4. Resolutions

As described in paragraph 1 of Part I (*Letter from the Chairman*) of this document, it is proposed that the Resolutions, as set out in the Notice to the General Meeting at the end of this document, be passed at the General Meeting.

5. Articles of Association

The following is a summary of Chesnara's Articles which were adopted by special resolution passed on 14 May 2009 and contain (amongst others) provisions as set out below. The Articles are available for inspection at the registered office of the Company and at the offices of Ashurst LLP, as set out in the section of this document entitled "Directors, Company Secretary, Registered Office and Advisers".

5.1 ***Objects***

The objects of the Company, in accordance with section 31(1) of the 2006 Act, are unrestricted.

5.2 ***Limited liability***

The liability of the members is limited to the amount, if any, unpaid on the shares in the Company respectively held by them.

5.3 ***Rights attaching to ordinary shares***

(a) *Voting rights of members*

Subject to disenfranchisement in the event of (i) non-payment of any call or other sum payable in respect of any share or (ii) any non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares and subject to any special rights or restrictions as to voting for the time being attached to any shares, on a show of hands, every member has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by one or more of those members to vote for the resolution and has been instructed by one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution.

On a poll, every member present in person or by proxy has one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

A member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) relating to a mental disorder or incapacity may vote (whether on a show of hands or on a poll) by his guardian or any other person duly authorised to do so on that member's behalf by proxy.

(b) *Dividends*

(i) *Declaration of dividends* – the Company may, by ordinary resolution, declare a dividend to be paid to members according to their respective rights, but no dividend shall exceed the amount recommended by the Board.

(ii) *Fixed and interim dividends* – subject to applicable statutory provisions, the Board may pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless 'at the time of payment any preferential dividend is in arrears.

(iii) *Entitlement to dividends* – except as otherwise provided by the Articles or the rights attached to the shares: (i) a dividend shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the nominal value of the shares on which the dividend is paid; and (ii) dividends shall be apportioned and paid proportionately to the amounts paid up on the nominal value of the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

(iv) *Dividends not to bear interest* – no dividend or other money payable by the Company in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

(v) *Calls or debts may be deducted from dividends* – the Board may deduct from any dividend or other amounts payable to any member in respect of a share all such sums presently due from him to the Company on account of calls or otherwise in relation to any shares.

(vi) *Dividends in kind* – with the authority of an ordinary resolution of the Company and on the recommendation of the Board, payment of any dividend may be satisfied wholly or in part by the distribution of assets (including paid up shares or securities of any other body corporate). In particular, the Board may (i) issue fractional certificates or ignore fractions; (ii) fix the value of distribution of any assets, and may determine that cash shall be paid to any member on the footing of the value so fixed in order to adjust the rights of members; and (iii) vest any assets in trustees on trust for the persons entitled to the dividend.

(vii) *Scrip dividends* – the Board may, with the authority of an ordinary resolution of the Company, offer any holders of ordinary shares the right to elect to receive further ordinary shares by way of scrip dividend instead of cash in respect of all (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

(viii) *Unclaimed dividends* – any dividend unclaimed for a period of 12 years from the date the dividend became due for payment shall be forfeited and shall revert to the Company.

(c) *Return of capital*

(i) On a winding up of the Company and subject to the statutes, the Company's assets available for distribution shall be divided among the members in proportion to the nominal amounts of capital paid up or credited as paid up on the shares held by them, subject to the terms of issue of or rights attached to any shares.

(ii) On a winding up of the Company (whether voluntary, under supervision or by the Court) the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Company, whether or not the assets consist of property of one kind or of different kinds. For this purpose the liquidator may set the value he deems fair on a class or classes of property, and may determine on the basis of such valuation and in accordance with the then existing rights of members how the division is to be carried out between members or classes of members. The liquidator may not, however, distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

(d) *Capitalisation of profits*

The Board may, with the authority of an ordinary resolution of the Company:

(i) resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend or any sum standing to the credit of any reserve or fund of the Company (including any share premium account, capital redemption reserve and profit and loss account), in each case, whether or not it is available for distribution; and

(ii) appropriate that sum to be capitalised to the holders of Ordinary Shares in proportion to the nominal amounts of the shares (whether or not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if the shares were fully paid and the sum were then distributable and were distributed by way of dividend and apply such sum on their behalf either in or towards paying up the amounts, if any, unpaid on any shares held by them respectively, or in paying up in full new shares or debentures of the Company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those holders of Ordinary Shares or as the Board may direct, in those proportions, or partly in one way and partly in the other, but so that the share premium account, the capital redemption reserve and any profits or reserves which are not available for distribution may, for the purposes of this Article, only be applied in paying up new shares to be allotted to members credited as fully paid;

5.4 ***Transfer of shares***

(a) Company shares in certificated form may be transferred by an instrument of transfer in writing in any usual form, or in another form approved by the Board, which must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee. Uncertificated shares may be transferred without a written instrument in accordance with the CREST Regulations. The transferor shall remain the holder of the share transferred until the name of the transferee is entered in the register of members in respect of it.

(b) Subject to the applicable statutory provisions, the Board may refuse to register the transfer of a certificated share or the renunciation of a renounceable letter of allotment unless it is (i) in respect of a share which is fully paid; (ii) in respect of only one class of shares; (iii) in favour of a single transferee or renouncee or not more than four joint transferees or renounces; (iv) duly stamped (if required); and (v) delivered for registration to the Registered Office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates (unless a certificate has not been issued) and any other evidence as the Board may reasonably require to prove the title to such share of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of such person to do so.

(c) If the Board refuses to register a transfer or renunciation, it shall, within two months after the date on which the transfer or renunciation was delivered to the Company and subject to statutory provisions, send notice of the refusal to the transferee or renouncee and (except in the case of fraud) return to him the instrument of transfer or renunciation.

(d) The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a participating security held in uncertificated form in accordance with the CREST Regulations, except that the Board may refuse to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations. Subject to statutory provisions, if the Board refuses to register any such transfer or renunciation the Company shall, within two months after the date on which the instruction relating to such transfer or renunciation was received by the Company, send notice of the refusal to the transferee or renouncee.

(e) The Board may, at its discretion, recognise and give effect to a renunciation of the allotment of any share by the allottee in favour of some other person.

(f) No fee shall be charged for the registration of a transfer of a share or the renunciation of a renounceable letter of allotment or other document relating to or affecting the title to any share.

5.5 ***Alteration of share capital***

(a) The Company may exercise the powers conferred by the applicable statutory provisions to:

(i) increase its share capital by allotting new shares;

(ii) reduce its share capital;

(iii) sub divide or consolidate and divide all or any of its share capital;

(iv) reconvert stock into shares;

(v) redenominate all or any of its shares and reduce its share capital in connection with such redenomination;

(vi) issue redeemable shares;

(vii) purchase all or any of its own shares including any redeemable shares; and

(b) confer any preference or other advantage on one or more of the shares resulting from any division or sub-division of its share capital as compared with the others and make any such share subject to any restriction as compared with the others.

5.6 ***Variation of class rights***

(a) If the share capital of the Company is divided into shares of different classes, any of the rights attached to any class of shares (notwithstanding that the Company may be or be about to be in liquidation) may (unless the rights attached to the shares of the class otherwise provide) be varied or abrogated in any manner, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of shares of the class.

(b) Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by:

(i) the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued;

(ii) the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of any of its own shares in accordance with the statutes; or

(iii) the Board resolving that a class of shares is to become or is to cease to be, or the operator permitting such class of shares to become or to cease to be, a participating security.

5.7 ***Disclosure of interests in shares***

Where notice is given by the Company under section 793 of the 2006 Act (a "**section 793 notice**") to a member, or another person appearing to be interested in shares held by such member, and the member or other person has failed in relation to any to give the Company the information required within fourteen days after the date of service of the section 793 notice, unless the Board otherwise decides:

(a) the member is not entitled to be present or to vote at a general meeting or on a poll, or to exercise any other rights conferred by membership in relation to the meeting or poll; and

(b) where the relevant shares represent at least 0.25 per cent. in nominal value of their class of shares: (i) a dividend (or any part of a dividend) or other distribution or amount payable may be withheld by the Company; (ii) the member shall not be entitled to elect to receive shares instead of a dividend; and (iii) the Board may, in certain circumstances and in its absolute discretion, refuse to register the transfer of any shares.

The restrictions shall cease to apply seven days after the earlier of (i) receipt by the Company of notice of an excepted transfer (but only in relation to the shares transferred); or (ii) receipt by the Company, in a form satisfactory to the Board, of all the information required by the section 793 notice.

5.8 ***Uncertificated shares***

Shares of a class shall not be treated as forming a separate class from other shares of the same class as a consequence of such shares being held in certificated or uncertificated form.

The Articles apply to uncertificated shares only to the extent that they are not inconsistent with the holding of such shares in uncertificated form, with the transfer of title to such shares by means of the Uncertificated System or with the CREST Regulations. The Board may lay down regulations not included in the Articles which (in addition to or in substitution for any provisions of the Articles): (i) apply to the issue, holding or transfer of uncertificated shares; (ii) set out (where appropriate) the procedures for conversion and/or redemption of uncertificated shares; and/or (iii) the Board considers necessary or appropriate to ensure that the Articles are consistent with the CREST Regulations.

Where the Company is entitled under statutory provisions, the CREST Regulations, the Articles or otherwise to dispose of, forfeit, enforce a lien over or otherwise procure the sale of any shares of a class which is held in uncertificated form, the Board may take such steps (subject to the CREST Regulations and to such rules and practices) as may be required or appropriate, by instruction by means of the Uncertificated System or otherwise, to effect such disposal, forfeiture, enforcement or sale.

5.9 ***Forfeiture***

The Board may serve notice on the members in respect of any amounts unpaid on their shares. The member shall be given not less than 14 days' notice to pay the unpaid amount, together with any interest and all expenses incurred by the Company by reason of the non-payment. In the event of non-compliance, a share in respect of which the notice is given may be forfeited by resolution of the Board. Such forfeiture shall include all dividends and other amounts payable in respect of the forfeited shares which have not yet been paid. The Board may accept the surrender of a share which is liable to be forfeited in accordance with the Articles.

When any share has been forfeited, notice of the forfeiture shall be served upon the person who was the holder of the share. An entry that such notice has been given and of the fact and date of forfeiture shall be made in the register of members. Failure to give notice to the relevant holder of the share will not invalidate the forfeiture. Forfeited shares shall become the property of the Company. The holder of a share (or the person entitled to it by transmission) which is forfeited shall, on forfeiture, cease to be a member in respect of the share; surrender to the Company for cancellation the certificate for the share (if a certificated share); remain liable to pay to the Company all monies payable in respect of the share at the time of forfeiture, with interest from such time of forfeiture until the time of payment; and remain liable to satisfy all (if any) claims and demands which the Company might have enforced in respect of the share at the time of forfeiture.

A statutory declaration by a Director or the Secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it against all persons claiming to be entitled to the share. The declaration shall (subject to the execution of any necessary instrument of transfer) constitute good title to the share.

5.10 ***Lien on shares***

The Company has a first and paramount lien on each issued share (not being a fully paid share) for all amounts payable to the Company (whether presently payable or not) in respect of such share. The lien applies to all dividends on any such share and to all amounts payable by the Company in respect of such share. The Board may resolve that any share be exempt wholly or in part from the relevant provisions in the Articles.

The Company may enforce a lien by selling the shares if an amount in respect of which the lien exists is currently payable and is not paid within fourteen days following the giving of a notice to the holder in accordance with the Articles. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any exercise shall be effective as if it had been executed by the holder of the shares to which it relates.

5.11 ***Directors***

(a) *Number of Directors*

The number of Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than two nor more than ten.

(b) *Appointment*

The Company, by ordinary resolution, or the Board may appoint Directors either to fill a vacancy or as an addition to the existing Board, subject to the total number of Directors not exceeding the maximum number fixed by the Articles. Any Director so appointed by the board

shall hold office only until the next following annual general meeting, and shall then be eligible for reappointment. Such person shall not be taken into account in determining the number or identity of Directors who are to retire by rotation at such meeting.

(c) *Executive Directors*

Subject to statutory provisions, the Board may appoint any Director to hold any employment or executive office with the Company for such period and on such terms as the Board may decide. The Board may revoke, terminate or vary the terms of any such appointment, without prejudice to any claim for damages which the Director may have for breach of contract against the Company.

(d) *Retirement by rotation*

At each annual general meeting, any Director who was elected or last re-elected a Director at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation. Such further Directors (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Directors in office at the date of the notice of meeting (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) and the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for reappointment.

A Director who retires at an annual general meeting (whether by rotation or otherwise) may, if willing to act, be re-appointed. If he is not re-appointed or deemed to have been 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.

(e) *Removal by ordinary resolution*

The Company may in accordance with the applicable statutory provisions, by ordinary resolution remove any Director before the expiration of his term of office and by ordinary resolution appoint another person as Director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or re-appointed a Director.

(f) *Alternate Directors*

A Director may appoint any other Director or any person approved for that purpose by a Board resolution, to be his alternate by notice delivered to the company secretary, or in any other manner approved by the Board. An alternate director shall be an officer of the Company and be entitled to exercise all the powers, rights, duties and authorities of his appointer (other than the power to appoint an alternate Director) but shall not be deemed the agent of the Director appointing him. An alternate Director shall cease to be an alternate Director if his appointer revokes his appointment by notice delivered to the company secretary or his appointer ceases to be a Director.

(g) *Remuneration*

The Company shall pay to the Directors (but not alternate Directors) for their services as Directors such aggregate amount of fees as the Board decides (not exceeding £350,000 per annum or such larger amount as the Company may by ordinary resolution decide). The aggregate fees shall be divided among the Directors as Board decides, or if no decision is made, equally. A Director may also be paid all travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings to which these Articles apply or otherwise in connection with the discharge of his duties as a Director.

The salary or remuneration of a Director appointed to hold employment or executive office in accordance with the Articles may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the Board and may be in addition to or instead of a fee payable to him for his services as Director.

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for a person who is or has at any time been a Director, an officer or a director or an employee of the Company or its subsidiary. For this purpose the Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums. A Director or former Director is entitled to receive and retain for his own benefit any pension or other benefit provided in accordance with this Article and is not obliged to account for it to the Company.

6. Financial Statements and Annual General Meetings

The Chesnara Group's Financial Statement are made up to 31 December in each year. The Chesnara Group's latest Financial Statements cover the 2015 Financial Year, and was made public and posted to shareholders on 2 June 2016. The Company held its most recent annual general meeting on 18 May 2016 at the offices of Panmure Gordon, One New Change, London, EC4M 9AF.

7. Employee Share Schemes

The Company operates three employee share schemes, namely the Chesnara 2014 Short-Term Incentive Scheme (the "**2014 STI Scheme**"), the Chesnara 2014 Long-Term Incentive Scheme (the "2014 LTI Scheme") and the Chesnara Sharesave Plan (the "**Sharesave Scheme**"). A description of the principal terms of the 2014 STI Scheme, the 2014 LTI Scheme and the Sharesave Scheme are set out below.

7.1 *The 2014 STI Scheme*

(a) *Introduction*

The 2014 STI Scheme comprises a discretionary annual incentive scheme together with provisions for the mandatory deferral of a proportion of the cash amounts payable into shares, under which awards may be made to selected employees or directors of the Company or any of its subsidiaries.

The Remuneration Committee will be responsible for the operation of the 2014 STI Scheme.

Awards to receive a cash amount, subject to the achievement of a performance target (which may comprise a combination of separate targets) measured over a financial year (a "**Cash Award**") will be made to participants. Following the determination of the extent to which the performance target has been met, a proportion of the cash amount due under a Cash Award may be deferred into shares (a "**Deferred Share Awards**") which will normally vest at the end of a three-year deferral period, subject to the participant's continued employment.

Deferred Share Awards made under the 2014 STI Scheme will normally constitute nil-cost options to acquire shares at no cost to the participant, although Deferred Share Awards may also be made as conditional share awards.

Deferred Share Awards may be satisfied by the issue of new shares or by the transfer of shares held in treasury or by the trustee of an employee benefit trust.

A Cash Award may not be made under the 2014 STI Scheme on or after 16 May 2024.

Awards under the 2014 STI Scheme are not pensionable.

(b) *Eligibility*

A participant must be an employee or director of the Chesnara Group at the time a Cash Award is made. Participation in the 2014 STI Scheme will be at the discretion of the Remuneration Committee.

(c) *Individual Limits*

The maximum cash amount which may be payable under any Cash Award made during 2016 may not exceed 75 per cent. of the participant's salary or such other limit as may be determined by the Remuneration Committee from time to time.

(d) *Performance targets*

A Cash Award will be subject to a performance target which will be set by the Remuneration Committee at the time the Cash Award is made and which must be satisfied before the Cash Award can vest.

The Remuneration Committee may vary or waive the performance target applying to a Cash Award if an event occurs which causes the Remuneration Committee to consider that the performance target is no longer appropriate, provided that such variation or waiver is reasonable in the circumstances and, except in the case of a waiver, produces a fairer measure of performance and is not materially less difficult to satisfy.

(e) *Leaving employment before a Cash Award vests*

If a participant ceases to be employed within the Chesnara Group before a Cash Award made to him vests, that Cash Award will usually lapse.

If the Remuneration Committee, in its discretion, so determines, for example because the participant ceased employment by reason of death, injury or disability, redundancy, retirement, the sale of his employing business or company, or for any other reason permitted by the Remuneration Committee in its discretion determines in any other particular case, the participant may retain a time pro-rated proportion of the Cash Award (according to the proportion of the performance period which has then elapsed) and it shall continue to vest, if at all, in accordance with its original terms. Alternatively, the Committee may determine that a time pro-rated proportion of the Cash Award will vest immediately upon the cessation of employment, subject to the Remuneration Committee's assessment of the extent to which the applicable performance target shall be deemed to be met at that time.

The Remuneration Committee may vary the time pro-rating applied to allow a greater proportion of the Cash Award to vest.

Where a participant's Cash Award vests following his cessation of employment, the whole of the amount due shall be paid in cash, with no deferral into a Deferred Share Award.

(f) *Deferral into shares*

The Committee will determine the extent to which the performance target applicable to a Cash Award has been met following the end of the relevant financial year, and accordingly the cash amount payable under the Cash Award.

Subject to any applicable minimum cash payment under the Cash Award, a proportion of the cash amount shall be deferred into a Deferred Share Award, with the number of shares subject to the Deferred Share Award being determined by reference the share price on the dealing day preceding the day on which the Deferred Share Award is made.

(g) *Making of Deferred Share Awards*

Deferred Share Awards will be made as soon as practicable following the determination of the extent to which the performance target applicable to the relevant Cash Award has been met,

subject to the Company being prevented from making awards over shares by restrictions on dealings in shares by directors or employees of the Chesnara Group imposed by statute, order, regulation, Government directive or by the Model Code or the Company's own code on dealings in its securities by directors and employees.

No payment will be required for the making of a Deferred Share Award and Deferred Share Awards are not transferable (except on death).

(h) *Dilution Limits*

A Deferred Share Award may not be made under the 2014 STI Scheme if it would cause the number of shares issued or issuable under any employee share scheme operated by the Company in the preceding ten years to exceed 10 per cent. of the Company's issued ordinary share capital at that time.

In addition, a Deferred Share Award may not be made under the 2014 STI Scheme if it would cause the number of shares issued or issuable under any discretionary employee share scheme operated by the Company in the preceding ten years to exceed 5 per cent. of the Company's issued ordinary share capital at that time.

The above limits exclude any share awards which lapse, as well as any share awards which are satisfied by the transfer of existing shares. However, for as long as is required by institutional investor guidelines, the transfer of treasury shares will be treated as an issue of new shares.

(i) *Vesting of Deferred Share Awards*

Deferred Share Awards will normally vest 3 years after they are made. A Deferred Share Award which is a nil-cost option will lapse ten years after the date on which it is made.

(j) *Malus and Clawback*

At any time before a Deferred Share Award or an award under the 2014 LTI Scheme (a "**Relevant Award**") has vested the Remuneration Committee may reduce the number of shares subject to the Relevant Award in the event of the discovery of a material misstatement in the accounts of the Company or another member of the Chesnara Group, a regulatory breach by the Chesnara Group resulting in material financial or reputational harm, the discovery of an error in the assessment of the extent to which a performance target applicable to a participant's Cash Award has been satisfied, or action or conduct of the participant amounting to fraud or gross misconduct (a "**Malus or Clawback Event**").

The Remuneration Committee may, in its discretion, determine whether or not an Award shall be subject to clawback. If clawback applies then if, at any time during the period of two years following the vesting of a Cash Award a Malus or Clawback Event occurs (excluding a regulatory breach) the Remuneration Committee may require the relevant individual to repay to the Company any amount determined by the Remuneration Committee and/or the Remuneration Committee may reduce any subsisting Awards.

(k) *Leaving employment during the deferral period*

If a participant ceases to be employed within the Chesnara Group during the deferral period a Deferred Share Award made to him will normally lapse.

If the reason for cessation of the participant's employment is death, injury or disability, redundancy, retirement, the sale of his employing business or company, or if the Remuneration Committee in its discretion determines in any other particular case, the participant may retain the Deferred Share Award and it shall continue to vest in accordance with its original terms. Alternatively, the Remuneration Committee may determine that the Deferred Share Award will vest immediately upon the cessation of employment.

An Award which is a nil-cost option will ordinarily lapse if it has not been exercised within 6 months of cessation of employment or, if later, when it becomes exercisable.

(l) *Takeover, reconstruction etc.*

In the event of a takeover, reconstruction, amalgamation or winding up of the Company or if the Committee determines where the Company is affected by a demerger, distribution or similar other event, a Deferred Share Award will vest immediately.

The Deferred Share Award may be exchanged for an award over shares in an acquiring company if an offer to exchange is made and accepted by the participant or if the Committee, with consent of the acquiring company, determines that Deferred Share Awards should automatically be exchanged.

If the Remuneration Committee is aware that an event described above is likely to occur and will result in Deferred Share Awards vesting in circumstances where the Company's entitlement to a corporation tax deduction may be lost, the Remuneration Committee may determine that the time that Deferred Share Awards vest shall be immediately before such event takes place.

(m) *Variations of share capital*

In the event of any variation of the share capital of the Company, including without limitation by way of a capitalisation issue, rights issue, demerger or other distribution, a special dividend or distribution, rights offer or bonus issue or any sub-division, consolidation, or reduction in the Company's share capital, either or both of the number of shares and the description of the shares subject to a Deferred Share Award shall be adjusted (if at all) in such manner as the Remuneration Committee determines.

(n) *Rights attaching to shares*

A Deferred Share Award will not confer any shareholder rights, such as the right to vote or to receive any dividend, where the record date is prior to the allotment or transfer of shares to the participant following the vesting of the Deferred Share Award.

A participant will be entitled to receive a payment in cash or shares upon his acquisition of the shares subject to his Deferred Share Award in respect of dividends on those shares. The payment will be of an amount equal to any dividends paid on the number of shares acquired pursuant to the Deferred Share Award during the period from the date that the Deferred Share Award was made to the date that the participant acquires the shares.

A further payment may also be made in respect of interest on any such dividends from the date the dividend was paid to the date that the participant acquires the shares, at a rate determined by the Remuneration Committee.

(o) *Share ownership guidelines*

A participant will be required to retain the shares he acquires following the vesting of a Deferred Share Award, subject to being permitted to sell sufficient of those shares to meet income tax and national insurance contributions liabilities arising on such acquisition, until he has met any share ownership guidelines which apply to him.

(p) *Amendments*

The Committee may amend the rules of the 2014 STI Scheme at any time. However, the provisions relating to eligibility requirements, individual participation limits, dilution limits, the basis for determining a participant's entitlement to benefits under the 2014 STI Scheme, the adjustments that may be made in the event of a variation of share capital and the amendment

provisions themselves may not be made to the advantage of existing or future participants without the prior approval of shareholders of the Company in general meeting.

There are exceptions for minor amendments to benefit the administration of the 2014 STI Scheme or to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or another member of the Chesnara Group. Additionally, no amendment can be made which would adversely affect the rights of existing participants without their consent.

7.2 ***The 2014 LTI Scheme***

(a) *Introduction*

The 2014 LTI Scheme allows awards over shares in the Company ("**Awards**") to be made to selected employees or directors of the Chesnara Group.

The Remuneration Committee will be responsible for the operation of the 2014 LTI Scheme.

Awards made under the 2014 LTI Scheme will usually constitute nil-cost options to acquire shares at no cost to the participant, although Awards may also be made as conditional share awards.

The vesting of Awards will be subject to the achievement of a performance target (which may comprise a combination of separate targets) measured over a specified period. Awards may be satisfied by the issue of new shares or by the transfer of shares held in treasury or by the trustee of an employee benefit trust.

(b) *Eligibility*

A participant must be an employee or director of the Chesnara Group at the time an Award is made. Participation in the 2014 LTI Scheme will be at the discretion of the Remuneration Committee.

(c) *Individual Limits*

The total market value of shares over which Awards or awards under any other discretionary employee share scheme operated by the Company (not including the 2014 STI Scheme) may be made to a participant in the financial year of the Company may not exceed 75 per cent. of the participant's salary or such other limit as the Remuneration Committee may specify from time to time.

(d) *Dilution Limits*

An Award may not be made under the 2014 LTI Scheme if it would cause the number of shares issued or issuable under any employee share scheme operated by the Company in the preceding ten years to exceed ten per cent. of the Company's issued ordinary share capital at that time.

In addition, an Award may not be made under the 2014 LTI Scheme if it would cause the number of shares issued or issuable under any discretionary employee share scheme operated by the Company in the preceding ten years to exceed five per cent. of the Company's issued ordinary share capital at that time.

The above limits exclude any share awards which lapse, as well as any share awards which are satisfied by the transfer of existing shares. However, for as long as is required by institutional investors guidelines, the transfer of treasury shares will be treated as an issue of new shares.

(e) *Making of Awards*

Awards may only be made during the period of 42 days beginning with the day after the announcement of the Company's results for any period, or at such other times that the Remuneration Committee considers that exceptional circumstances exist.

An Award may not be made when prevented by restrictions on dealings in shares by directors or employees of the Chesnara Group imposed by statute, order, regulation, Government directive or the Company's own code on dealings in its securities by directors and employees.

An Award may not be made on or after 16 May 2024.

No payment will be required for the making of an Award and Awards are not transferable (except on death). Awards are not pensionable.

(f) *Vesting of Awards*

Awards will normally vest 3 years after they are made, subject to the satisfaction of the applicable performance target.

An Award which is a nil-cost option will lapse ten years after the date on which it is made.

(g) *Performance targets*

An Award will be subject to a performance target which will be set by the Remuneration Committee at the time the Award is made and which must be satisfied before the Award can vest.

The Remuneration Committee may vary or waive the performance target applying to an Award if an event occurs which causes the Remuneration Committee to consider that the performance target is no longer appropriate, provided that such variation or waiver is reasonable in the circumstances and, except in the case of a waiver, produces a fairer measure of performance and is not materially less difficult to satisfy.

(h) *Malus and Clawback*

At any time before an Award or an award under the 2014 STI Scheme (a "**Relevant Award**") has vested the Remuneration Committee may reduce the number of shares subject to the Relevant Award in the event of the discovery of a material misstatement in the accounts of the Company or another member of the Chesnara Group, a regulatory breach by the Chesnara Group resulting in material financial or reputational harm, the discovery of an error in the assessment of the extent to which a performance target applicable to any of the participant's Awards has been satisfied, or action or conduct of the participant amounting to fraud or gross misconduct (a "**Malus or Clawback Event**").

The Remuneration Committee may, in its discretion, determine whether or not an Award shall be subject to clawback. If clawback applies then if, at any time during the period of two years following the vesting of a Cash Award a Malus or Clawback Event occurs (excluding a regulatory breach) the Remuneration Committee may require the relevant individual to repay to the Company any amount determined by the Remuneration Committee and/or the Remuneration Committee may reduce any subsisting awards.

(i) *Leaving employment*

If a participant ceases to be employed within the Chesnara Group an Award made to him will normally lapse.

If a participant ceases to be an officer or employee before the date on which an Award shall normally vest the Remuneration Committee, may, in its discretion, determine whether or not that Award may be retain, in which case particular case, the participant may retain a time pro-rated proportion of the Award (according to the proportion of the performance period which has then elapsed) and it shall continue to vest, if at all, in accordance with its original terms. Alternatively, the Remuneration Committee may determine that a time pro-rated proportion of the Award will vest immediately upon the cessation of employment, subject to the

Remuneration Committee's assessment of the extent to which the applicable performance target shall be deemed to be met at that time.

The Remuneration Committee may vary the time pro-rating applied to allow a greater proportion of the Award to vest.

An Award which is a nil-cost option will ordinarily lapse if it has not been exercised within six months of cessation of employment or, if later, when it becomes exercisable.

(j) *Takeover, reconstruction etc.*

In the event of a takeover, reconstruction, amalgamation or winding up of the Company or if the Remuneration Committee determines where the Company is affected by a demerger, distribution or other similar event, a time pro-rated proportion of an Award (according to the part of the performance period which has then elapsed) will vest immediately, subject to the Remuneration Committee's assessment of the extent to which the applicable performance target shall be deemed to be met at that time. The Remuneration Committee may vary the time pro-rating applied to allow a greater proportion of the Award to vest.

The Award may be exchanged for an award over shares in an acquiring company if an offer to exchange is made and accepted by the participant or if the Remuneration Committee, with consent of the acquiring company, determines that Awards should automatically be exchanged.

If the Remuneration Committee is aware that an event described above is likely to occur and will result in Awards vesting in circumstances where the Company's entitlement to a corporation tax deduction may be lost, the Remuneration Committee may determine that the time that Awards vest shall be immediately before such event takes place.

(k) *Variations of share capital*

In the event of any variation of the share capital of the Company, including without limitation by way of a capitalisation issue, rights issue, demerger or other distribution, a special dividend or distribution, rights offer or bonus issue or any sub-division, consolidation, or reduction in the Company's share capital, either or both of the number of shares and the description of the shares subject to an Award shall be adjusted in such manner (if at all) as the Remuneration Committee determines.

(l) *Rights attaching to shares*

An Award will not confer any shareholder rights, such as the right to vote or to receive any dividend, where the record date is prior to the allotment or transfer of shares to the participant following the vesting of the Award.

A participant will be entitled to receive a payment in cash or shares upon his acquisition of the shares subject to his Award in respect of dividends on those shares. The payment will be of an amount equal to any dividends paid on the number of shares acquired pursuant to the Award during the period from the date that the Award was made to the date that the participant acquires the shares.

A further payment may also be made in respect of interest on any such dividends from the date the dividend was paid to the date that the participant acquires the shares, at a rate determined by the Remuneration Committee.

(m) *Share ownership guidelines*

A participant will be required to retain the shares he acquires following the vesting of an Award, subject to being permitted to sell sufficient of those shares to meet income tax and national insurance contributions liabilities arising on such acquisition, until he has met any share ownership guidelines which apply to him.

(n) *Amendments*

The Remuneration Committee may amend the rules of the 2014 LTI Scheme at any time. However, the provisions relating to eligibility requirements, individual participation limits, dilution limits, the basis for determining a participant's entitlement to benefits under the 2014 LTI Scheme, the adjustments that may be made in the event of a variation of share capital and the amendment provisions themselves may not be made to the advantage of existing or future participants without the prior approval of shareholders of the Company in general meeting.

There are exceptions for minor amendments to benefit the administration of the 2014 LTI Scheme or to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or another member of the Chesnara Group. Additionally, no amendment can be made which would adversely affect the rights of existing participants without their consent.?

7.3 ***The Sharesave Scheme***

(a) *Introduction*

The Sharesave Scheme (or "**Scheme**") is intended to qualify as a tax advantaged plan in accordance with Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003.

(b) *Eligibility*

All employees (including directors working at least 25 hours per week excluding meal breaks) of the Company or any participating member of the Chesnara Group who have completed a period of service determined by the Board (such period not to exceed five years) and who are UK tax resident are eligible to participate in the Scheme. The Board may in its discretion extend participation to other employees or directors of participating members of the Chesnara Group who do not meet these requirements.

(c) *Savings contract*

Participating employees must enter into a Save-As-You-Earn savings contract with an approved savings carrier under which they agree to make monthly contributions from net salary for a period of either three or five years. On maturity of the savings contract, a tax-free bonus is added to the employee's savings. Monthly savings contributions must be between £5 and £500.

(d) *Grant of Options*

Each employee who joins the Scheme and enters into a savings contract is granted an option to acquire ordinary shares in the Company. The number of shares under option is equal to that number of shares which may be acquired at the option price with the proceeds of the savings contract (including the bonus) at maturity. The Board may impose a limit on the number of shares over which options may be granted in which case applications from employees may be scaled down.

The option price per share will be the market value of a share when invitations to participate in the Scheme are issued less a discount of up to 20 per cent. (or, in the case of an option to subscribe, the nominal value of a share if higher). Market value is determined as the middle market quotation of a share as derived from the Daily Official List of the London Stock Exchange on the last dealing day before invitations to participate in the Scheme are sent out.

No invitation may be issued later than 17 May 2021.

(e) *Timing of invitations*

Invitations to participate in the Scheme will only be issued within 42 days after (i) the announcement of the Company's results for any period, (ii) the date on which any change to the legislation affecting Sharesave schemes takes effect or (iii) at any other time at which the Board determines that there are exceptional circumstances which justify the grant of options.

(f) *Limit on issue of new shares*

On any date, no option may be granted under the Scheme if, as a result, the aggregate number of shares issued or committed to be issued pursuant to grants made under the Scheme and during the previous ten years under all other employee share schemes established by the Company would exceed ten per cent. of the issued ordinary share capital of the Company on that date. Shares which have been the subject of options or rights granted under any share plan which have lapsed shall not be taken into account for the purposes of this limit. Treasury shares transferred or committed to be transferred will count as new issue shares for the purposes of this limit.

(g) *Exercise and Lapse of Options*

In normal circumstances, an option may be exercised within six months following the date on which a bonus is payable under the savings contract (the "**Bonus Date**") and any option not exercised within that period will lapse.

An option may be exercised earlier than the Bonus Date, for a limited period, on the death of a participant or on his ceasing to hold office or employment with the Chesnara Group by reason of injury, disability, redundancy, retirement, the sale or transfer out of the Chesnara Group of his employing company or business or for any other reason (provided in such case the option was granted more than three years previously).

Options may be satisfied by the issue of new Shares or by the transfer of existing Shares, either from treasury or otherwise.

(h) *Takeovers and Liquidations*

Rights to exercise options early for a limited period also arise if another company acquires control of the Company as a result of a takeover or a scheme of arrangement. An option may be exchanged for an option over shares in the acquiring company if the participant so wishes and the acquiring company agrees.

If the Company passes a resolution for a voluntary winding-up, any subsisting option must be exercised within six months of the passing of that resolution or it lapses.

(i) *Alterations of Share Capital*

In the event of any variation in the share capital of the Company, adjustments to the number of Shares subject to options and the exercise price may be made by the Board in such manner and with effect from such date as the Board may determine to be appropriate.

(j) *Voting, Dividend and other Rights*

Until options are exercised, option holders have no voting or other rights in respect of the shares subject to their options.

Shares issued or transferred pursuant to the Scheme shall rank *pari passu* in all respects with the Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option. Benefits obtained under the Plan shall not be pensionable.

Options are not assignable or transferable.

(k) *Administration and Amendment*

The Scheme will be administered by the Board or an authorised committee of the Board which may amend the Scheme by resolution provided that the prior approval of the Company in general meeting will be required for any amendment to the advantage of participants to those provisions of the Scheme relating to eligibility, the limitations on the number of Shares subject to the Scheme, a participant's maximum entitlement or the basis for determining a participant's entitlement under

the Scheme and the adjustment thereof in the event of a variation in capital, except in the case of minor amendments to benefit the administration of the Scheme and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Chesnara Group.

8. Major Shareholders and Other Interests

As at the Latest Practicable Date, the Company had been notified under the Disclosure and Transparency Rules of the following direct and indirect substantial interests in the issued Ordinary Shares of the Company:

Shareholders	*Number of Existing Ordinary Shares*	*Approximate percentage of existing issued share capital*
Columbia Threadneedle Investments	15,376,564	12.16
Standard Life Investments	8,654,862	6.85
Aberdeen Asset Management	7,667,425	6.07
Hargreaves Lansdown Asset Management	6,492,206	5.14
Henderson Global Investors	5,798,475	4.59
M&G Investment Management	5,617,251	4.44
Hargreave Hale	4,194,671	3.32
Barclays Wealth	3,815,271	3.02

As at the Latest Practicable Date, save as disclosed in this paragraph 8, the Company is not aware of any interest (within the meaning of the Disclosure and Transparency Rules) which represents three per cent. or more of the voting rights in the Company. The Company is not aware of any person or persons who, directly or indirectly, acting jointly with others or acting alone, exercised or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may, at a subsequent date, result in a change in control of the Company.

9. Material Contracts

9.1 ***Chesnara***

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Chesnara Group (a) in the two years immediately preceding the date of this document and are, or may be, material to the Chesnara Group or (b) containing provisions under which Chesnara or any member of the Chesnara Group has any obligation or entitlement which is material to the Chesnara Group as at the date of this document.

(a) *Waard Group Share Purchase Agreement (the "***Waard Group SPA***")*

Pursuant to the Waard Group SPA, dated 3 December 2014, Chesnara purchased the entire issued share capital of the Waard Group from DSB Beheer B.V. ("**DSB**") on 20 May 2015 ("**Completion**") for €69.9 million (the "**Waard Purchase Price**"), comprising an initial consideration of €67.8 million and deferred performance-related compensation of €2.1 million. The Acquisition was a Class 2 transaction for the purposes of the Listing Rules.

The Waard Group SPA contains customary warranties for an acquisition of this type. DSB has agreed certain restrictive covenants, for a period of two years from Completion, in relation to soliciting employees and customers of the Waard Group.

DSB has indemnified Chesnara against any losses, damages, proceedings and other liabilities it is subjected to as a result of the on-going class action which arose due to certain actions and omissions of DSB constituting violations of its "duty of care" in relation to policies manufactured by the Waard Group. In addition, certain unit-linked agreements written by HW Leven were found to lack transparency in relation to product features and costs, and as a result

the Waard Group has been confronted with numerous complaints and proceedings. A compensation scheme has been put in place to cover current and future costs of customer redress. HW Leven has a provision as at 30 June 2014 of €8.9 million which will remain and be fully funded. The Sellers have agreed to make up any shortfall up to a further €15 million (subject to certain adjustments) to cover any additional policyholder claims. Further, the Waard Group SPA states that should the provision not be required, and is consequently released, then HW Leven will repay DSB on a net asset neutral basis for the excess funding which backs the released element of the unutilised provision.

Save in the case of fraud and fraudulent concealment, DSB will be liable in respect of claims under the warranties for claims which, in aggregate, exceed €350,000, except for any claims arising from or in connection with a breach of fundamental warranty. Individual claims of less than €25,000 will not be taken into account when determining whether the threshold of €350,000 has been exceeded. The maximum aggregate liability of DSB arising from or in connection with the warranties, with the exception of any of the tax warranties and fundamental warranties shall not exceed €25 million, and any other claim under the acquisition agreement shall not exceed the Waard Purchase Price. Any claim by Chesnara in respect of either breach of the warranties, the specific indemnities or the tax deed must be made by Chesnara by written notice to the relevant Seller as soon as possible, and any such claim shall be barred or unenforceable unless such claim is notified on or before 31 December 2017.

(b) *Sponsor and Placing Agreement*

The Company and Shore Capital and Corporate Limited, Shore Capital Stockbrokers Limited and Panmure Gordon (UK) Limited (together the "**Banks**") have entered into a sponsor and placing agreement dated 24 November 2016 (the "**Sponsor and Placing Agreement**") which sets out the terms on which the Company has appointed (i) Shore Capital and Corporate Limited as sponsor in relation to the Acquisition and the Issue; (ii) Shore Capital Stockbrokers Limited and Panmure Gordon (UK) Limited as joint bookrunners in connection with the Issue.

The Sponsor and Placing Agreement contains warranties and undertakings given by the Company which are customary for an agreement of this kind. In addition, it contains indemnities from the Company in favour of the Banks in respect of certain liabilities connected with Admission and documentation issued to Shareholders and/or investors by or on behalf of the Company in connection with the Issue and the Acquisition, which, again, are customary for an agreement of this kind. Pursuant to the Sponsor and Placing Agreement, the Banks may terminate the agreement in certain limited circumstances prior to Admission. The Banks are not entitled to terminate the Sponsor and Placing Agreement in respect of the Issue after Admission.

Subject to the terms and conditions of the Sponsor and Placing Agreement, the Joint Bookrunners have severally agreed to use reasonable endeavours to procure subscribers, or failing which, to themselves severally subscribe for New Ordinary Shares not taken up under the Issue. In consideration of the Joint Bookrunners' agreement to underwrite the New Ordinary Shares and subject to their obligations under the Sponsor and Placing Agreement having become unconditional, the Company shall pay to the Joint Bookrunners a commission equal to 2.5 per cent. of the aggregate value of New Ordinary Shares at the Issue Price. The Company may also, in its absolute discretion, pay the Joint Bookrunners an additional discretionary commission fee of up to 1 per cent. of the aggregate value of the New Ordinary Shares at the Issue Price. In addition, pursuant to the Placing the Company has agreed to pay to the placees with whom the Open Offer Shares have been conditionally placed a commission of 1.0 per cent. of the value of the Open Offer Shares at the Issue Price. The Company shall pay (whether or not the obligations of the Joint Bookrunners under the Sponsor and Placing Agreement become unconditional or are terminated) all properly incurred costs and expenses of, or in connection with, the Issue and Admission and the arrangements contemplated by the Sponsor and Placing Agreement.

The obligations of the Banks under the Sponsor and Placing Agreement in respect of the Issue are subject to certain conditions being satisfied, including, amongst others:

(i) the Company having complied with and satisfied all its obligations under the Sponsor and Placing Agreement that fall to be performed or satisfied on or prior to Admission;

(ii) the warranties, representations and undertakings given by the Company in the Sponsor and Placing Agreement being true and accurate and not misleading on and as of the date of the Sponsor and Placing Agreement, the date of this document, the date of any supplementary prospectus and/or circular and the date of Admission; and

(iii) Admission becoming effective by not later than 8.00 a.m. (London time) on 15 December 2016 (or such later time and/or date as the Company may agree with the Banks, not being later than 8.00 a.m. on 29 December 2016).

If any of the conditions are not satisfied prior to Admission (or waived by the Banks), then the Sponsor and Placing Agreement shall terminate, without prejudice to any liability for any prior breach of the agreement or pursuant to certain surviving provisions. For the avoidance of doubt, Admission will not proceed in the event the conditions are not satisfied or the Sponsor and Placing Agreement is terminated. The Sponsor and Placing Agreement is not capable of termination following Admission.

In addition, the Company has further agreed that, subject to certain exceptions, it will not, at any time during the 75-day period commencing on the date of Admission without the prior written consent of the Banks enter into any commitment or agreement, or put itself in a position where it is obliged to announce that any commitment or agreement may be entered into, which is or may be material in relation to the issue of the New Ordinary Shares or of the Issue, or issue any shares or options over shares or securities convertible or exchangeable into shares, save for certain exceptions.

The Joint Bookrunners have agreed that they will not procure subscribers for any of the New Ordinary Shares other than in accordance with certain selling restrictions.

(c) *Placing Agent Agreement*

The Company and Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods) have entered into a placing agent agreement dated 24 November 2016 (the "**Placing Agent Agreement**") which sets out the terms on which the Company has appointed the Placing Agent as placing agent in relation to the Issue.

The Placing Agent Agreement contains warranties and undertakings given by the Company which are identical to those given by the Company under the Sponsor and Placing Agreement. In addition, it contains indemnities from the Company in favour of the Placing Agent in respect of certain liabilities connected with Admission and documentation issued to Shareholders and/or investors by or on behalf of the Company in connection with the Issue and the Acquisition, which, again, are identical to those provided by the Company to the Banks under the Sponsor and Placing Agreement.

Subject to the terms and conditions of the Placing Agent Agreement, the Placing Agent has agreed to introduce certain institutional investors (as agreed between the Company, the Placing Agent and the Joint Bookrunners) to subscribe for New Ordinary Shares under the Firm Placing and Placing. In consideration for the performance by the Placing Agent of its obligations under the Placing Agent Agreement and subject to its obligations under the Placing Agent Agreement having become unconditional, the Company shall procure that the Joint Bookrunners pay to the Placing Agent 1.5 per cent. of the aggregate value at the Issue Price of the New Ordinary Shares placed, whether conditionally or not, with institutional investors introduced by the Placing Agent. The Company is also liable to cover the fees and expenses of the Placing Agent's legal advisers.

(d) *Legal & General Nederland Acquisition Agreement*

For a description of the Acquisition Agreement, see Part II (*Principal Terms of the Acquisition*) of this document.

(e) *Existing Debt Facilities*

The Existing Debt Facilities Agreement in relation to the Existing Debt Facilities is made up of the following two facilities:

(i) facility A which was made available in two tranches comprising (i) £30 million to refinance the previous term loan facility the Company had in place with The Royal Bank of Scotland plc; and (ii) an amount up to £31 million to refinance the previous term loan facility the Company had in place with The Royal Bank of Scotland plc and to finance the consideration payable to the Direct Line Seller under the Direct Line Acquisition Agreement (including the costs of the Direct Line Acquisition), which were repayable on 28 November 2018; and

(ii) facility B for an amount of up to £12.8 million to finance the consideration payable to the Direct Line Seller under the Direct Line Acquisition Agreement (including the costs of the Direct Line Acquisition), which were repayable on 28 November 2018.

Repayment of the Existing Debt Facilities is mandatory in certain circumstances, including upon an acceleration following an event of default, a change of control in the Company or upon The Royal Bank of Scotland plc notifying the Company that it has become unlawful in any applicable jurisdiction for it to perform any of its obligations under the Existing Debt Facilities or to fund or maintain its share of a loan. The representations, warranties, undertakings and events of default in the Existing Debt Facilities Agreement are customary for a transaction of this nature.

The Existing Debt Facilities will be irrevocably cancelled and repaid on completion of the Acquisition.

(f) *New Debt Facilities*

The New Debt Facilities Agreement in relation to the New Debt Facilities is made up of the following two facilities:

(i) facility A for an amount of up to £40 million to refinance the Existing Debt Facilities which will be repayable on the date which is 60 months from completion of the Acquisition; and

(ii) facility B for an amount up to €71 million to finance the consideration payable to the Seller under the Acquisition Agreement (including the costs of the Acquisition), which will be repayable on the date which is 60 months from completion of the Acquisition.

Repayment of the New Debt Facilities is mandatory in certain circumstances, including upon an acceleration following an event of default, a change of control in the Company or upon The Royal Bank of Scotland plc notifying the Company that it has become unlawful in any applicable jurisdiction for it to perform any of its obligations under the New Debt Facilities or to fund or maintain its share of a loan. The representations, warranties, undertakings and events of default in the New Debt Facilities Agreement are customary for a transaction of this nature.

9.2 ***Legal & General Nederland***

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Legal & General Nederland (a) in the two years immediately preceding the date of this document and are, or may be, material to the Chesnara Group or (b) containing provisions under which Legal & General Nederland has an obligation or entitlement which is material to Legal & General Nederland as at the date of this document.

(a) *LGIM Asset Management Agreement*

On 12 February 2009, Legal & General Nederland entered into an asset management agreement (the "**LGIM Asset Management Agreement**") with LGIM. The LGIM Asset Management Agreement is governed by the laws of England and Wales. Under the LGIM Asset Management Agreement, LGIM has agreed to provide certain asset management services to Legal & General Nederland. At the time of entering into the agreement, the assets under management by LGIM were valued at approximately €930 million. The LGIM Asset Management Agreement provides for various investment restrictions and guidelines. In addition, under the LGIM Asset Management Agreement, LGIM is not permitted to enter into securities lending or repurchasing with respect to any of Legal & General Nederland's assets under management. Nor can the assets comprise Legal & General Group Plc ordinary shares or convertible securities directly. It is intended that the LGIM Asset Management Agreement will remain in place following completion of the Acquisition for a minimum period of four years, subject to satisfactory performance.

Performance and reporting

LGIM and Legal & General Nederland have agreed certain performance benchmarks relating to the appropriate funds that are being managed. LGIM provides periodic reports to Legal & General Nederland though Legal & General Nederland may request additional information at any time. In addition, LGIM is required to inform Legal & General Nederland of the occurrence of any breach of the investment restrictions and guidelines set out in the LGIM Asset Management Agreement.

Withdrawal of assets, term and termination

The assets under management by LGIM (or any part thereof) may not be withdrawn by Legal & General Nederland before providing LGIM with written notice of the intended withdrawal. The LGIM Asset Management Agreement has been entered into for an indefinite period of time. Either party may terminate at will provided at least one month's notice is given. The occurrence of specific circumstances (such as changes in applicable regulations) allow for termination with immediate effect by either party. The LGIM Asset Management Agreement will terminate automatically in case of insolvency or dissolution of either of the parties.

Contractual protections and limitation of liability

Under the terms of the LGIM Asset Management Agreement, LGIM has given certain warranties and indemnities to Legal & General Nederland and Legal & General Nederland has given certain limited warranties to LGIM, all of which are generally customary for an asset management agreement. LGIM's liability under the LGIM Asset Management Agreement is subject to various limitations, which are generally customary for an asset management agreement.

(b) *KCM Asset Management Agreement*

On 1 December 2014, Legal & General Nederland entered into an asset management agreement (the "**KCM Asset Management Agreement**") with Kempen Capital Management N.V. ("**KCM**"). The KCM Asset Management Agreement is governed by the laws of the Netherlands. Under the Asset Management Agreement, KCM has agreed to provide certain asset management services to Legal & General Nederland. At the time of entering into the agreement, the assets under management by KCM were valued at approximately €211 million. The KCM Asset Management Agreement provides for various investment restrictions and guidelines, most notably that the vast majority (between 99 and 100 per cent.) of the assets under management may only be invested in fixed income securities. In addition, under the KCM Asset Management Agreement, KCM is not permitted to enter into securities lending or repurchasing with respect to any of Legal & General Nederland's assets under management, nor is KCM allowed to invest in exchange traded or OTC-derivatives.

Performance and reporting

KCM and Legal & General Nederland have agreed to use the Bank of America Merrill Lynch 1-10 Year AAA Euro Government Index as the benchmark to monitor the performance of services, with a 0.5 per cent. outperformance objective. KCM provides periodic reports to Legal & General Nederland though Legal & General Nederland may request additional information at any time. In addition, KCM is required to inform Legal & General Nederland of the occurrence of a breach of any of the investment restrictions and guidelines set out in the KCM Asset Management Agreement.

Withdrawal of assets, term and termination

The assets under management by KCM (or any part thereof) may not be withdrawn by Legal & General Nederland before providing KCM with written notice of the intended withdrawal. Following receipt of such notice, KCM will then inform Legal & General Nederland of the conditions applicable to such withdrawal. The KCM Asset Management Agreement has been entered into for an indefinite period of time. KCM may terminate at will provided Legal & General Nederland is given at least two months' notice. Legal & General Nederland may terminate at will without observance of any termination periods and with immediate effect, provided that it provides KCM with a written notice of termination. The occurrence of specific circumstances (such as changes in applicable regulations) will allow for termination with immediate effect by either party. The KCM Asset Management Agreement will terminate automatically in case of insolvency or dissolution of either of the parties.

Contractual protections and limitation of liability

Under the terms of the KCM Asset Management Agreement, KCM has given certain warranties and indemnities to Legal & General Nederland and Legal & General Nederland has given certain limited warranties to KCM, all of which are generally customary for an asset management agreement. KCM's liability under the KCM Asset Management Agreement is subject to various limitations, which are generally customary for an asset management agreement.

(c) *Pension Schemes*

On 1 January 1972, Legal & General Nederland entered into a pension scheme with Stichting Pensioenfonds Legal & General Nederland. It is a defined benefit plan and was last modified on 1 January 2015. The pension scheme is an indexed average pay scheme with a pension accrual of 1.75 per cent. per year of service. Indexation is conditional since 1 January 2013. The total pension contribution for the employees is paid upfront on an annual basis per 1 January of each year, followed by a settlement payment at the end of such year. According to the applicable collective labour agreement, the employee-contribution is 6 per cent. of the pension base salary.

Apart from the obligations which may arise from the collective agreement provisions, Legal & General Nederland is not obliged to make additional contributions to the claims brought under the pension fund. In case of a coverage deficit, Legal & General Nederland has no obligation to pay solvency purchases. Furthermore, Legal & General Nederland is free to decide to index the accrued pension entitlements of (former) employees and pensioners in any year by paying a single-premium at the end of such year. Legal & General Nederland is not entitled to any refunds or discounts.

A closed flexible additional scheme (FAR) is in place. Under certain conditions, Legal & General Nederland pays an extra fee of 1 per cent. of the annual wage for the remaining participants on 1 January of each year. The obligations for this scheme are limited to the payment of the applicable contributions to the pension fund.

There is an estimated future liability of €294,349 in respect of the so-called VPL-obligations, with regard to the transitional pre-pension and pension arrangements during the period between 2017 and 2020.

10. Related Party Transactions

Save as disclosed in note 53 to the 2015 Financial Statements, as incorporated by reference in Part XV (*Documents Incorporated by Reference*) of this document, there are no related party transactions between the Chesnara Group and its related parties that were entered into during the year ended 31 December 2015 and there have been no related party transactions during the period from 31 December 2015 to the Latest Practicable Date.

11. Dividends

The Chesnara Group is committed to offering its Shareholders an attractive income stream arising from the profits of its life assurance business.

On 31 August 2016, the Chesnara Board announced the payment of an interim dividend of 6.80 pence per Ordinary Share for the six months ended 30 June 2016 which was paid on 14 October 2016.

In respect of the 2015 Financial Year, the Company paid a final dividend of 12.33 pence per Ordinary Share to Shareholders on 23 May 2016 and an interim dividend of 6.61 pence per Ordinary Share on 15 October 2015. Therefore, the total dividend paid to Shareholders in respect of the financial year ended 31 December 2015 was made at the rate of 18.94 pence per Ordinary Share.

For the 2014 Financial Year, the Company paid a final dividend of 11.98 pence per Ordinary Share to Shareholders on 22 May 2015 and an interim dividend of 6.42 pence per Ordinary Share on 15 October 2014. Therefore, the total dividend paid to Shareholders in respect of the 2014 Financial Year was made at the rate of 18.40 pence per Ordinary Share.

Following completion of the Acquisition, Chesnara intends to maintain the same dividend policy.

12. Working Capital

The Company is of the opinion that the working capital available to the Chesnara Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

The Company is of the opinion that the working capital available to the Enlarged Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

13. Subsidiaries

Chesnara is the parent company of the Chesnara Group.

The following is a list of the principal subsidiaries and associated undertakings of Chesnara (each of which is considered by Chesnara to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the Chesnara Group) as at the Latest Practicable Date.

The businesses listed below operate principally in the country in which they are incorporated.

Name of subsidiary undertaking	*Country of origin/ incorporation*	*Percentage holding of shares and voting rights (%)*	*Nature of business*
Countrywide Assured plc	United Kingdom	100	Insurance Company
Countrywide Assured Life Holdings Limited	United Kingdom	100	Holding Company
Countrywide Assured Services Limited	United Kingdom	100	Service Company
Countrywide Assured Trustee Company Limited	United Kingdom	100	Service Company
Movestic Livförsäkring AB	Sweden	100	Insurance Company
Modernac S.A.	Luxembourg	49	Insurance Company
Movestic Kapitalforvältning AB	Sweden	100	Finance Company
Chesnara Holdings B.V.	Netherlands	100	Insurance Company
Waard Leven N.V.	Netherlands	100	Insurance Company
Waard Schade N.V.	Netherlands	100	Insurance Company
Tadas Verzekering	Netherlands	100	Service Company
Hollands Welvaren Leven N.V.	Netherlands	100	Insurance Company

14. Litigation

14.1 ***Chesnara Group***

The Chesnara Group charges customers "exit charges", when switching their pension policies to another provider or realising their pension benefits prior to their specified retirement date, and "paid up charges". On 3 March 2016, the FCA published a thematic review report on the fair treatment of long-standing customers in the life insurance sector. The FCA found a "mixed picture" where most firms reviewed demonstrated good practice in some areas but poor practice in others. A number of the firms which were the subject of the review are now the subject of additional investigations, including Countrywide Assured. The review may result in a change in law and/or regulation which will change practices in the sector. In addition, the FCA may require affected firms to carry out remediation in respect of detriment suffered by customers as a result of historic practices. The FCA may also decide to impose financial penalties or compulsory customer remediation (depending on circumstances and its findings).

For further information regarding the FCA's thematic review, see "FCA Thematic Review" in Part VI (*Regulatory Overview*) of this document.

Save as described above, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during a period covering at least the previous 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the Company's or the Chesnara Group's financial position or profitability or, following the Acquisition, may have significant effects on the Chesnara Group and/or the Enlarged Group's financial condition or profitability.

14.2 ***Legal & General Nederland***

Legal & General Nederland was engaged in marketing products (through IFAs) whose cost levels were deemed too high relative to the information communicated to customers upon contracting the policies. In total, 171 policies received compensation (in 2012) from Legal & General Nederland for a total of €411,000 after the policyholders (voluntarily) opted for the offered compensation. Legal & General Nederland's management considers the risk of being obliged to compensate additional policyholders for Woekerpolis practices to be remote. However, a provision of €140,000 has been

made by Legal & General Nederland for possible compensation to be paid out at maturity of eligible policies. For further information on the terms of the indemnity given by the Seller in connection with Woekerpolis practices and the risk-arrangement to which the indemnity is subject, see Part II (*Principal Terms of the Acquisition*) of this document.

For further information regarding the Woekerpolis issue in the Netherlands, see the risk factors entitled "Along with many other Dutch life insurers, Legal & General Nederland is exposed to litigation risk in relation to potential mis-selling of unit-linked products ("**Woekerpolis**"). Legal & General Nederland may need to pay compensation (or higher compensation, where already paid) to its customers in relation to Woekerpolis" and "In the context of the Woekerpolis issue, Legal & General Nederland may potentially be exposed to penalties imposed by the AFM in relation to the activation of policyholders" in the section of this document headed "Risk Factors".

Legal & General Nederland is engaged in a dispute against a former policyholder relating to the disability rate. Legal & General Nederland is of the opinion that the relevant disability rate ended at the age of 60 while the respective policyholder is of the opinion that the disability rate should have ended at the age of 65. The former policyholder's claim concerns a total amount of €225,000 excluding interest, loss of social benefits and legal fees and was denied in first instance. Legal & General Nederland is now waiting the ruling of the higher court, which is expected towards the end of 2016.

There are four complaints of policyholders and former policyholders with the Dutch Ombudsman on the terms of their policies. These claimants complain that Legal & General Nederland has (i) not been transparent on parts of the policy; (ii) not paid any surrender value; (iii) not informed a policyholder about the costs involved; and (iv) taken too much time to pay a policyholder that terminated his policy and wanted to collect the value of it. The aggregate gross amount of these claims is €270,000. Legal & General Nederland does not know when the Dutch Ombudsman will reach its rulings on these complaints.

There is one pending legal proceeding between Legal & General Nederland and the family of a deceased policyholder who claim to be entitled to an insured amount of €2 million. The policyholder took out an insurance on his own life for €2 million with his business partner as the beneficiary under such policy. After March 2015, when the shares of the policyholder in the joint venture were acquired by his former business partner, it is alleged that the policyholder requested Legal & General Nederland to either (i) amend the policy so that his family would become entitled to the pay out under the policy or (ii) have his family assume the legal position of the beneficiary under the policy.

It is alleged that the policy was never amended or transferred as a result of Legal & General Nederland's failure to act when the policyholder passed away in April 2016, Legal & General Nederland intended to pay out the €2 million to the former business partner as the beneficiary under the policy. To prevent such from happening, the family of the deceased policyholder has engaged in legal proceedings against, *inter alia*, Legal & General Nederland and the beneficiary under the policy. Although a provision of €200,000 is in place, with €1.8 million being recoverable under a reinsurance policy, there is a risk that Legal & General Nederland will be held liable to compensate (whether in full under the policy or in part for damages) both the beneficiary and the policyholder's family resulting in a potential liability for Legal & General Nederland in excess of €2 million.

Save as described above, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during a period covering at least the previous 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on Legal & General Nederland's financial position or profitability or, following the Acquisition, may have significant effects on the Chesnara Group and/or the Enlarged Group's financial condition or profitability.

15. No Significant Change

15.1 ***Chesnara Group***

There has been no significant change in the trading or financial position of the Chesnara Group since 30 June 2016, being the date to which the latest unaudited half year financial statements of the Chesnara Group were prepared.

15.2 ***Legal & General Nederland***

There has been no significant change in the trading or financial position of Legal & General Nederland since 31 December 2015, the date to which the historical financial information of Legal & General Nederland, as set out in Part X (*Historical Financial Information Relating to Legal & General Nederland*) of this document, was prepared.

16. Mandatory Takeover Bids, Squeeze-Out Rules and Takeover Bids

The Company is subject to the Takeover Code. Other than as provided by the 2006 Act and the Takeover Code, there are no rules or provisions relating to mandatory bids and/or squeeze out and sell out rules in relation to the Ordinary Shares. There is not in existence any current mandatory takeover bid in relation to the Company. There have been no takeover bids by third parties during the period from incorporation to 31 December 2015 or in the current financial year.

17. Consents

Shore Capital has given and has not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which it appears.

Panmure Gordon has given and has not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which it appears.

Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods) has given and has not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which it appears.

Deloitte LLP has given and has not withdrawn its written consent to the inclusion of its report on the financial information of Legal & General Nederland which is set out in Section A (*Accountants' Report on the Historical Financial Information Relating to Legal & General Nederland*) of Part X (*Historical Financial Information Relating to Legal & General Nederland*) of this document in the form and context in which it is included and has authorised the contents of the part of this document which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

Deloitte LLP has given and has not withdrawn its written consent to the inclusion of its report set out in Section B (*Accountants' Report on Unaudited Pro Forma Financial Information of the Enlarged Group*) of Part XI (*Unaudited Pro Forma Combined Financial Information for the Enlarged Group*) of this document in the form and context in which it appears and has authorised the contents of that report solely for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.

18. General

The aggregate costs and expenses payable by Chesnara in connection with the Firm Placing and Placing and Open Offer and the Acquisition are estimated to amount to approximately £7.8 million (excluding amounts in respect of VAT). Total estimated costs and expenses are split as follows: Firm Placing and Placing and Open Offer, £3.9 million; Acquisition, £3.9 million.

One or both of the Joint Bookrunners and their affiliates have engaged in transactions with the Company (including, in some cases, credit agreements and credit lines) in the ordinary course of its banking business and one or both of the Joint Bookrunners have performed various investment banking, financial advisory and other services for the Company, for which it received customary fees, and the Joint Bookrunners and their affiliates may provide such services in the future. Each of the Joint Bookrunners and their respective

affiliates may, from time to time, engage in further transactions with, and perform services for, the Company and the Chesnara Group in the ordinary course of their respective businesses.

19. Documents Available for Inspection

Copies of the following documents will be available for inspection during normal business hours on any Business Day, free of charge, at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA, from the date of this document up to and including the date of Admission:

(a) the Articles;

(b) the Acquisition Agreement;

(c) the documents incorporated by reference into this document as described in Part XV (*Documents Incorporated By Reference*) of this document; and

(d) a copy of this document and the Form of Proxy.

Dated: 24 November 2016

PART XV

DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with certain information which have been previously published and filed with the FCA and which shall be deemed to be incorporated in, and form part of, this document.

Part IX (*Historical Financial Information Relating to the Chesnara Group*) and the table below list the various sections of certain documents which are incorporated by reference into this document in compliance with Prospectus Rule 2.4.1. It should be noted that other sections of such documents that are not incorporated by reference are either not relevant to Shareholders and others or are covered elsewhere in this document.

To the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document for the purposes of the Prospectus Rules, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained in this document (or in a later document which is incorporated by reference into this document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

These documents are available for inspection as set forth in paragraph 19 of Part XIV (*Additional Information*) and also available on the Company's website at www.Chesnara.co.uk.

Information incorporated by reference into this document	*Reference document*	*Page numbers*
Operating and Financial Review for the year ended 31 December 2013	2013 Financial Statements: Business review – pages 18-27 Financial review – pages 28-39	117, 118
Operating and Financial Review for the year ended 31 December 2014	2014 Financial Statements: Business review – pages 18-27 Financial review – pages 28-39	117, 118
Operating and Financial Review for the year ended 31 December 2015	2015 Financial Statements: Business review – pages 18-25 Financial review – pages 26-33	117, 118
Operating and Financial Review for the six months ended 30 June 2016	2016 Unaudited Interim Financial Statements: Business review – pages 9-15 Financial review – pages 16-22	117, 118
Consolidated Statement of Comprehensive Income 2013	2013 Financial Statements, page 93	4, 117, 124
Consolidated Statement of Comprehensive Income 2014	2014 Financial Statements, page 91	4, 117, 124
Consolidated Statement of Comprehensive Income 2015	2015 Financial Statements, page 80	4, 117, 124
Consolidated Balance Sheet 2013	2013 Financial Statements, page 94	5, 117, 124
Consolidated Balance Sheet 2014	2014 Financial Statements, page 92	5, 117, 124
Consolidated Balance Sheet 2015	2015 Financial Statements, page 81	5, 117, 124
Company Balance Sheet 2013	2013 Financial Statements, page 95	117, 124

Information incorporated by reference into this document	*Reference document*	*Page numbers*
Company Balance Sheet 2014	2014 Financial Statements, page 93	117, 124
Company Balance Sheet 2015	2015 Financial Statements, page 82	117, 124
Consolidated Statement of Cash Flow 2013	2013 Financial Statements, page 96	120, 124
Consolidated Statement of Cash Flow 2014	2014 Financial Statements, page 94	120, 124
Consolidated Statement of Cash Flow 2015	2015 Financial Statements, page 83	120, 124
Company Statement of Cash Flow 2013	2013 Financial Statements, page 97	119, 124
Company Statement of Cash Flow 2014	2014 Financial Statements, page 95	119, 124
Company Statement of Cash Flow 2015	2015 Financial Statements, page 84	119, 124
Consolidated Statement of Changes in Equity 2013	2013 Financial Statements, page 98	124
Consolidated Statement of Changes in Equity 2014	2014 Financial Statements, page 96	124
Consolidated Statement of Changes in Equity 2015	2015 Financial Statements, page 84	124
Company Statement of Changes in Equity 2013	2013 Financial Statements, page 99	124
Company Statement of Changes in Equity 2014	2014 Financial Statements, page 97	124
Company Statement of Changes in Equity 2015	2015 Financial Statements, page 85	124
Notes to the Company Financial Statements 2013	2013 Financial Statements, pages 100-175	124
Notes to the Company Financial Statements 2014	2014 Financial Statements, pages 98-173	124
Notes to the Company Financial Statements 2015	2015 Financial Statements, pages 86-156	124
Unaudited consolidated financial information for the six months ended 30 June 2015	2015 Unaudited Interim Financial Statements, pages 46-59	4, 5, 117, 118, 122, 124
Unaudited consolidated financial information for the six months ended 30 June 2016	2016 Unaudited Interim Financial Statements, pages 28-40	4, 5, 117, 118, 119, 120, 122, 124
Related Party Transactions	2015 Financial Statements, page 157-157	213

PART XVI

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"**2006 Act**" or "**Companies Act 2006**"	the Companies Act 2006, as amended;
"**2013 Financial Statements**"	as defined in the section headed "Important Information" of this document;
"**2013 Financial Year**"	the financial year of the Company ended 31 December 2013;
"**2014 Financial Statements**"	as defined in the section headed "Important Information" of this document;
"**2014 Financial Year**"	the financial year of the Company ended 31 December 2014;
"**2015 Financial Statements**"	as defined in the section headed "Important Information" of this document;
"**2015 Financial Year**"	the financial year of the Company ended 31 December 2015;
"**2015 Unaudited Interim Financial Statements**"	as defined in the section headed "Important Information" of this document;
"**2016 Unaudited Interim Financial Statements**"	as defined in the section headed "Important Information" of this document;
"**Acquisition**"	the proposed acquisition of Legal & General Nederland by way of acquisition of the Legal & General Nederland Shares pursuant to the Acquisition Agreement;
"**Acquisition Agreement**"	the agreement in the agreed form between the Buyer and the Seller pursuant to which the Buyer has conditionally agreed to acquire the Legal & General Nederland Shares, a summary of which is contained in Part II (*Principal Terms of the Acquisition*) of this document;
"**Admission**"	the proposed admission of the New Ordinary Shares by the UKLA to listing on the premium segment of the Official List and by the London Stock Exchange to trading on the main market of the London Stock Exchange;
"**AFM**"	The *Autoriteit Financiële Markten*, the Netherlands Authority for the Financial Markets;
"**Application Form**"	the personalised application form being sent to Qualifying Non-CREST Shareholders for use in connection with the Open Offer;
"**Articles**"	the articles of association of Chesnara and reference to a specific article of the articles of association of Chesnara shall be to an "Article";
"**Audit and Risk Committee**"	the Audit and Risk Committee of the Board;
"**BACS**"	the UK BACS system for the electronic processing of financial transactions;

"**Basic Open Offer Entitlement**"	an entitlement of a Qualifying Shareholder to apply for 3.69 Open Offer Shares for every 100 Existing Ordinary Shares held by him or her on the Record Date pursuant to the Open Offer;
"**Board**" or "**Chesnara Board**"	the board of Directors of the Company;
"**Business Day**"	a day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks are generally open for business in London;
"**Buyer**"	Chesnara Holdings B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), incorporated under the laws of the Netherlands, having its seat (*statutaire zetel*) in Amsterdam and its registered office at Geert Scholtenslaan 11, third floor, 1687 CL Wognum, the Netherlands;
"**Capita Asset Services**"	a trading name of Capita Registrars Limited;
"**certificated**"	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in certificated form (that is, not in CREST);
"**CHAPS**"	the UK Clearing House Automated Payment System for the same day processing of pound sterling and euro fund transfers;
"**Chesnara**" or "**Company**"	Chesnara plc a company incorporated in England and Wales with registered number 4947166 and having its registered office at 2nd floor, Building 4, West Strand Business Park, Preston PR1 8UY;
"**Chesnara Group**" or "**Group**"	Chesnara and its subsidiary undertakings from time to time;
"**Chesnara Stakeholder Scheme**"	the shareholders pension scheme operated by the Chesnara Group's UK business;
"**Closing Price**"	the closing middle market price of a relevant share as derived from SEDOL on any particular day;
"**Combined Scheme**"	the combined defined benefit and defined contribution scheme operated by Forsakringsbranschens Pensionskassa which the Chesnara Group's Swedish business is a member of;
"**Committee**" or "**Committees**"	one or all of the Audit Committee, the Nomination & Governance Committee, the Remuneration Committee and any other committees established from time to time by the Company;
"**Corporate Action Number**"	the number allocated by Euroclear in connection with the event which can be found by viewing the relevant corporate actions details in CREST;
"**Corporate Governance Code**"	the corporate governance code issued by the Financial Reporting Council in the United Kingdom from time to time;
"**Countrywide Assured**"	the Chesnara Group's life assurance subsidiary in the UK;
"**CREST**" or "**CREST system**"	the paperless settlement procedure operated by Euroclear enabling system securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument;

"**CREST courier**" and "**sorting service**" or "**CCSS**"	the CREST courier and sorting service operated by Euroclear to facilitate, *inter alia*, the deposit and withdrawal of securities;
"**CREST Manual**"	the rules governing the operation of CREST as published by Euroclear;
"**CREST member**"	a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations);
"**CREST Proxy Instruction**"	has the meaning ascribed to it in paragraph 15(b) of Part I (*Letter from the Chairman*);
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended;
"**Direct Line Acquisition**"	the acquisition by the Company of the entire issued share capital of Direct Line Life;
"**Direct Line Acquisition Agreement**"	the acquisition agreement between the Company and the Direct Line Seller dated 7 October 2013 relating to the Direct Line Acquisition;
"**Direct Line Life**"	Direct Line Life Insurance Company Limited, a company that was incorporated under the laws of England and Wales with company number 2199286;
"**Direct Line Seller**"	Direct Line Insurance Group plc;
"**Directors**" or "**Chesnara Directors**"	the directors of the Company, whose names appear in paragraph 1 of Part XIII (*Directors, Senior Managers and Corporate Governance*) of this document, or, as the context requires, the directors from time to time of the Company, and Director shall be construed accordingly;
"**DNB**"	*De Nederlandsche Bank*, the Dutch Central Bank;
"**document**"	this combined prospectus and circular;
"**DTRs**" or "**Disclosure Guidance and Transparency Rules**"	the disclosure guidance and transparency rules made by the FCA under section AJA of FSMA;
"**Dutch Ombudsman**"	the national ombudsman of the Netherlands;
"**EEA**"	the European Economic Area;
"**EEA States**"	the member states of the EEA;
"**Enlarged Group**"	the Chesnara Group as enlarged by the Acquisition and the Placing and Open Offer proceeds (following completion of the Firm Placing, Placing and Open Offer and completion of the Acquisition, respectively);
"**Enlarged Issued Share Capital**"	the Existing Issued Share Capital together with the Open Offer Shares;
"**EU**"	the European Union;
"**Euroclear**"	Euroclear UK and Ireland Limited;
"**Excess Application Facility**"	a facility of Excess Shares available under the Excess Basic Open Offer Entitlements;

"**Excess Basic Open Offer Entitlements**"	Shareholders' entitlements to Ordinary Shares available under the Excess Application Facility;
"**Excess Shares**"	Ordinary Shares which are not subscribed for by Qualifying Shareholders in connection with their Basic Open Offer Entitlements;
"**Excluded Overseas Shareholders**"	Shareholders who are resident or located in or have a registered address in an Excluded Territory;
"**Excluded Territories**"	United States, Australia, Canada, Japan, New Zealand and any other jurisdictions where the extension and availability of the Firm Placing and Placing and Open Offer would breach any applicable law;
"**Executive Directors**"	the Directors who hold the position of executive director, and each an "**Executive Director**";
"**Existing Debt Facilities**"	existing loan facilities originally in a maximum amount of £73.8 million provided by The Royal Bank of Scotland plc;
"**Existing Debt Facilities Agreement**"	the facilities agreement between, *inter alia*, the Company as borrower and The Royal Bank of Scotland plc as mandated lead arranger, original lender and facility agent dated 7 October 2013 relating to the Existing Debt Facilities;
"**Existing Issued Share Capital**"	Ordinary Shares in issue as at the Latest Practicable Date;
"**Existing Ordinary Shares**"	the Ordinary Shares of 5 pence each in the capital of Chesnara in issue immediately prior to the Firm Placing and Placing and Open Offer;
"**FCA**"	the Financial Conduct Authority of the UK;
"**Firm Placing**"	the placing of the Firm Placed Shares with Firm Placees;
"**Firm Placees**"	those who will take up Firm Placed Shares under the Firm Placing;
"**Firm Placed Shares**"	the 18,668,994 New Ordinary Shares which are the subject of the Firm Placing;
"**Form of Proxy**"	the form of proxy enclosed with this document for use in connection with the General Meeting;
"**FSMA**"	the Financial Services and Markets Act 2000, as amended;
"**General Meeting**"	the general meeting of the Company proposed to be held at the offices of Panmure Gordon, One New Change, London, EC4M 9AF, at 11.00 a.m. on 13 December 2016 to approve the Resolutions, the notice which is contained in this document;
"**HM Revenue & Customs**" or "**HMRC**"	HM Revenue & Customs, the UK tax authority;
"**IAS**"	International Account Standards
"**IAS 19**"	an accounting rule concerning employee benefits under the IFRS rules set by the IAS;
"**IFAs**"	Independent Financial Advisers;

"**IFRS**"	International Financial Reporting Standards as adopted by the European Union;
"**ISIN**"	international securities identification number;
"**Issue**"	the issue of New Ordinary Shares pursuant to the Firm Placing and Placing and Open Offer, as further described in this document;
"**Issue Price**"	300 pence per New Ordinary Share;
"**Joint Bookrunners**"	Shore Capital Stockbrokers Limited and Panmure Gordon;
"**Keefe, Bruyette & Woods**"	Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods);
"**Latest Practicable Date**"	23 November 2016 (being the latest practicable date prior to publication of this document);
"**Legal & General Group**"	Legal & General Group plc and its subsidiary undertakings from time to time;
"**Legal & General Nederland**"	Legal & General Nederland Nederland Levensverzekering Maatschappij N.V., a company incorporated under the laws of the Netherlands, having its seat (*statutaire zetel*) at Hilversum, the Netherlands and its registered office at Laapersveld 68, 1213 VB Hilversum, the Netherlands;
"**Legal & General Nederland Shares**"	the share capital of Legal & General Nederland;
"**LGIM**"	Legal & General Investment Management Limited;
"**Listing Rules**"	the listing rules made by the FCA under section AJA of FSMA;
"**London Stock Exchange**" or "**LSE**"	London Stock Exchange plc;
"**MAR**" or "**Market Abuse Regulation**"	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;
"**member account ID**"	the identification code or number attached to any member account in CREST;
"**Member State**"	a member state of the EEA;
"**Money Laundering Regulations**"	the Money Laundering Regulations (SI 2007 No. 2157), as amended;
"**Movestic**"	Movestic Livförsäkring AB;
"**Movestic K AB**"	Movestic Kapitalförvaltning AB;
"**New Debt Facilities**"	new loan facilities in a maximum amount of £40 million and €71 million provided by The Royal Bank of Scotland plc and arranged for the purposes of, *inter alia*, the Acquisition;
"**New Debt Facilities Agreement**"	the facilities agreement between, *inter alia*, the Company as borrower and The Royal Bank of Scotland plc as mandated lead arranger, original lender and facility agent dated 23 November 2016 relating to the New Debt Facilities;
"**New Ordinary Shares**"	the Ordinary Shares of 5 pence each proposed to be issued by Chesnara pursuant to the Firm Placing and the Placing and Open Offer;

"**Nomination & Governance Committee**"	the nominations and governance committee of the Board;
"**Non-Executive Directors**"	the Directors who hold the position of Chairman of the Chesnara Board or non-Executive Director, and each a non-Executive Director;
"**Notice of General Meeting**"	the notice of General Meeting contained in this document;
"**Official List**"	the official list of the FCA;
"**Open Offer**"	the offer to Qualifying Shareholders to subscribe for Open Offer Shares;
"**Open Offer Shares**"	the 4,664,340 New Ordinary Shares to be offered to Qualifying Shareholders pursuant to the Open Offer;
"**Ordinary Shares**"	the ordinary shares of 5 pence each in the capital of Chesnara;
"**Overseas Shareholders**"	Qualifying Shareholders who are resident in, or citizens of, countries other than the United Kingdom;
"**participant ID**"	the identification code or membership number used in CREST to identify a particular CREST member or other system participant (as defined in the CREST Regulations);
"**Placing**"	the conditional placing by the Joint Bookrunners of the Placing Shares, subject to clawback pursuant to the Open Offer;
"**Placing Agent**"	Keefe, Bruyette & Woods;
"**Placing Agent Agreement**"	has the meaning ascribed to it in paragraph 9 of Part XIV (*Additional Information*) of this document;
"**Placing and Open Offer**"	the Placing and Open Offer;
"**Placing Shares**"	the 18,668,994 New Ordinary Shares which the Joint Bookrunners will conditionally place pursuant to the Placing;
"**the Plans**"	the defined benefit pension plans offered by Chesnara Group's Dutch business;
"**PRA**"	Prudential Regulation Authority;
"**Prospectus Directive**"	Directive 2003/71/EC (as amended from time to time, including by Directive 2010/73/EC (the "**PAD Amending Directive**") to the extent implemented in the relevant EEA State) and includes any relevant implementing measures in each EEA State that has implemented Directive 2003/71/EC;
"**Prospectus Rules**"	the prospectus rules of the FCA made pursuant to section 73A of FSMA;
"**Qualifying CREST Shareholders**"	Qualifying Shareholders holding Ordinary Shares in uncertificated form;
"**Qualifying non-CREST Shareholder**"	Qualifying Shareholders holding Ordinary Shares in certificated form;
"**Qualifying Shareholder(s)**"	Shareholder(s) on the register of members of the Company at the Record Date (excluding the Company in respect of any shares held in treasury);

"**Receiving Agent**"	Capita Asset Services, or any other receiving agent appointed by the Company from time to time;
"**Record Date**"	5.30 p.m. on 22 November 2016;
"**Registrar**"	Capita Asset Services, or any other registrar appointed by the Company from time to time;
"**Regulation S**"	Regulation S under the Securities Act;
"**regulatory authority**"	any central bank, ministry, governmental, quasi-governmental (including the European Union), supranational, statutory, regulatory or investigative body or authority (including any national or supranational anti-trust or merger control authority), national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof), private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction, including for the avoidance of doubt, the takeover panel, the FCA, the UKLA and the London Stock Exchange;
"**Regulatory Information Service**"	one of the regulatory information services authorised by the UKLA to receive, process and disseminate regulatory information from listed companies;
"**Remuneration Committee**"	the remuneration committee of the Board;
"**Resolutions**"	the ordinary resolutions to be proposed at the Chesnara General Meeting (and set out in the notice of general meeting contained in this document) to, among other matters, approve the Acquisition;
"**Securities Act**"	the United States Securities Act of 1933, as amended;
"**SEC**"	the Securities and Exchange Commission of the United States;
"**SEDOL**"	the London Stock Exchange Daily Official List of share identifiers;
"**Seller**"	Legal & General Nederland Overseas Holdings Limited, a company organised under the laws of England and Wales, having its seat (*statutaire zetel*) in London, United Kingdom and its registered office at One Coleman Street, London EC2R 5AA, United Kingdom;
"**SFSA**"	the Swedish Financial Supervisory Authority;
"**Share Schemes**"	the share schemes currently operated by Chesnara as described in paragraph 7 of Part XIV (*Additional Information*) of this document;
"**Shareholder**"	any holder of Ordinary Shares;
"**Shore Capital**" or "**SC**"	Shore Capital and Corporate Limited or Shore Capital Stockbrokers Limited, as the context admits;
"**Signing Protocol**"	the signing protocol dated 23 November 2016 between the Buyer, the Seller, Chesnara as the Buyer's guarantor and Legal & General Nederland Insurance Holding Limited as the Seller's guarantor pursuant to which the parties irrevocably commit to entering into

	the Acquisition Agreement after the successful completion of the works council process in the Netherlands;
"**Solvency II**"	an EU Directive which reviews the prudential regime for insurance and reinsurance undertakings in the European Union;
"**Sponsor**"	Shore Capital and Corporate Limited;
"**Sponsor and Placing Agreement**"	the conditional agreement among the Company, Shore Capital and Panmure Gordon dated 24 November 2016, a summary of which is contained in paragraph 9 of Part XIV (*Additional Information*) of this document;
"**stock account**"	an account within a member account in CREST to which a holding of a particular share or other security in CREST is admitted;
"**Takeover Code**"	the City Code on Takeovers and Mergers;
"**Total Shareholder Return**"	total shareholder return, measured with reference to both dividends and capital growth;
"**UKLA**"	the UK Listing Authority;
"**uncertificated**" or in "**uncertificated form**"	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST;
"**United Kingdom**" or "**UK**"	the United Kingdom of Great Britain and Northern Ireland;
"**United States**" or "**US**"	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia, and all other areas subject to its jurisdiction;
"**US Persons**"	a person residing in the US;
"**VAT**"	(i) within the EU, any tax imposed by any member state in conformity with the directive of the council of the European Union on the common system of value added tax (2006/112/EC), and (ii) outside the EU, any tax corresponding to, or substantially similar to, the common system of value added tax referred to in paragraph (i) of this definition;
"**Waard Group**"	Waard and its subsidiary undertakings from time to time; and
"**Woerkerpolis**"	the litigation risk in relation to potential mis-selling of unit-linked products by life insurers in the Netherlands.

CHESNARA PLC

(Incorporated and registered in England and Wales under the Companies Act of 1985 with registered number 04947166)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a **GENERAL MEETING** of Chesnara plc (the "**Company**") will be held at 11.00 a.m. on 13 December 2016 at the offices of Panmure Gordon at One New Change, London, EC4M 9AF for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which resolution 1, resolution 3 and resolution 4 will be proposed as ordinary resolutions and resolution 2 as a special resolution:

1. That, the directors of the Company (the "**Directors**") be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "**Act**") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred to as an allotment of "**relevant securities**") for an aggregate nominal amount of up to £1,166,666.70, which authority shall be in addition to the existing authority conferred, which shall continue in full force and effect. The authority conferred by this resolution shall expire (unless previously revoked or varied by the Company in a general meeting) on the conclusion of the next annual general meeting of the Company or the date 15 months from the date of passing of this resolution, whichever is the earlier, save that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require relevant securities to be allotted after such expiry, revocation or variation and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired or been revoked or varied.

2. That, conditional upon the passing of Resolution 1 above, in addition to all other existing powers of the Directors under section 570 of the Act which shall continue in full force and effect, the Directors are empowered under the said section 570 to allot equity securities as defined by section 560 of the Act for cash pursuant to the authority conferred by Resolution 1 above as if section 561 of the Act did not apply to any such allotment. Such power shall, subject to the continuance of the authority conferred by Resolution 1, expire on the conclusion of the next annual general meeting of the Company or the date 15 months from the date of passing of this resolution, whichever is the earlier, but may be revoked or varied from time to time by special resolution so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require equity securities to be allotted after such expiry, revocation or variation and the Directors may allot equity securities in pursuance of such offer or agreement as if such power had not expired or varied.

3. That, the issue of 23,333,334 New Ordinary Shares (as defined in the combined circular and prospectus dated 24 November 2016, of which this notice convening this General Meeting form part (the "**Prospectus**")) pursuant to the Firm Placing and Placing and Open Offer (as defined in the Prospectus) for cash at an issue price of 300 pence per New Ordinary Share, which is a discount of 9 pence (2.91 per cent.) to the closing middle market price of 309 pence per existing Ordinary Share (as derived from the Daily Official List of the London Stock Exchange) on 23 November 2016 (being the last trading day prior to the announcement of the Firm Placing and Placing and Open Offer (as defined in the Prospectus)) and otherwise on the terms set out in the Prospectus be approved.

4. That, the proposed acquisition (the "**Acquisition**") of Legal & General Nederland Levensverzekering Maatschappij N.V., substantially on the terms and subject to the conditions set out in the Prospectus outlining the Acquisition dated 24 November 2016 (a copy of which is produced to the meeting and signed for identification purposes by the chairman of the meeting) be and is hereby approved and the Directors be authorised: (1) to take all such steps as may be necessary or desirable in connection with, and to implement, the Acquisition; and (2) to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Acquisition (provided such modifications, variations, revisions, waivers or amendments do not materially change the terms of the Acquisition for the purposes of the UK Listing Authority's Listing Rule 10.5.2), and to any documents relating thereto, in either such case as they may in their absolute discretion think fit.

By order of the Board

.....

Zoe Kubiak
Company Secretary

24 November 2016

Registered No: 04947166

Registered office:

2nd Floor
Building 4
West Strand Business Park
Preston
PR1 8UY

NOTES:

1. Members entitled to attend and vote at the General Meeting are also entitled to appoint one or more proxies to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder which must be identified on the form of proxy. A proxy need not be a shareholder of the company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice of meeting. If you wish your proxy to speak at the meeting, you should appoint a proxy other than the chairman of the meeting and give your instructions to that proxy.

2. A form of proxy is enclosed for use by members. To be valid it should be completed, signed and delivered to the Company's registrar by hand only at Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or in accordance with the reply paid details, or submitted electronically via www.capitashareportal.com (see note 3), not later than 48 hours before the time appointed for holding the General Meeting or any adjourned meeting or, in the case of a poll taken subsequently to the date of the General Meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll. Shareholders who intend to appoint more than one proxy can obtain additional forms of proxy from the Company's registrar, Capita Asset Services. Alternatively, the form provided may be photocopied prior to completion. The forms of proxy should be returned in the same envelope and each should indicate that it is one of more than one appointments being made.

3. You may submit your proxy vote electronically via www.capitashareportal.com. From there you can log in to your share portal account or register for the share portal if you have not already done so. To register, please visit the registration section where full registration instructions will be given. Please note that you will need your Investor Code which can be found on the Form of Proxy enclosed with this document. Once registered, you will be able to vote immediately by selecting "Proxy Voting" from the menu.

4. Any person to whom this notice of meeting is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of rights of shareholders in relation to the appointment of proxies in paragraphs 1, 2 and 3 above and 6 below does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK and Ireland Limited's ("**Euroclear**") specification and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's registrar (ID RA10) by 11.00 a.m. on 9 December 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST members concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. Completion and return of a form of proxy will not affect the right of such member to attend and vote in person at the meeting or any adjournment thereof.

8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B(2) of the Companies Act 2006, the Company specifies that in order to have the right to attend and vote at the General Meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company at the close of business on 9 December 2016 or, in the event of any adjournment, at the close of business on the date which is two days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

9. As at 23 November 2016 (being the last practicable day prior to the publication of this notice of meeting) the Company's issued share capital consists of 126,404,892 Ordinary Shares, carrying one vote each and 147,535 shares held in treasury. Therefore, the total voting rights in the Company as at 23 November 2016 are 126,404,892.

10. Any corporation which is a member can appoint one or more corporate representatives. Each representative may exercise on behalf of the corporation the same powers as the corporation could exercise if it were an individual member of the Company provided that they do not do so in relation to the same Ordinary Shares.

11. A copy of this notice of meeting, together with any members' statements which have been received by the Company after the dispatch of this notice of meeting and the other information required by section 311A of the Companies Act 2006 are all available on the Company's website at www.chesnara.co.uk under Investor Relations.

12. Shareholders, proxies and authorised representatives has the right to ask questions at the meeting. The Company must cause to be answered any such questions concerning any business being dealt with at the meeting, except that a question need not be answered where it would interfere unduly with the preparation for conduct of the meeting, involve the disclosure of confidential information, where the answer has already been given on a website in the form of an answer to a question or where it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this notice of meeting (or in any related documents including this combined circular and prospectus and proxy form) to communicate with the Company for any purposes other than those expressly stated.