

## BASE PROSPECTUS



TIME AND LIFE S.A.

*(registered with the Luxembourg trade and companies register under number B 162433)*

**€250,000,000**

### **Euro Medium Term Note Programme**

Under the €250,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this base prospectus (the "**Base Prospectus**"), Time and Life S.A. (the "**Issuer**" or "**T&L**") may from time to time issue notes (the "**Notes**") denominated in any currency chosen by the Issuer and (where applicable) agreed with the relevant Dealer (if any) (as defined below), subject to compliance with all relevant laws, regulations and directives.

An investment in the Notes issued under the Programme involves certain risks. For a description of these risks, see "Risk Factors" below.

The Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or another regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any member state of the European Economic Area. This Base Prospectus comprises a base prospectus for the purposes of the Prospectus Directive, including the amendments made by Directive 2010/73/EC ("**PD Amending Directive**") and the Prospectus (Directive 2003/71/EC) Regulations 2005 and for the purpose of giving information with regard to the issue of Notes under the Programme during the period of 12 months after the date hereof. Application has been made to the Irish Stock Exchange for the Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and trading on its regulated market. References in the Base Prospectus to the "Irish Stock Exchange" (and all related references) shall mean the regulated market of the Irish Stock Exchange. In addition, references in the Base Prospectus to the Notes being "listed" (and all related references) shall mean that such Notes have been admitted to listing on the Official List of the Irish Stock Exchange and admitted to trading on its regulated market or, as the case may be, a MiFID Regulated Market (as defined below). The regulated market of the Irish Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC, as amended (each such regulated market being a "**MiFID Regulated Market**"). This document may be used to list Notes on the regulated market of the Irish Stock Exchange pursuant to the Programme. The Programme provides for Notes to be issued on the basis that they will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be chosen by the Issuer. The Issuer may also issue unlisted Notes. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €250,000,000 (or its equivalent in other currencies, subject to increase as provided herein). The Notes will be issued in such denominations as may be chosen by the Issuer and (where applicable) agreed with the relevant Dealer (if any) and as specified in the applicable Final Terms, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (as defined below) and save that the minimum denomination of each Note admitted to trading on a regulated market situated or operating within the European Economic Area (the "**EEA**")

and/or offered to the public in an EEA state in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

The Notes have not been and will not be registered under the US Securities Act (as defined below) and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the US Securities Act) except in accordance with Regulation S under the US Securities Act or pursuant to an exemption from the registration requirements of the US Securities Act.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set forth in a final terms document (the "**Final Terms**") which, with respect to Notes to be listed on the Irish Stock Exchange, will be delivered to the Central Bank on or before the date of issue of the Notes of such Tranche.

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The date of this Base Prospectus is 3 December 2013.

The Notes may be issued on a continuing basis to one or more Noteholders (as defined under “*Terms and Conditions of the Notes*”) or to one or more Dealers appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a “**Dealer**” and together the “**Dealers**”). For the avoidance of doubt, at the date of this Base Prospectus, no Dealer has been appointed. References in this Base Prospectus to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

The Issuer may agree with a Dealer (if any) and the Trustee (as defined under “*Terms and Conditions of the Notes*”) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes (other than in the case of Notes which are neither (i) admitted to trading on a regulated market in an EEA state nor (ii) offered to the public in an EEA state in circumstances where a prospectus is required to be published under the Prospectus Directive).

The Issuer (the “**Responsible Person**”) accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer (if any) identifiable following the applicable Final Terms as the Financial Intermediaries (as defined under “*Form of Final Terms*”), as the case may be.

**AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES FROM AN OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE NOTES TO AN INVESTOR BY AN OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH INVESTORS OTHER THAN THE DEALERS (IF ANY) IN CONNECTION WITH THE OFFER OR SALE OF THE NOTES AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. THE ISSUER HAS NO RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.**

Copies of the Final Terms will be available from the registered office of the Issuer and the specified office of each of the Paying Agents (as defined under “*Terms and Conditions of the Notes*”) (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market in an EEA state nor offered to the public in an EEA state in circumstances where a prospectus is required to be published under the Prospectus Directive will only be obtainable by a holder of such Note and such holder must produce evidence satisfactory to the Issuer or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity), and copies of Final Terms relating to Notes which are admitted to trading on the Irish Stock Exchange’s regulated market and/or offered in Ireland in circumstances where a prospectus is required to be published under the Prospectus Directive will also be available on the website of the Regulatory News Service operated by the Irish Stock Exchange.

Save for the Issuer, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by a Dealer (if any) or the Trustee as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, a Dealer (if any) or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be

considered as a recommendation or as constituting an invitation or offer by the Issuer, a Dealer (if any) or the Trustee that any recipient of this Base Prospectus, or any other information supplied in connection with the Programme or any Notes, should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. In the absence of Final Terms, neither this Base Prospectus, nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or a Dealer (if any) or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Dealer(s) (if any) and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. When deciding whether or not to purchase Notes of any Tranche, investors should review, *inter alia*, any supplement to this Base Prospectus (including the Final Terms relating to such Tranche, but not including any other Final Terms).

The Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealer(s) (if any) and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering.

In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action, to date, has been taken by the Issuer, the Dealer(s) (if any) or the Trustee which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealer(s) (if any) have represented or, as the case may be, will be required to represent that all offers and sales by them will be made on the same terms. Persons into whose possession this Base Prospectus or any Notes come must inform themselves about, and observe, any such restrictions on the distribution of the Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States of America, EEA states (including Italy, Luxembourg, the Republic of France and the United Kingdom) (see “*Subscription and Sale*” below).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “**US Securities Act**”) and may not be offered or sold in the United States or to, or for the benefit of, US persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See “*Form of the Notes*” for a description of the manner in which Notes will be issued.

The Notes are subject to certain US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986, as amended (the “**Code**”) and the regulations promulgated thereunder .

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any member state of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or a Dealer (if any) to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent



authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer has/nor any Dealer (if any) have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or a Dealer (if any) to publish or supplement a prospectus for such offer.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved the Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in the Base Prospectus. Any representation to the contrary is unlawful.

None of the Dealers (if any) or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws.

Series of Notes (as defined under “*Terms and Conditions of the Notes*”) issued under the Programme will be unrated.

All references in this Base Prospectus to “Sterling” and “£” refer to the currency of the United Kingdom, to “US dollars”, “US\$” and “\$” refer to the currency of the United States of America, to “Swiss francs” refer to the currency of Switzerland and to “euro” and “€” refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended.

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

#### **NOTICE TO POTENTIAL INVESTORS IN THE UNITED KINGDOM**

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “**relevant persons**”). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

#### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

The Base Prospectus contains certain forward-looking statements relating to the T&L Group and its activities, which do not represent statements of fact but are rather based on current expectations and projections of the T&L Group in relation to future events, and which, by their nature, are subject to inherent risks and uncertainties. Expectations and projections are based on specific knowledge of the sector, publicly available data, and past experience. Underlying the projections are assumptions concerning future events and trends that are subject to uncertainty and whose actual occurrence or non-occurrence could result in significant variations from the projected results. These forward-looking statements relate to events and depend on circumstances that may or may not occur or exist in the future, and, as such, undue reliance should not be placed on them. Although the Issuer believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as of the date of this Base Prospectus, actual results may differ materially from those expressed in such statements as a result of a variety of factors, including: changes in general economic conditions, economic growth, other business conditions, government regulation (in Luxembourg or abroad) and many other factors, some of which are referred to in this Base Prospectus, and most of which are outside of the control of the Issuers and/or the T&L Group.

Any forward-looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base

Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward-looking statements are based.

## **STABILISATION**

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the “Stabilising Manager(s)” (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment shall be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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## GENERAL DESCRIPTION OF THE PROGRAMME

This summary must be read as an introduction to this Base Prospectus and any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole. Following the implementation of the relevant provisions of the Prospectus Directive in an EEA state no civil liability will attach to the Responsible Person in any such State in respect of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to information contained in this Base Prospectus is brought before a court in an EEA state, the plaintiff may, under the national legislation of the State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

*Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this summary.*

Issuer:	<p>Time and Life S.A. (“<b>T&amp;L</b>”)</p> <p>The Issuer operates under the Luxembourg law of 10 August 1915 on commercial companies, as amended, as a public limited liability company (société anonyme). It is registered with the Luxembourg trade and companies register under number B 162433.</p> <p>T&amp;L is the holding company of the Time and Life Group (the “<b>T&amp;L Group</b>”) and performs treasury functions within the T&amp;L Group while monitoring capital, solvency and liquidity positions of its subsidiaries.</p>
Risk Factors:	<p>There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “Risk Factors” below and include the fact that the Notes may not be a suitable investment for all investors and certain risks relating to the structure of particular Series of Notes. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme, see “Risk Factors”.</p>
Description:	<p>Euro Medium Term Note Programme</p>
Dealers:	<p>The Issuer may, from time to time, terminate the appointment of any Dealer under the Programme or appoint Dealers either in relation to the Programme as a whole or in relation to specific issues under the Programme.</p>
Trustee:	<p>Deutsche Trustee Company Limited</p>
Principal Paying Agent:	<p>Deutsche Bank AG, London Branch</p>
Size:	<p>Up to €250,000,000 (or its equivalent in other currencies calculated as described in the Trust Deed or the Dealer Agreement (if any)), outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Trust Deed or the Dealer Agreement (if any).</p>
Distribution:	<p>Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis in accordance with the terms of the Dealer Agreement, if any.</p>
Currencies:	<p>Subject to any applicable legal or regulatory restrictions, such currencies as may be chosen by the Issuer and (where applicable) agreed with the relevant Dealer (if any) (as indicated in the applicable Final Terms, the “<b>Specified Currency</b>”).</p> <p>Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “<i>Subscription and Sale</i>”).</p>

Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer (if any) and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "Form of the Notes".
Fixed Rate Notes:	Interest on Notes will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer (if any) (as indicated in the applicable Final Terms) and on redemption, and will be calculated on the basis of such Fixed Day Count Fraction as may be agreed between the Issuer and the relevant Dealer (if any).
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under an interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</li> <li>(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>(iii) on such other basis as may be agreed between the Issuer and the relevant Dealer (if any),</li> </ul> <p>as indicated in the applicable Final Terms.</p> <p>The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer (if any) or (as applicable) the relevant Noteholder for each Series of Floating Rate Notes.</p>
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	<p>The Final Terms relating to each Tranche of Notes will indicate either that the Notes of such Tranche cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default (as defined in Condition 8) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms.</p> <p>The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.</p>
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer (if any) and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the Central Bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum

denomination of each Note admitted to trading on a regulated market within the EEA will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) (see “Maturities” above).

**Taxation:**

All payments on Notes issued by the Issuer will be made without deduction for or on account of withholding tax imposed by Luxembourg unless such withholding is required by law. If such withholding is required, the Issuer will be required to pay such additional amounts as will result in the receipt by the Noteholders of such amounts as they would have received had no such withholding been required, subject to a number of exceptions as set out in Condition 6 of the relevant Conditions.

**Negative pledge:**

None.

**Status of the Notes:**

The Notes and the corresponding Receipts and Coupons will be direct and unconditional obligations of the Issuer and will rank (save for certain debts preferred by law and Notes (if any) which benefit from security) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

**Listing:**

The Base Prospectus has been approved by the Central Bank in its capacity as competent authority under the Prospectus Directive.

Application has been made to the Irish Stock Exchange for the Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the “**Official List**”) and trading on its regulated market.

The Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be chosen by the Issuer and (where applicable) agreed with the relevant Dealer (if any) in relation to each Series.

Notes which are neither listed nor admitted to trading on any market may also be issued (but see “Taxation” for certain important taxation implications of such Notes).

The Final Terms relating to each Tranche of Notes will state whether or not and, if so, on which stock exchanges or markets the Notes are to be listed and/or admitted to trading.

**Governing Law:**

The Programme documentation (including the Notes) and any non-contractual obligations arising out of or in connection with the Programme documentation will be governed by, and shall be construed in accordance with, English law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States of America, EEA states (including Italy, Luxembourg, the Republic of France and the United Kingdom) and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes; see “*Subscription and Sale*”.

## RISK FACTORS

*An investment in the Notes involves a high degree of risk. Prospective investors should carefully read and review this entire Base Prospectus and in particular should consider all the risks inherent in making such an investment, including the risk factors set out below, before making a decision to invest. T&L believes that the factors described below represent the principal risks inherent in investing in the Notes that could have a significant or material adverse effect on its business, results of operations, financial condition and prospects and/or the repayment of principal and interest under the Notes to the Noteholders.*

*Words and expressions defined in the terms and conditions of the Notes (the “**Terms and Conditions of the Notes**”) or elsewhere in this base prospectus have the same meanings in this section. This base prospectus contains forward-looking statements that involve risks and uncertainties. The Issuer’s actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this base prospectus. See “Cautionary Statement Regarding Forward-Looking Statements”.*

### **Risks relating to the structure of the T&L Group, the scope and nature of our business, and the products we offer**

*Investors are relying solely on the creditworthiness of the Issuer*

The Notes will constitute direct and unconditional obligations of the Issuer and will rank (save for certain debts preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer. Each investor in the Notes is relying on the creditworthiness of the Issuer, and no other person. In addition, investment in the Notes involves the risk that subsequent changes in actual or perceived creditworthiness of the Issuer may adversely affect the market value of the Notes.

*There is no limitation on the Issuer to incur additional indebtedness ranking senior or pari passu with the Notes*

The Issuer has not entered into any restrictive covenants in connection with the issuance of the Notes regarding its ability to incur additional indebtedness ranking *pari passu* or senior to the obligations under or in connection with the Notes (or its ability to grant security in relation to any Series or Tranche of Notes). The incurrence of any such additional indebtedness may significantly increase the probability of default of the Notes and/or may reduce the amount recoverable by Noteholders in the event of insolvency or liquidation of the Issuer.

*Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, access to capital and cost of capital*

A material reduction in the value of the T&L Group’s assets driven by a deteriorating market and economic environment may impair the T&L Group’s ability to rely on capital markets for funding. At present T&L Group’s reliance on capital markets is limited. However, T&L Group expect to diversify their investor base in the future through increased capital market participation.

*Inadequate or failed processes or systems, human factors or external events may adversely affect our profitability, reputation or operational effectiveness*

Operational risk is inherent in T&L Group’s business and can manifest itself in various ways, including business interruption, information systems malfunctions or failures, regulatory breaches, human errors, employee misconduct, and external fraud. T&L Group also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that T&L Group use to facilitate our securities transactions.

These events can potentially result in financial loss, impairment to T&L Group’s liquidity, a disruption of business, regulatory sanctions or damage to reputation. The Management’s priority is to control these risks and keep operational risks at their lowest levels by maintaining a sound and well controlled environment in accordance with the characteristics of T&L Group’s business, markets and regulatory environment. Notwithstanding these measures, operational risk is inherent to the business environment in which T&L Group operates and losses due to these types of risks may still occur.

## Business – Reinsurance

*Adverse conditions in global financial markets, concerns over certain sovereign debts and tensions on the currency markets may negatively affect T&L Group's business and profitability, and these conditions may continue;*

T&L Group's ability to generate profits both on insurance and investment products, including fixed and guaranteed products, depends in part on the returns on investments supporting T&L Group obligations under these products. In addition, the value of specific investments may fluctuate substantially depending on the foregoing conditions. Insurance and investment products expose T&L Group to risks associated with fluctuations in financial markets; interest rates for example, heavily affect the performance of some products such as guaranteed or variable annuities which guarantee rates or minimum benefits irrespective of prevailing market interest rates or investment returns on underlying assets.

Although T&L Group may use hedging techniques to manage its exposure under certain of these guarantees, the volatility in the financial markets, combined with unanticipated policyholder behaviour changes, may increase the cost of these hedges and/or negatively affect T&L Group's ability to hedge certain of these risks, which may adversely affect our profitability.

*If the market and competitive conditions prevailing on the reinsurance market deteriorate, there may be a decline in the business volume and returns of WRM.*

The reinsurance and primary insurance markets are highly competitive. On these markets, WRM will compete with many insurance and reinsurance companies as well as with banks and other financial service providers. WRM's competitive situation depends on numerous factors, including its general financial strength and technical expertise, reputation, client relations, premiums, treaty terms and conditions, the products and services it offers, prompt claims settlement, staff experience and skills, as well as local presence, also in comparison with competitors.

The international reinsurance market has been characterised by a relatively high degree of concentration and relatively low market entry barriers, within differentiated regulatory framework across countries. This would explain why in recent years, there has been a corresponding rise in new companies in the reinsurance sector. Moreover, existing companies have raised additional capital to improve their underwriting capacities. Both trends have mainly shown up after large loss events when overall industry capacity was reduced and profitable business opportunities arose. In addition, the development of alternative products substituting traditional reinsurance solutions and increased competition coming from other financial institutions, especially banks, are playing an increasing role.

More recently, a growing consolidation and concentration of market players is taking place on the primary insurance market. Leading primary insurance companies agree upon higher retentions more frequently, a fact that may lead to lower demand for reinsurance coverage. These trends may weaken the demand for the products offered by WRM or worsen the conditions at which the business can be written. Furthermore, the limited product differentiation combined with other factors described above may lower profitability.

*The regulatory capital requirements of insurance subsidiaries may be negatively impacted by adverse capital market conditions, evolving regulatory interpretations and other factors, which could have a material adverse effect on the Group's insurance business, liquidity, credit ratings, results of operations and financial position*

Increased solvency requirements may reduce profitability and adversely affect the ability of WRM to underwrite risk. WRM is subject to Swiss regulatory solvency requirements, which are designed to monitor capital adequacy and to protect policyholders. The specific regulatory solvency requirements can be impacted by a wide variety of factors including, but not limited to, business mix, product design, sales volume, invested assets, liabilities, reserves and movements in the capital markets, including interest rates and equity markets. Regulatory solvency requirements may increase, possibly significantly, during periods of adverse market conditions.

*Interest rate and credit spread volatility may adversely affect the profitability of T&L Group*

T&L Group's exposure to interest rate risk is expected to relate primarily to the market price and cash flow variability associated with changes in interest rates. During periods of declining interest rates, life insurance and annuity products may be relatively more attractive to potential subscribers, resulting in premium payments higher than the prevailing market rates. This may lead to a higher percentage of insurance policies remaining in force from year-to-year, and consequent asset liability duration (financial duration) mismatches.



During a low interest rate period, WRM's investment earnings may be lower because the interest earnings on fixed income investments will likely have declined. In addition, mortgages and fixed maturity securities in WRM's investment portfolios will be more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates. Consequently, WRM may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, during periods of declining interest rates, WRM's profitability may suffer as the result of a decrease in the spread between interest rates credited to policyholders and returns on investment portfolios.

Conversely, in periods of increasing interest rates, surrenders of life insurance policies and fixed annuity contracts may increase as policyholders choose to forego insurance protection and seek higher investment returns.

*Regulatory and legal changes, as well as other government and judicial actions or trends, may lead to additional costs or otherwise adversely affect the business of WRM.*

The business of WRM is subject to detailed and extensive laws and regulations. The supervisory authorities of the countries in which WRM operates have far-reaching powers and possibilities of intervention. Compliance with the laws and regulations and potential changes may give rise to costs or otherwise adversely affect the business of WRM. Changes in the laws and regulations governing provisioning for the elderly, labour law, the social security systems, financial services, taxation or securities products and transactions may require restructuring and result in additional expenses. In some countries, changes may also be introduced with retroactive effect.

National and international efforts continue to avoid a repeat of the financial crisis by monitoring those markets and their institutions more effectively. Regulation and oversight over insurance companies as well as capital requirements may become stricter.

On the global level the discussion about systematically important financial institutions (sifi) might have major consequences.

*The provisions made by WRM may be inadequate and make additional reserving necessary*

WRM's results essentially depend on whether the claims actually paid correspond to the assumptions made by WRM when pricing its products and establishing its reserves. WRM calculates its reserves using actuarial methods. In some cases, the underlying assumptions may prove to be incorrect, requiring WRM to increase reserves or make claims payments in excess of the reserves established.

Changes in legislation, changes in healthcare expenses along with other inflationary variables may make higher claims reserves necessary. Given the rapidly changing rules in courts and the unpredictability of future court practice in some of the environments in which WRM operates, or may operate in future, accurate reserves can be particularly difficult to assess.

For life insurance products with fixed premiums, parameter risks (trends) that may lead to shorter life expectancies than currently assumed, may constitute a significant risk. On the other hand for annuity insurance contracts the longevity risk goes in the opposite direction.

*WRM operating results may be materially adversely affected by the occurrence of events that have an impact on mortality rates such as pandemic diseases*

Risks, such as an outbreak of a pandemic disease, like the Avian Influenza A Virus (H5N1), or the A Flu (H1N1), could also adversely affect our business and operating results.

T&L Group follows the evolution of these risks closely and generally seek to manage its exposure to them through individual risk selection, monitoring risk accumulation, purchase of reinsurance and use of available data in estimating potential catastrophic risks. However, we have experienced in the past and could experience in the future material losses from the types of risks discussed above and these losses could have a material adverse effect on our financial position and results of operations.

### *Inability of reinsurers to meet their obligations and unavailability of reinsurance*

WRM may transfer exposure to certain risks to others through reinsurance arrangements. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. Although periodic reviews of the financial statements and reputations of the relevant reinsurers are conducted, such reinsurers may become financially unable or unwilling to honour their commitments by the time they are called upon to pay amounts due, which may not occur for many years. In addition, reinsurance may prove inadequate to protect against losses or may become unavailable in the future at commercially reasonable rates.

### **Business - General**

*T&L Group faces strong competition in all business segments and competition may intensify as a result of current global market conditions which could adversely impact the results of its operations and financial condition*

T&L Group faces strong and increasing competition in all its business lines. The competitors include mutual fund companies, asset management firms, private equity firms, hedge funds and insurance companies and reinsurance companies, many of which, due to different regulatory frameworks, could offer alternative products or more competitive pricing. These competitive pressures could result in increased pricing pressures on a number of T&L Group's products and services, particularly as competitors seek to win market share, and may harm the T&L Group's ability to maintain or increase its profitability.

*The cyclical nature of the reinsurance and primary insurance markets may lead to premium fluctuations that may adversely affect the business of WRM*

The reinsurance and primary insurance markets are subject to cyclical fluctuations. How intense the competition is and whether the markets are characterised by high or low capacities depends on a variety of factors. These include the competitive environment, the frequency and severity of catastrophes, the development of loss reserves from past underwriting years, the emergence of new risks, changes in legislation or court practice or new liability concepts, general economic trends and the volatility of the capital markets. To a certain extent, the cycles are synchronous across various classes of business, with meaningful differences remaining, especially if compared across markets. Cyclical fluctuations give rise to fluctuations in prices and results. WRM expects that these cyclical fluctuations on the market will persist in future. Therefore, premiums may not develop linearly.

*T&L Group's future success depends to a significant degree upon its continued ability to attract and retain key personnel*

T&L Group's future success will depend significantly upon the knowledge, expertise and continued services of certain highly skilled professionals and other key personnel, including its directors and senior management, and upon its ability to recruit, retain and motivate such personnel. T&L Group may fail to attract and/or retain highly skilled personnel or may incur increased costs in attracting and retaining such personnel.

The market for experienced investment and other professionals is extremely competitive and can be characterised by frequent movement of personnel among firms. Such personnel are difficult to attract, retain and, where necessary, replace, potentially incurring additional costs. An increase in taxes or tax rates may also result in T&L Group being unable to recruit or retain key personnel in certain jurisdictions. If T&L Group were to lose any of its senior management or other key personnel, it could fail to obtain new business, or retain existing business, which would result in reduced profitability.

The loss of senior management or other key personnel could also affect the ability of T&L Group to execute its strategy effectively or at all, or could result in a decline in the standards of management or operation of T&L Group's business. The loss of any senior management or other key personnel for these or other reasons, as well as the inability to attract and/or retain new highly skilled personnel, could have a material adverse effect on T&L Group's business, financial condition, results of operations and/or prospects.

*Certain segments of T&L Group's business are subject to extensive laws and regulations and to significant litigation risks in the various countries where it operates; changes in existing or new laws and government regulations in these countries and/or an adverse outcome in any significant pending or future litigation or regulatory investigation may have an adverse effect on business, financial condition, results of operations, reputation or image in the market place*

T&L Group's target investments are subject to detailed and comprehensive regulation and supervision in all the jurisdictions in which it operates. T&L Group's reinsurance operations are subject to insurance

laws and regulations, which are clearly intended to protect policyholders, not the creditors and even less the shareholders. Changes in existing insurance laws and regulations may materially affect the way in which T&L Group conducts business and the products offered. In addition, changes in pension and employee benefit regulation, social security regulation, financial services regulation, taxation and the regulation of securities products and transactions may also adversely affect the T&L Group's ability to underwrite risk or claims exposure on existing policies.

T&L Group must cope with a fast moving regulatory environment, and regulators are assuming an increasingly active role in interpreting and enforcing regulations in the jurisdictions where the Group performs its business. We cannot predict with any certainty the potential effects that any change in applicable laws or regulations, their interpretation or enforcement, or that any enactment of new regulation or legislation in the future may have on the business, financial condition or results of operations of our various businesses.

*Exchange rate fluctuations may have an adverse effect on the Group's financial condition and results of operations.*

WRM's financial statements are denominated in Swiss francs. As WRM transacts a substantial portion of its business in a currency other than Swiss Francs, WRM's financial statements are subject to exchange rate influences resulting from the translation of transactions outside Switzerland that do not report in Swiss francs. In addition, exchange rate fluctuations affect the financial statements of those group companies that transact business in currencies other than their local currency. Furthermore, exchange rate fluctuations also affect the value of the investments held. *Terrorist attacks may have a sustained negative impact on the business of T&L Group*

WRM does not underwrite terrorist risk, however T&L Group is exposed to terrorist attacks that cannot be clearly identified, classified or evidenced as terrorist attacks. In these cases, T&L Group may be exposed to losses or WRM may be subject to an increased claims burden since the limits or exclusions available in the reinsurance treaties may be inapplicable or unenforceable.

*Risks that are unknown today, for instance from new technologies, may lead to unforeseeable losses*

Risks can occur as a result of legislative, socio-political, scientific, technological and similar changes and are liable to have unmeasured or unknown effects on T&L Group and on WRM in particular. The degree of uncertainty as to the extent of damage and occurrence probability is by nature very high.

As a consequence of increasing global dependencies and the rapid spread of technological innovations, events with impacts difficult to identify using traditional scenario processes are occurring with greater frequency.

Should risks that are unknown today lead to unforeseeable claims, this may have an adverse effect on the financial conditions and consolidated results of T&L Group. The same applies for situations where facts are known today that may inhere a risk but it is impossible today to accurately appraise the potential impact the realisation of such risk may have.

#### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

The following paragraphs describe some of the risks that the Issuer believes are material to the Notes to be issued in order to assess the market risks associated with these Notes. They do not describe all the risks of an investment in the Notes. Prospective investors should consult their own financial and legal advisers about risks associated with investment in a particular Series of Notes and the suitability of investing in the Notes in light of their particular circumstances.

*The Notes may not be a suitable investment for all investors*

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact the investment will have on the potential investor's overall investment portfolio.

### **Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of such Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

#### *Notes which are subject to optional redemption by the Issuer*

An optional redemption feature of Notes, if included, is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Partly-paid Notes*

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

#### *Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional

interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### **Risks related to the Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

#### *Legality of purchase*

Neither the Issuers, the Dealer(s) (if any) nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective investor of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

#### *Taxation*

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors cannot rely upon the tax summary contained in this base prospectus and/or in the Final Terms and should ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this base prospectus and the additional tax sections, if any, contained in the relevant Final Terms.

#### *Modification, waiver and substitution*

The Terms and Conditions of the Notes contain provisions for calling meetings of the Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the conditions of the Notes or any of the provisions of the Trust Deed or (ii) determine that any condition, event or act which, but for such determination, would constitute an Event of Default, shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 13 of the Terms and Conditions of the Notes.

#### *The EU Savings Directive may result in withholding tax on the Notes*

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to or collected by such a paying agent (within the meaning of the EU Savings Directive) for, an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria may (unless they elect otherwise) instead apply a withholding system during a transitional period in relation to such payments, deducting tax at rates rising overtime to 35% (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Belgium also applied the withholding system prior to 1 January 2010, but has recently elected to switch to an exchange of information system with effect from that date.

A number of non-EU countries (including Switzerland), and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction or collected by such a paying agent (within the meaning of the EU Savings Directive) for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual or certain other residual entities resident in one of those territories.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or an amount in respect of, tax were to be withheld from that payment,

neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000.

On 13 November 2008, the European Commission published a detailed proposal for amendments to the EU Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made to the EU Savings Directive, they may amend or broaden the scope of the requirements described above.

#### *Notes where denominations involve integral multiples: definitive Notes*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### *Change of law*

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this base prospectus.

#### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

##### *The secondary market generally*

The Notes do not have an established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

##### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

##### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

### *Credit ratings*

One or more independent credit rating agencies may assign unsolicited credit ratings to the Notes, although there is no present intention on the part of the Issuer to obtain such ratings. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### *Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## **SUPPLEMENTARY BASE PROSPECTUS**

In the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes arising or being noted between the approval of this Base Prospectus by the Central Bank and the commencement of trading of such Notes on any EEA state stock exchange or the final closing of the offer of such Notes to the public in any EEA state, as the case may be, the Issuer will prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with such Notes and any subsequent issue of Notes.

The Issuer will, in connection with the listing of the Notes on the Irish Stock Exchange, so long as any Notes remain outstanding and listed on such exchange, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus, prepare a supplement to the Base Prospectus in accordance with Article 16 of the Prospectus Directive or publish a new Base Prospectus for use in connection with any subsequent issue of the Notes to be listed on the Irish Stock Exchange.

If the terms of the Programme are modified or amended in a manner that would make the Base Prospectus, as so modified or amended, inaccurate or misleading, a new base prospectus will be prepared.



## FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a “**Temporary Global Note**”) without receipts, interest coupons or talons or, a permanent global note (a “**Permanent Global Note**”) without receipts, interest coupons or talons, in each case as specified in the Final Terms. Each Temporary Global Note, or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is intended to be issued in new global note (“**NGN**”) form, as stated in the applicable Final Terms, will be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear and Clearstream and each Global Note which is not intended to be issued in NGN form, as specified in the Final Terms, will be delivered on or prior to the original issue date of the Tranche to a common depository (the “**Common Depository**”) for Euroclear and Clearstream and/or any other agreed clearing system.

Whilst any Note is represented by a Temporary Global Note, payments of principal and interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification to the effect that the beneficial owners of interests in such Note are not US persons or persons who have purchased for resale to any US person, as required by US Treasury regulations, has been received by Clearstream and/or Euroclear and Clearstream and/or Euroclear, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent (as defined under “*Terms and Conditions of the Notes*”). Any reference in this section “Form of the Notes” to Clearstream and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Principal Paying Agent and the Trustee.

On and after the date (the “**Exchange Date**”) which is 40 days after the Issue Date (as specified in the applicable Final Terms), interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) (i) (if the Final Terms indicates that the Global Note is intended to be a NGN) interests recorded in the records of the relevant Clearing System or (ii) (if the Final Terms indicates that the Global Note is not intended to be a NGN) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days’ written notice from Euroclear and/or Clearstream, (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event or (c) at any time at the request of the Issuer.

For these purposes, “**Exchange Event**” means that (i) an Event of Default under Condition 8 in relation to any Note has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

The Issuer will promptly give notice to Noteholders in accordance with Condition 12 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent

requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, as the case may be.

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme:*

[Date]

**Time and Life S.A.**

Issue of  
**[Aggregate Nominal Amount of Tranche] [Title of Notes]**  
under the  
**€[•] Euro Medium Term Note Programme**

### Part A — CONTRACTUAL TERMS

*[Include whichever of the following applies]*

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Base Prospectus dated 3 December 2013 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") as amended (which includes the amendments made by Directive 2010/73/EU (the "**2010 PD Amending Directive**") to the extent that such amendments have been implemented in the Relevant Member State). [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [and any supplement to the Base Prospectus]]<sup>2</sup>. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms [and/] the Base Prospectus [and the supplement to the Base Prospectus dated [date of supplement]]. The Base Prospectus, Final Terms [and the Supplement] are available for viewing at [website] [and] during normal business hours at [address] [and copies may be obtained from the registered office of the Issuer and from the specified office of the Paying Agents for the time being]. [The website referred to in the previous sentence and its content do not form part of the Base Prospectus or of these Final Terms.] ]

#### **[Incorporation by Reference applicable only to the issuance of additional tranche(s) of existing Series of Notes:**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Base Prospectus dated [ ] which are incorporated by reference in the Base Prospectus dated 3 December 2013 (the "Base Prospectus"). All information included in the Base Prospectus dated [ ] other than the Terms and Conditions of the Notes are not incorporated by reference and are of no relevance to investors. [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (the "Prospectus Directive") and must be read in conjunction with the Base Prospectus [as supplemented by the supplement[s] dated [ ] [and [ ]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive]<sup>3</sup>. Full information on the Issuer and the Notes is only available on the basis of the combination of these Final Terms and Base Prospectus. The Base Prospectus, Final Terms [and the Supplement] are available for viewing at [website]. The Base Prospectus dated [ ] is available for viewing at [http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_1c5aa146-d609-45cb-9aad-](http://www.ise.ie/debt_documents/Base%20Prospectus_1c5aa146-d609-45cb-9aad-)

<sup>2</sup> Delete where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.

<sup>3</sup> Delete where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.



*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*

7. (i) Issue Date: [     ]  
(ii) Interest Commencement Date: [specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month]]
9. Interest Basis: [[•] per cent. Fixed Rate]  
[[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Partly Paid]  
[Instalment]  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive, which cannot be issued under the terms of this programme)*
11. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
12. Status: [Senior/[Dated/Undated] Subordinated]
13. Method of distribution: [Syndicated/Non-syndicated]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [     ] per cent. per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [[     ] in each year up to and including the Maturity Date] *(NB: This will need to be amended in the case of long or short coupons)*
- (iii) Fixed Coupon Amount(s): [     ] per Calculation Amount  
*(Applicable to Notes in definitive form.)*
- (iv) Broken Amount(s): [     ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [     ]  
*(Applicable to Notes in definitive form.)*
- (v) Fixed Day Count Fraction: [Actual/Actual (ICMA) or 30/360]
- (vi) Determination Date(s): [Not Applicable/[     ] in each year]  
*[Insert interest payment dates, ignoring issue date]*

or maturity date in the case of a long or short first or last coupon]

(NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration)

(NB: Only relevant where Fixed Day Count Fraction is Actual/Actual (ICMA))

15. Floating Rate Note Provisions

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Specified Period(s)/Specified Interest Payment Dates: [     ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/]
- (iii) Additional Business Centre(s): [     ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the [Principal Paying] Agent): [     ]
- (vi) Screen Rate Determination:
  - Reference Rate: [     ]  
(Either LIBOR, EURIBOR)
  - Interest Determination Date(s): [     ]  
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
  - Relevant Screen Page: [     ]  
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (vii) ISDA Determination:
  - Floating Rate Option: [     ]
  - Designated Maturity: [     ]
  - Reset Date: [     ]
- (viii) Margin(s): [ +/- ] [     ] per cent. per annum
- (ix) Minimum Rate of Interest: [     ] per cent. per annum
- (x) Maximum Rate of Interest: [     ] per cent. per annum
- (xi) Floating Day Count Fraction: [Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)]

- Actual/360  
30/360  
30E/360  
30E/360 (ISDA)
16. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions [●] and [●] apply/]  
*(Consider applicable day count fraction if euro denominated)*

## PROVISIONS RELATING TO REDEMPTION

17. Issuer Call [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount]
- (iii) If redeemable in part:
- a) Minimum Redemption Amount: [ ] per Calculation Amount
- b) Maximum Redemption Amount: [ ] per Calculation Amount
- (iv) Notice period: [ ]
- (N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians as well as any other notice requirements which may apply, for example, as between the Issuer and the [Principal Paying Agent] or Trustee)*
18. Investor Put [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount]
- (iii) Notice period: [ ]
- (N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians as well as any other notice requirements which may apply, for example, as between the Issuer and the [Principal Paying Agent] or Trustee)*
19. Final Redemption Amount of each Note [[ ] per Calculation Amount]

20. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 5(e)): [[ ] per Calculation Amount][As per Condition 5(e)]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes in the limited circumstances specified in the Permanent Global Note]  
[Temporary Global Note exchangeable for definitive Notes on [ ] day' notice]  
[Permanent Global Note exchangeable for definitive Notes in the limited circumstances specified in the Permanent Global Note]  
Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.
22. New Global Note: [Yes] [No]
23. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
*(Note that this paragraph relates to the date and place of payment and not Interest Period end dates to which sub-paragraphs [15(ii)], [16(ii)] and [18(ix)] relate)*
24. Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
25. Details relating to Partly Paid Notes: [Not Applicable/give details]  
*(NB: New forms of Global Note may be required for Partly Paid Notes)*  
[If applicable, specify] [amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:]
26. Details relating to Instalment Notes: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
(i) Instalment Amount(s) [If Applicable, specify]  
(ii) Instalment Date(s) [If Applicable, specify]
27. Redenomination, renominatisation and reconventioning provisions: Redenomination [not] applicable

## DISTRIBUTION

28. (i) If syndicated, names of Managers: [Not Applicable/give names]  
(iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
29. If non-syndicated, name and address of [Not Applicable/give name]



relevant Dealer:

30. Total commission and concession: [ ] per cent. of the Aggregate Nominal Amount
31. US Selling Restrictions: [Regulation S Compliance Category; TEFRA D/TEFRA C/TEFRA not applicable]

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Relevant third party information*] has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of Time and Life S.A.:

By: .....

*Duly authorised*

## PART B — OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application [has been]/[will be] made [to the Irish Stock Exchange/other (specify)] for the Notes to be admitted [to the Official List/other (specify)] and trading on [its regulated market/other (specify)] on [ ] with effect from [ ].]  
[Not Applicable.]  
(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading)
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- The Notes to be issued have been rated:
- |           |   |    |
|-----------|---|----|
| [S&P:     | [ | ]] |
| [Moody's: | [ | ]] |
| [Fitch:   | [ | ]] |
| [[Other]: | [ | ]] |
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)
- Insert one (or more) of the following options: as applicable:
- Option 1: Credit Rating Agency ("CRA") is (i) established in the EU and (ii) registered under the CRA Regulation:**
- [Insert legal name of particular credit rating agency entity providing rating] is established in the EU and registered under Regulation (EC) No 1060/2009 (the "CRA Regulation").
- Option 2: CRA is (i) established in the EU, (ii) not registered under the CRA regulation; but (iii) has applied for registration:**
- [Insert legal name of particular credit rating agency entity providing rating] is established in the EU and has applied for registration under Regulation (EC) No 1060/2009 (the "CRA Regulation"), although notification of the registration decision has not yet been provided.
- Option 3: CRA is (i) established in the EU and (ii) has not applied for registration and is not registered under the CRA regulation):**
- [Insert legal name of particular credit rating agency entity providing rating] is established in the EU and is neither registered nor has it applied

for registration under Regulation (EC) No 1060/2009 (the “**CRA Regulation**”).

**Option 4: CRA is not established in the EU but the relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation:**

*[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU but the rating it has given to [Notes] is endorsed by [insert legal name of credit rating agency], which is established in the EU and registered under Regulation (EC) No 1060/2009 (the “**CRA Regulation**”).*

**Option 5: CRA is not established in the EU and the relevant rating is not endorsed under the CRA Regulation, but the CRA is certified under the CRA Regulation:**

*[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU but is certified under Regulation (EC) No 1060/2009 (the “**CRA Regulation**”).*

**Option 6: CRA is not established in the EU nor certified under the CRA Regulation and the relevant rating is not endorsed under the CRA Regulation:**

*[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU and is not certified under Regulation (EC) No 1060/2009 (the “**CRA Regulation**”) and the rating it has given to the [Notes] is not endorsed by a credit rating agency established in the EU and registered under the CRA Regulation.*

### 3. NOTIFICATION

*[The [name of competent authority in home member state] [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [names of competent authorities of host member states] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the provisions of the Prospectus Directive and Commission Regulation (EC) No. 809/2004.]*

### 4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

*[[Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. — Amend as appropriate if there are other interests]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

### 5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)] Reasons for the offer

[ ]

(See “Use of Proceeds” wording in Base Prospectus - if reasons for offer different from

making profit and/or hedging certain risks then will need to include those reasons here)

[(ii)] Estimated net proceeds:

[ ]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)

6. **YIELD** (Fixed Rate Notes only)] Indication of yield:

[ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

## 7. OPERATIONAL INFORMATION

(i) ISIN Code:

[ ]

(ii) Common Code:

[ ]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

[Not Applicable/give name(s) and number(s)]

(iv) Delivery:

Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s):

[ ]

(v) Names and addresses of additional Paying Agent(s) (if any):

[ ]

(vi) Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes] [No]

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if “yes” selected in which case the Notes must be issued in NGN form]*

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes to be issued on or after 3 December 2013 and which will be incorporated by reference into each Global Note (as defined in the Trust Deed) and each definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer (if any) at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall complete the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Temporary Global Note, Permanent Global Note and definitive Note. Reference should be made to "Form of Final Terms" above for the form of Final Terms which will include the meaning of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Time and Life S.A. (the "**Issuer**") constituted by a Trust Deed (as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 31 October 2012 made between the Issuer and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include any Co-Trustee or replacement Trustee appointed in accordance with the Trust Deed and any successor there to).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a Global Note (which expression shall include any Temporary Global Note or Permanent Global Note, all as defined in the Trust Deed), units of each Specified Denomination in the Specified Currency;
- (ii) definitive Notes issued in exchange for a Global Note; and
- (iii) any Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an Agency Agreement (as modified and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 31 October 2012 and made among the Issuer, Deutsche Bank AG, London Branch, as principal paying agent and agent bank (the "**Principal Paying Agent**", which expression shall include any successor agent) and the Trustee. Other paying agents (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents) may be appointed from time to time by the Issuer.

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and which supplement these Terms and Conditions (the "**Conditions**") and may specify other terms and conditions which shall complete these Conditions for the purposes of this Note. References to the "applicable Final Terms" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the "**Receiptholders**") and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices. The following statements include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the applicable

Final Terms. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office of the Trustee, being at Winchester House, 1 Great Winchester Street, London, EC2N 2DB, and at the specified office of the Principal Paying Agent. Copies of the applicable Final Terms are available for viewing and copies may be obtained from the registered office of the Issuer and from the specified office of the Principal Paying Agent, save that, if this Note is neither admitted to trading on a regulated market in an EEA state nor offered to the public in an EEA state in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer or, as the case may be, the Principal Paying Agent, as to its holding of such Notes and identity.

The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are binding on them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. Form, Denomination and Title**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, or a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Instalment Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **"Temporary Global Note"**) without receipts, interest coupons or talons or, a permanent global note (a **"Permanent Global Note"**) without receipts, interest coupons or talons, in each case as specified in the Final Terms. Each Temporary Global Note, or, as the case may be, Permanent Global Note (each a **"Global Note"**) which is intended to be issued in new global note (**"NGN"**) form, as stated in the applicable Final Terms, will be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **"Common Safekeeper"**) for Euroclear and Clearstream and each Global Note which is not intended to be issued in NGN form, as specified in the Final Terms, will be delivered on or prior to the original issue date of the Tranche to a common depository (the **"Common Depository"**) for Euroclear and Clearstream and/or any other agreed clearing system.

Whilst any Note is represented by a Temporary Global Note, payments of principal and interest and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not US persons or persons who have purchased for resale to any US person, as required by US Treasury regulations, has been received by Clearstream and/or Euroclear and Clearstream and/or Euroclear, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent. On and after the date (the **"Exchange Date"**) which is 40 days after the Issue Date (as specified in the applicable Final Terms), interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) (i) (if the Final Terms indicates that the Global Note is intended to be a NGN) interests recorded in the records of the relevant Clearing System or (ii) (if the Final Terms indicates that the Global Note is not intended to be a NGN) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case

against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event or (c) at any time at the request of the Issuer.

For these purposes, "**Exchange Event**" means that (i) an Event of Default under Condition 8 in relation to any Note has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

The Issuer will promptly give notice to Noteholders in accordance with Condition 12 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Trustee, the Principal Paying Agent and any Paying Agent may deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes, to the fullest extent permitted by applicable laws, but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Clearstream and/or Euroclear each person (other than Clearstream or Euroclear) who is for the time being shown in the records of Clearstream or of Euroclear as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Clearstream or Euroclear as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Principal Paying Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Trustee, the Principal Paying Agent and any other Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Clearstream or of Euroclear, as the case may be. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest or proven error, be conclusive and binding on all concerned.

References to Clearstream and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Principal Paying Agent.

## 2. Status of the Notes

The Notes and the corresponding Receipts and Coupons are direct and unconditional obligations of the Issuer and rank (save for certain debts preferred by law and Notes (if any) which benefit from security) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

## 3. Interest

### (a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise rounded in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Conditions:

**“Fixed Day Count Fraction”** means, in respect of the calculation of an amount in accordance with this Condition 3(a):

(ii) if **“Actual/Actual (ICMA)”** is specified in the applicable Final Terms:

- (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **“Accrual Period”**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
- (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and



- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (iii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360;

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

“**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

“**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 3(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, “**Business Day**” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open. In these Conditions, “**TARGET2 System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the “**ISDA Definitions**”) and under which: (1) the Floating Rate Option is as specified in the applicable Final Terms; (2) the Designated Maturity is a period specified in the applicable Final Terms; and (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) or on the Euro-zone inter-bank offered rate (“**EURIBOR**”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate or Rates which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more

of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

In particular, if the Relevant Screen Page is not available or the quotation or quotations required by the Conditions are unavailable the Principal Paying Agent shall request the principal London office (in the case of LIBOR), or the principal Euro-zone office (in the case of EURIBOR), of each of the Reference Banks (as defined below) to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period at approximately 11.00 am (London time in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fourth decimal place with 0.00005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent. For the purpose of this paragraph, the expression “**Reference Banks**” means those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 am (London time in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in the London inter bank market (if the Reference Rate is LIBOR), or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, at approximately 11.00 am (London time in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter bank market (if the Reference Rate is LIBOR), or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period). For the purpose of the this paragraph, the expression “**Reference Banks**” means those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) *Minimum and/or Maximum Interest Rate*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent, or (as applicable) the Calculation Agent, will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Floating Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“**Floating Day Count Fraction**” means, in respect of the calculation of an amount of interest for any Interest Period in accordance with this Condition 3(b):

- (A) if “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (F) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (G) if “**30E/360 (ISDA)**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

*(v) Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 12. For the purposes of this paragraph, the expression “**London Business Day**” means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London.

*(vi) Determination or Calculation by Trustee*

If for any reason the Principal Paying Agent or, as the case may be, the Calculation Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee may determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee may calculate the Interest Amount(s) in the manner specified in Condition 3(b)(iv) above and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent.

*(vii) Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3(b), whether by the Principal Paying Agent or the Trustee or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the Trustee, the Calculation Agent (if applicable), the other Paying Agents (if any) and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Trustee or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

*(c) Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

*(d) Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

#### **4. Payments**

##### *(a) Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6. References to "Specified Currency" will include any successor currency under applicable law.

##### *(b) Presentation of Notes, Receipts and Coupons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 6) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall

become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long Maturity Note**” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Fixed Interest Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of the Principal Paying Agent or any Paying Agent outside the United States. A record of each payment made distinguishing between any payment of principal and any payment of interest, will be made on such Global Note either by such Principal Paying Agent or Paying Agent, if any, or in the records of Euroclear and Clearstream, as applicable and such record shall be prima facie evidence that the payment in question has been made.

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Clearstream or Euroclear as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Clearstream or Euroclear, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Note is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of this Note will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

*(c) Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 7) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in: (A) in the case of Notes in definitive form only, the relevant place of presentation; (B) any Additional Business Centre specified in the applicable Final Terms; (C) London; and (D) Luxembourg; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively) or (2) in relation to any sum payable in euro a day on which the TARGET2 System is open.

*(d) Interpretation of Principal and Interest*



Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 6 or pursuant to any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5(e)(iii)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **5. Redemption and Purchase**

### *(a) At Maturity*

Unless previously redeemed or purchased and surrendered for cancellation as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

### *(b) Redemption for Tax Reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note ) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 calendar days' notice to the Trustee and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of the aforementioned notice that:

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 as a result of any change in, or amendment to, the laws or regulations of Luxembourg or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations or rulings, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and Legal Opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 5(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

*(c) Redemption at the Option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, the Issuer shall, having given not less than 10 nor more than 30 calendar days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Clearstream and/or Euroclear (to be reflected in the records of Euroclear and Clearstream as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 calendar days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 not less than 10 calendar days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 12 at least 5 calendar days prior to the Selection Date.

*(d) Redemption at the Option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 12 not less than 15 nor more than 30 calendar days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver, at the specified office of the Principal Paying Agent or any Paying Agent at any time during normal business hours of such Principal Paying Agent or Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of the Principal Paying Agent or any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Principal Paying Agent or Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream (which may include notice being given on his instruction by Euroclear or Clearstream or any common depository or common safekeeper, as the case may be, for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable unless the Issuer otherwise agrees.

*(e) Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 8, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

“RP” means the Reference Price;

“AY” means the Accrual Yield expressed as a decimal; and

“ $y$ ” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each in the case of any currency other than Sterling and euro and on the basis of a year of 365 days, or 366 days in the case of a leap year, in the case of Sterling and euro from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360 in the case of any currency other than Sterling and euro and 365, or 366 in the case of a leap year, in the case of Sterling and euro, or on such other basis as may be specified in the applicable Final Terms.

*(f) Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

*(g) Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

*(h) Purchases*

The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent or any Paying Agent for cancellation.

*(i) Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and surrendered for cancellation pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

*(j) Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 8 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 12.

## 6. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Grand-Duchy of Luxembourg or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amount shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment by, or by a third party on behalf of, a holder who is liable to those taxes or duties in respect of that Note, Receipt or Coupon by reason of his having some connection with Luxembourg other than the mere holding of the Note, Receipt or Coupon or the receipt of principal or interest in respect of it; or
- (ii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (v) presented for payment in Luxembourg; or
- (vi) where such withholding or deduction would have been avoided by the Noteholder, Receiptholder or Couponholder (or a person on behalf of the Noteholder, Receiptholder or Couponholder) complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in Luxembourg.

As used herein, the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 12.

## 7. Prescription

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 6) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 4(b) or any Talon which would be void pursuant to Condition 4(b).

## 8. Events of Default

The Trustee, (if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders and if it is indemnified and/or secured and/or prefunded to its satisfaction) shall, (but, in the case of the happening of any of the events mentioned in sub-paragraph (v) below only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and payable at the Early Redemption Amount (as defined in Condition 5(e)), together with accrued interest as provided in the Trust Deed, if any of the following events (each an “**Event of Default**”) shall occur and be continuing:

- (i) if there is a default for more than 30 days after the date when due in the payment of principal or interest due in respect of any of the Notes; or
- (ii) if a final order is made by any competent court or other authority or an effective resolution passed by the Issuer for winding-up or dissolution of the Issuer or for the appointment of a liquidator, receiver or trustee of the Issuer of all or a substantial part of its assets; or
- (iii) if the Issuer shall stop payment or shall be unable to, or shall admit to creditors generally its inability to pay its debts as they fall due, or shall be finally adjudicated or found bankrupt or insolvent, or shall enter into any composition or other arrangement with its creditors generally, or if the Issuer shall apply for controlled management (*gestion contrôlée*) or reprieve from payment (*sursis de paiement*), or
- (iv) if the Issuer ceases or threatens to cease to carry on its business unless such cessation, or threatened cessation, is in connection with a merger, consolidation or any other form of combination with another company and such company assumes all obligations of the Issuer under the Notes and the Trust Deed; or
- (v) if default is made by the Issuer in the performance or observance of any obligation, condition or provision binding on it under the Notes or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Notes) and, except where, in the opinion of the Trustee, such default is not capable of remedy (in which case the Notes will become due and repayable subject to, and immediately upon, the Trustee certifying and giving notice as aforesaid), such default continues for 30 days after written notice thereof by the Trustee to the Issuer requiring the same to be remedied.

At any time after the Notes become due and repayable and have not been repaid, the Trustee may at its discretion and without further notice take such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Trust Deed and the Notes and the relative Receipts and Coupons, but it shall not be bound to take any such proceedings or any other action unless (i) it shall have been so directed by an Extraordinary Resolution of the holders of the Notes or so requested in writing by holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No holder of a Note, or of a Receipt or Coupon appertaining thereto, shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

## **9. Replacement of Notes, Receipts, Coupons and Talons**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 12, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **10. Principal Paying Agent and Paying Agents**

The names of the initial Principal Paying Agent in respect of the Notes and the other initial Paying Agents, if any, in respect of the Notes and their initial specified offices are set out below.

The Issuer is, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of the Principal Paying Agent or any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which the Principal Paying Agent or any Paying Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or any other relevant authority;
- (ii) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with or introduced in order to confirm to, such Directive;
- (iii) there will at all times be a Principal Paying Agent; and

- (iv) there will at all times be a Paying Agent in a jurisdiction in continental Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 4(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) if not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 12.

## **11. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 7.

## **12. Notices**

### *(a) Publication of Notice*

Any notice to Noteholders shall be validly given if it is published in the *Luxemburger Wort* or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English language newspaper or newspapers as the Trustee shall approve in advance having a general circulation in Luxembourg, provided that if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Trustee and notified to Noteholders (in each case a **"Relevant Screen"**), or (ii) paragraph (b) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such information. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.

- (b) Whilst the Notes are represented by Global Notes, notices to Noteholders will be valid if published as described in paragraph (a) above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream for communication by them to Noteholders. Any notice delivered to Euroclear and/or Clearstream as aforesaid shall be deemed to have been given on the day of such delivery.

- (c) The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed or any other relevant authority.

### *(d) Other Methods*

The Trustee may approve some other method of giving notice to the Noteholders if, in its opinion, that other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on which Notes are then listed and provided that notice of that other method is given to the Noteholders in the manner required by the Trustee.

### *(e) Couponholders and Receiptholders Deemed to Have Notice*

Couponholders and Receiptholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner referred to above.

## **13. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions, the Notes, the Receipts, the Coupons or of any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if requested by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the

time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing more than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of these Conditions, the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than 50%, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to any waiver or authorisation of any breach or proposed breach of, or may provide its consent if required in any of these Conditions or any of the provisions of the Trust Deed, or may determine that any condition, event or act which, but for such determination, would constitute an Event of Default, shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Conditions, the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Receiptholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 6 and/or any undertaking given in addition to, or in substitution for, Condition 6 pursuant to the Trust Deed.

#### **14. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

#### **15. Substitution**

The Trustee may, without the consent of the Noteholders, the Receiptholders or the Couponholders, agree with the Issuer to the substitution of any new holding company or Subsidiary of the Issuer in place of the Issuer (or of any previous substitute under this provision) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed, subject to the conditions set out in the Trust Deed being complied with.

#### **16. Indemnification**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction.

#### **17. Governing Law**

The Trust Deed, the Agency Agreement, the Notes, the Receipts, the Coupons, the Talons and any non-contractual obligations arising out of or in connection with any of them are governed by, and shall be construed in accordance with, English law. The application of the provisions of art. 86 to 94-8 and 96 to 97 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, are hereby expressly excluded.

**18. Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.



## **USE OF PROCEEDS**

The net proceeds from the initial issue of Notes will be applied for general corporate purposes, including, without limitation, to fund future acquisitions made by T&L Group. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## DESCRIPTION OF THE ISSUER

### Introduction

Time and Life S.A. ("**T&L**" or the "**Issuer**") is a "société anonyme" existing under the laws of Luxembourg. T&L's registered office is located at L-2763 Luxembourg, 9, rue Sainte Zithe, its telephone number is +352 28 48 33 and its registration number is B 162433. T&L is the holding company of the Time and Life Group (the "**T&L Group**") and performs treasury functions within the T&L Group while monitoring capital, solvency and liquidity positions of its subsidiaries.

### History

T&L was incorporated in Luxembourg on 15 July 2011 under the Luxembourg law of 10 August 1915 on commercial companies, as amended, as a public limited liability company (société anonyme) and has been in existence for 1 year and 5 months.

In November 2011, T&L completed the acquisition of 100% of the ordinary shares of WRM Reinsurance AG, CH-170.3.024.326-0, Lindenstrasse 2, 6340 Baar, Switzerland ("**WRM**").

In December 2011, T&L acquired 8.2% of the common stock of Banca Popolare di Milano S.c.a.r.l. and in March and in April 2013 sold part of its holding. As a result of such sale T&L current holding of common stock of Banca Popolare di Milano S.c.a.r.l was 7.02%. Furthermore, on or about the date of such sale T&L allocated its shareholding in Banca Popolare di Milano to a number of dedicated subsidiaries (POP 1 S. à r.l. to POP 15 S.à r.l.). In November 2013 T&L contributed its holding in these dedicated subsidiaries to Athena Capital Balanced Fund 2, a sub-fund of Athena Capital Fund SICAV-FIS, a Luxembourg-based collective investment scheme established under Luxembourg law and regulated by the Commission de Surveillance du Secteur Financier ("**CSSF**"), in exchange for shares in this sub-fund.

In March 2012, T&L founded Athena Capital S.a.r.l. ("**Athena**"), a company established under Luxembourg law, to act as a general partner of Athena Capital Fund SICAV-FIS. As of the date of this prospectus Athena Capital Fund SICAV-FIS has seven active sub-funds investing across several sectors and asset classes, including but not limited to real estate, fixed income, equity and commodities.

On 12 July 2013 the Luxembourg law implementing the Alternative Investment Funds Managers Directive was adopted. In exchange for increased regulatory oversight, including more stringent operational requirements, minimum capital requirements and enhanced transparency for investors, the directive creates harmonised rules for the management and marketing of alternative investment funds in Europe. On 16 July 2013 Athena filed an application with the CSSF in order to obtain a license as an Alternative Investment Fund Manager.

In July 2013 T&L subscribed for 15 million ordinary shares of Valore Italia Holding di Partecipazioni S.p.a. ("**VIHP**"), as a result of which T&L holds 17.5% of the shares of VIHP. VIHP is listed on the Italian AIM (from MAC) .The core business of VIHP rests on two pillars: brokerage and advisory. VIHP targets both institutional and European retail customers. Current assets under management and advisory is approximately €300m. It is expected that assets under management and advisory will grow in excess of €500m through organic growth and acquisitions. A number of synergies deriving from the complementarity of T&L Group and VIHP which may create significant value have been identified and will be exploited according to the T&L Group relevant strategies.

### Corporate Governance

T&L Group has made considerable investments to enhance its presence in Luxembourg, notably by recruiting qualified staff so as to internalise within T&L Group key functions that were previously outsourced to service providers and by renting dedicated premises.

T&L's shareholder has appointed two directors that are employed full time and dedicated to their role within T&L. In order to enhance internal governance the board of directors has implemented policies and procedures designed to ensure a sound and prudent management of T&L's activities.

## **Human Resources**

In order to ensure compliance with laws and regulations, the appropriate and timely implementation of its strategies and adequate transaction management, the T&L Group has made significant investments in human resources.

Today the T&L Group has six (6) employees two of which are employed full time by T&L respectively as treasurer and accountant, and as legal and compliance officer, and are also directors of T&L.

The treasurer and accountant joined T&L in December 2012 and has extensive experience in accounting and treasury matters. Just before joining T&L, he was working as general accounting and treasury team leader for one of the largest service providers to the fund industry in Luxembourg. Prior to that he has worked for different trust companies in Luxembourg and also as tax auditor for the Belgian Ministry of Finance. He started his career in the credit department of a large Belgian bank.

The legal and compliance officer has acquired through her career an extensive knowledge and understanding of the Luxembourg legal and regulatory framework, in particular in so far as regulated investment vehicles are concerned. Before joining T&L in November 2012, she worked for the management company of real estate funds. Prior to that she worked for BNP Paribas Asset Management where she was responsible for all legal matters pertaining to the authorisation of new funds, their distribution, and the legal obligation of the management company. She has also worked for several years in Ireland in the hedge funds structuring business. She is qualified as a Chartered Alternative Investment Analyst and holds a Master in Business Law and a Master in Accounting and Finance.

## **Business overview**

### **Principal Activities**

The T&L Group has invested and is active in the European financial sector, including banking, insurance and re-insurance. The objective of the T&L Group is to develop each segment of its business in order to ensure that it is viable on a stand alone basis and strategically positioned to benefit from the future sector recovery while developing synergies between the various business lines.

WRM is a re-insurance company established in Zug, Switzerland and regulated by the Swiss Financial Market Supervisory Authority ("**FINMA**"). WRM is licensed to underwrite risk in the life and non-life sectors. At the time of this Base Prospectus, WRM is not intending to expand its business to the non-life sector and acts as a captive re-insurer. WRM has strategical importance to the T&L Group as it provides both the technical skill-set to supervise a potential new acquisition in the insurance sector as well as the infrastructure to offer a re-insurance capacity.

At the time of this Base Prospectus, Athena, the general partner of Athena Capital Fund SICAV-FIS, performs a strategic function within the T&L Group as it facilitates intra-group synergies which may create value for investors. Athena (in its capacity as general partner of Athena Capital Fund SICAV-FIS) will receive management fees and performance fees (subject to the relevant conditions set out in the relevant sub-fund private placement memorandum) from Athena Capital Fund SICAV-FIS and thus generate revenue for the T&L Group.

In the recent past the asset management business of the group has grown significantly. However, the potential for growth remains significant. The re-insurance business remains in its infancy.

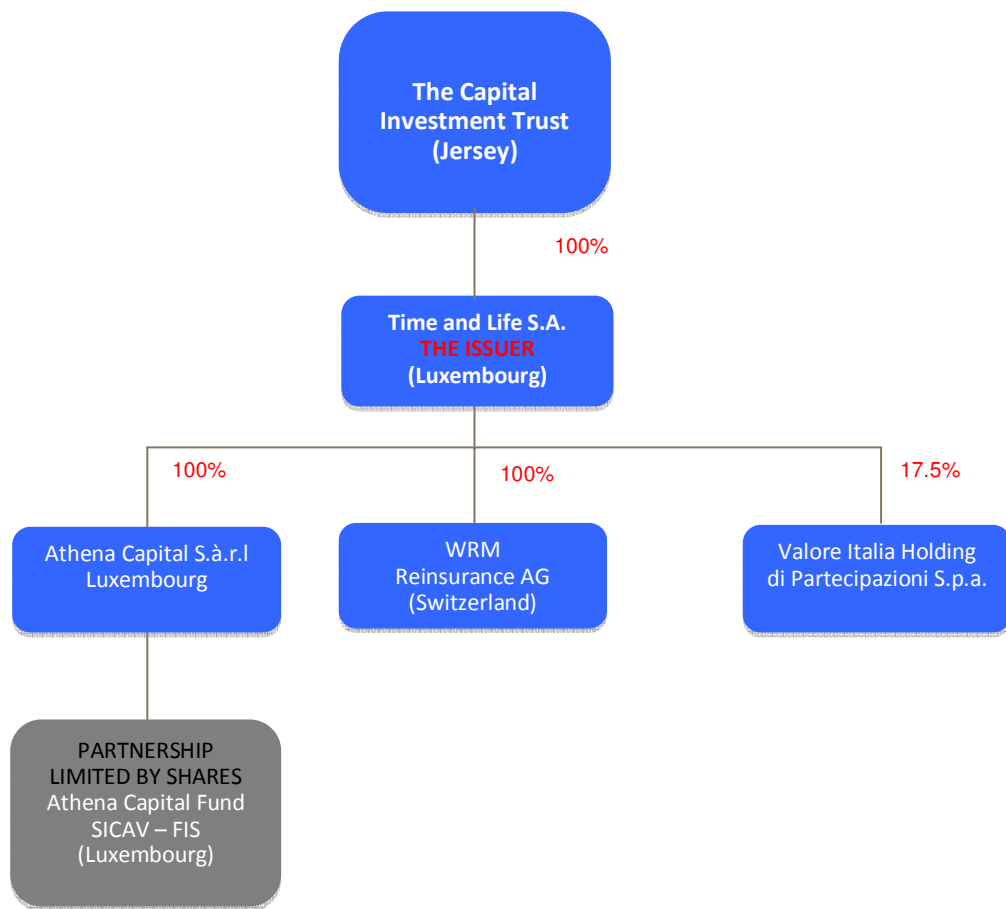
The asset management business has limited cash-flow generation capacity.

The risk underwritten so far by WRM is limited and as a result WRM owns limited assets and has a limited cash-flow generation capacity.

Although there is no certainty that the business will develop according to expectations, T&L is currently considering a number of investment opportunities which may potentially lead to a substantial expansion of its balance sheet and to the improvement of the liquidity profile of the Group.

## Organisational structure

The organisational structure chart below illustrates the main structure of the T&L Group.



## **Board of Directors of the Issuer**

T&L is managed by a board of directors (the “**Board**”) consisting of Mr Raffaele Mincione, Mr Frédéric Bonfond and Mrs Christine Burgard. Mr Mincione is the chairman of the Board and the business address of all three directors is L-2763 Luxembourg, 9, rue Sainte Zithe. Mr Bonfond and Mrs Burgard are respectively in charge of accounting and treasury, and legal and compliance at group level. .

As at the date of this Base Prospectus, there were no conflicts of interests between the duties owed to T&L by members of the Board and each of their private interest and other duties.

## **Major Shareholders**

T&L is fully owned by The Capital Investment Trust, a trust duly established under the laws of the Channel Islands, having its registered office at 15 Union Street, St Helier, Jersey, and represented by its trustee, First Names Trust Company (Channel Islands) Limited, having its registered office at 15 Union Street, St Helier, Jersey.

The members of the Board of T&L, in taking any decisions in their capacity as members of the Board, do so after taking into account the best interest of T&L and their responsibilities as directors. T&L is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of T&L.

## **Financial Information Concerning the Issuer’s Assets and Liabilities, Financial Position and Profits and Losses**

The standalone audited annual accounts for the Issuer for the periods of 1 January 2011 to 31 December 2011 and 1 January 2012 to 31 December 2012 are included in Annex 1 hereto. The consolidated audited annual accounts for the Issuer for the period of 1 January 2012 to 31 December 2012 are included in Annex 2 hereto.

## **Legal proceedings and Regulatory Investigations**

Neither T&L nor any of its subsidiaries is or has been involved in any governmental, legal, arbitration, administrative or other proceedings (nor is T&L aware of any such proceedings which are pending or threatened) during the 12 months prior to the date of this Base Prospectus which may have, or in such period have had, a significant effect on the financial position or profitability of the Issuer and/or the T&L Group.

## **Material Contracts**

In December 2012, the Issuer has restructured its debt vis a vis its largest private creditor/investor by consolidating it into one single loan of Euro 113,800,000.

The old debt consisted in: i) a term loan of Euro 38,000,000 (plus accrued interest); ii) a senior unsecured bond of Euro 20,000,000 (plus accrued interest); and iii) a term loan of Euro 46,818,698 (plus accrued interest). In each case the lender was a private professional investor.

The new loan is i) secured by a pledge over the accounts where certain shares held indirectly by Athena Capital Balanced Fund 2, a sub-fund of Athena Capital Balanced Fund SICAV-FIS in Banca Popolare di Milano S.c.a.r.l are credited and ii) limited recourse (i.e. in the event that on the loan maturity date the value of the collateral securing the loan is lower than the amount repayable under the loan, the repayment obligations of the Issuer will be limited to the collateral). A portion of the value of the collateral in excess of the outstanding principal at the date of repayment will be paid by the Issuer to lender as interest on the loan.

## TAXATION

### Luxembourg Taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

#### Taxation of non-resident holders of Notes

##### (i) Withholding tax

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 (the “**Laws**”) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the “**Territories**”), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it is currently levied at a rate of 35%. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

##### (ii) Income tax

A non-resident holder of Notes, not having a permanent establishment or permanent representative in Luxembourg to which such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes. A gain realised by such non-resident holder of Notes on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate holder of Notes or an individual holder of Notes acting in the course of the management of a professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which such Notes are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realised upon the sale or disposal, in any form whatsoever, of the Notes.

##### (iii) Net wealth tax

A non-resident corporate holder of Notes, who maintains a permanent establishment or a permanent representative in Luxembourg to which such Notes are attributable, may be subject to Luxembourg wealth tax on such Notes.

An individual holder of Notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

(iv) Other taxes

The issue of Notes will not be subject to a Luxembourg registration or stamp duty, except for a fixed registration duty of €75 (seventy-five euro), which is applicable to contributions increasing the relevant company's own funds, which may be applicable to the issue of undated Notes. The transfer or sale of such Notes will not be subject to a Luxembourg registration or stamp duty.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed or recorded in Luxembourg.

**Taxation of resident holders of Notes**

(i) Withholding tax

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended, (the Law) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10%.

(ii) Income tax

A corporate holder of Notes must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes. The same inclusion applies to an individual holder of Notes, acting in the course of the management of a professional or business undertaking.

A holder of Notes that is governed by the law of 11 May 2007 on family estate management companies, or by the law of 20 December 2002 on undertakings for collective investment, as amended, or by the law of 13 February 2007 on specialised investment funds, is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Notes.

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts, under the Notes, (i) except if withholding tax has been levied on such payments in accordance with the Law, or (ii) the individual holder of the Notes has opted for the application of a 10% tax in full discharge of income tax in accordance with the Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State), or in a state that has entered into a treaty with Luxembourg relating to the Council Directive 2003/48/EC of 3 June 2003. A gain realised by an individual holder of Notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if withholding tax has been levied on such interest in accordance with the Law.

(iii) Net wealth tax



A corporate holder of Notes, who is a resident of Luxembourg for tax purposes, or who maintains a permanent establishment or a permanent representative in Luxembourg to which such Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if the holder of Notes is governed by the law of 11 May 2007 on family estate management companies, or by the law of 20 December 2002 on undertakings for collective investment, as amended, or by the law of 13 February 2007 on specialised investment funds, or is a securitisation company governed by the law of 22 March 2004 on securitisation, or a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended. An individual holder of Notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

(iv) Other taxes

The issue of Notes will not be subject to a Luxembourg registration or stamp duty, except for a fixed registration duty of €75 (seventy-five euro), which is applicable to contributions increasing the relevant company's own funds, which may be applicable to the issue of undated Notes. The transfer or sale of such Notes will not be subject to a Luxembourg registration or stamp duty.

Where a holder of Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed or recorded in Luxembourg.

### **EU Directive on the Taxation of Savings Income**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State of the European Union (each a "**Member State**") is required to provide to the tax authorities of any other Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for the benefit of, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

The Issuer may enter into a dealer agreement (the “**Dealer Agreement**”) to agree a basis upon which the Dealers or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes” above. At the date of this Base Prospectus, no such Dealer Agreement has been entered into.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the relevant Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under U.K. laws and regulations stabilising activities may only be carried on by the Stabilising Manager named in the applicable Final Terms and only for a period of 30 days following the Issue Date of the relevant Tranche of Notes.

### **Selling Restrictions**

#### ***United States***

The Notes have not been and will not be registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the US Securities Act) except in accordance with Regulation S under the US Securities Act or pursuant to an exemption from the registration requirements of the US Securities Act. Terms used in the preceding sentence and in the paragraph below have the meanings given to them by Regulation S under the US Securities Act.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (“**Regulation S Notes**”), the Issuer has represented and agreed and any Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Trust Deed (with regard to the Issuer) or the Dealer Agreement (with regard to a Dealer, if any), it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the Issuer or the relevant Dealer (if any) or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part or (iii) in the event of a distribution of a Tranche that is fungible therewith, until 40 days after the completion of the distribution of such fungible Tranche, as determined by the parties described in clause (ii), within the United States or to, or for the account or benefit of, US persons. The Issuer has further agreed, and any Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, US persons. In addition, until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of Notes within the United States by the Issuer or any dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

The Notes are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted

by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986, as amended (the “**Code**”) and the regulations promulgated thereunder.

The Notes are being offered and sold only outside the United States to persons other than US persons (“**Foreign Purchasers**,” which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust) in reliance upon Regulation S. As used in this discussion of “Subscription and Sale” — “United States”, the terms “United States” and “US person” have the meanings given to them in Regulation S.

Each purchaser of Notes will be deemed to have represented and agreed as follows:

(1) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a Foreign Purchaser that is outside the United States (or a Foreign Purchaser that is a dealer or other fiduciary as referred to above).

(2) It acknowledges that the Notes have not been registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except as set forth below.

(3) It agrees that the Issuer has no obligation to register the Notes under the US Securities Act.

(4) It will not resell or otherwise transfer any Notes within two years after the original issuance of the Notes except (A) to the Issuer, (B) outside the United States in compliance with Rule 904 under the US Securities Act, (C) pursuant to the exemption from registration provided by Rule 144 under the US Securities Act (if available) or (D) pursuant to an effective registration statement under the US Securities Act.

(5) It will give to each person to whom it transfers Notes notice of any restrictions on transfer of those Notes.

(6) It understands that the Regulation S Notes offered will be represented by a Permanent Global Note in registered form, without Receipts, Coupons or Talons (the “**Regulation S Global Note**”). Before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who is not a foreign purchaser, the transferee will be required to provide the Trustee with a written certification (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restrictions referred to above.

(7) It understands that each of the Regulation S Notes will bear a legend substantially to the following effect unless otherwise agreed by the Issuer and the holder of particular Notes:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “**US SECURITIES ACT**”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OF BENEFIT OF, US PERSONS. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS NOT A US PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE US SECURITIES ACT, (2) AGREES THAT IT WILL NOT, PRIOR TO THE DATE THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THE ISSUER OF THIS SECURITY OR ANY AFFILIATED PERSON OF THE ISSUER WAS THE OWNER OF THIS SECURITY, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE ISSUER OR ANY SUBSIDIARY OF THE ISSUER, (B) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE US SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT (IF AVAILABLE), OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE US SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED IN THIS STATEMENT, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “US PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE US SECURITIES ACT.

(8) It will not sell or otherwise transfer Notes to, and each purchaser represents and covenants that it is not acquiring the Notes for or on behalf of, and will not transfer Notes to, any “employee benefit plan” as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 (“**ERISA**”) which is subject to Title I of ERISA or any “plan” as defined in Section 4975 of the Code, which is subject to

Section 4975 of the Code (in such case, a “**Plan**”), or any entity the assets of which constitute “plan assets” of any Plan for the purposes of ERISA or Section 4975 of the Code (a “**Plan Entity**”).

(9) It acknowledges that the Trustee will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions described above have been complied with.

(10) It acknowledges that the Issuers, the Dealers (if any) and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations and agreements deemed to have been made by its purchase of Notes are no longer accurate, it will promptly notify the Issuer and the Dealers (if any). If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each account.

***Public Offer Selling Restriction under the Prospectus Directive (the “Public Offer Selling Restriction”)***

In relation to a Relevant Member State the Issuer has represented and agreed, and any Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of any Dealer that the Issuer may have nominated for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

The European Economic Area selling restriction is in addition to any other selling restrictions set out below.

***United Kingdom***

The Issuer has represented and agreed and any Dealer appointed under the Programme will be required to represent and agree that:

- (i) in relation to any Notes having a maturity of less than one year from the date of their issue, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue or sale of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **France**

The Issuer has represented and agreed, and any Dealer appointed under the Programme will be required to represent and agree that:

- (i) *Offer to the public in France:*  
it has only made and will only make an offer of Notes to the public in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the Autorité des marchés financiers ("**AMF**"), on the date of such publication or, (ii) when a prospectus has been approved by the competent authority of a Relevant Member State on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of the Base Prospectus, all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or
- (ii) *Private placement in France:*  
it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant final terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 and D.411-4 of the *French Code monétaire et financier*.

### **Italy**

The offering of the Notes has not be registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24<sup>th</sup> February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14<sup>th</sup> May 1999, as amended from time to time ("**Regulation No. 11971**"); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act or Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29<sup>th</sup> October 2007, as amended from time to time, and Legislative Decree No. 385 of 1<sup>st</sup> September 1993, as amended (the “**Banking Act**”);

(b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

### **Luxembourg**

In addition to the cases described in the Public Offer Selling Restriction under the Prospectus Directive in which the Issuer can make an offer of Notes to the public in a Relevant Member State (including the Grand Duchy of Luxembourg (“**Luxembourg**”), the Issuer can also make an offer of Notes to the public in Luxembourg:

(a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organisations;

(b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including, credit institutions, investment firms, other authorised or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities; and

(c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10 July 2005 relating to prospectuses for securities implementing the Prospectus Directive into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the CSSF, as competent authority in Luxembourg in accordance with the Prospectus Directive.

### **General**

The Issuer has agreed, and any Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and no other Dealer shall have any responsibility therefor.

Neither the Issuer nor any Dealer represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer (if any) will be required to comply with such other or additional restrictions as the Issuer and the relevant Dealer (if any) shall agree to be appropriate and as shall be set out in the applicable Final Terms.

## GENERAL INFORMATION

### Authorisation

The update of the Programme and the issue of Notes thereunder has been duly authorised by resolutions of the Board of Directors of the Issuer 29 November 2013.

### Listing of Notes on the Official List

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Irish Stock Exchange's regulated market will be admitted separately as and when issued. Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.

Any websites referred to within this document and its content do not form part of the Base Prospectus.

### Clearing Systems

The Notes have been accepted for clearance through Clearstream and Euroclear (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Clearstream and Euroclear will be specified in the applicable Final Terms. If the Notes are to be cleared through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, *1 Boulevard du Roi Albert II, B-1210 Brussels* and the address of Clearstream is *Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg*.

### Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer (if any) at the time of issue in accordance with prevailing market conditions.

### Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer or T&L Group since 31 December 2012 and there has been no material adverse change in the financial position or prospects of the Issuer or T&L Group since 31 December 2012..

### Governmental, Legal and Arbitration Proceedings

Neither the Issuer nor any member of the T&L Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have, or have in such period had, a significant effect on the financial position or profitability of the Issuer or T&L Group.

### Auditors

The standalone and consolidated annual accounts for the Issuer for the periods of 1 January 2011 to 31 December 2011 and 1 January 2012 to 31 December 2012 were audited by Deloitte Audit Société à Responsabilité Limitée, Chartered Accountants, in accordance with generally accepted auditing standards in Luxembourg in respect of the standalone annual account and in accordance with International Financial Reporting Standards ("IFRS") in respect of the consolidated annual accounts, and in each case reported on without qualification.

The auditors of the Issuer have no material interest in the Issuer.

### Trust Deed

The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) and/or any other expert in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and the Auditors or such other expert in connection therewith contains any limit on the liability (monetary or otherwise) of the Auditors or such other expert.

## **Documents Available**

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published (if applicable), be available for inspection in physical form from the registered office of the Issuer and from the specified office of the Paying Agents:

- (i) the Memorandum and Articles of Association of the Issuer;
- (ii) the standalone audited financial statements of the Issuer;
- (iii) the consolidated audited financial statements of the Issuer;
- (iv) the most recently published audited standalone annual financial statements of the Issuer and the most recently published standalone financial reports (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith;
- (v) the most recently published consolidated audited annual financial statements of the Issuer and the most recently published consolidated financial reports (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith;
- (vi) the Trust Deed, and the Schedule of Forms (containing the forms of the Temporary Global Notes, the Permanent Global Notes, the definitive Notes, the Receipts, the Coupons and the Talons);
- (vii) this Base Prospectus; and
- (viii) any future Base Prospectuses, prospectuses or information memoranda in respect of the Notes and any supplements thereto including any Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market in an EEA state nor offered to the public in an EEA state in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to its holding and identity) and any other documents incorporated herein or therein by reference.

## **Post-issuance Information**

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

## **Dealer Transacting with the Issuer**

A Dealer (if any) and its affiliates may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business.



## **ANNEX 1**

**Standalone Audited Annual Accounts for the periods of 1 January 2011 to 31 December 2011  
and 1 January 2012 to 31 December 2012**

## **ANNEX 2**

**Consolidated Audited Annual Accounts for the period of 1 January 2012 to 31 December 2012**

**Time and Life S.A.**

65 boulevard Grande-Duchesse Charlotte

L-1331 Luxembourg

R.C.S Luxembourg B 162.433

Share capital 231,000

**ANNUAL ACCOUNTS  
FOR THE PERIOD FROM JULY 15, 2011 TO DECEMBER 31, 2011  
AND REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

## Table of contents

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To the Sole Shareholder of  
Time and Life S.A.  
65, Boulevard Grande Duchesse Charlotte  
L-1331 Luxembourg

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

### Report on the annual accounts

Following our appointment by the Sole Shareholder, we have audited the accompanying annual accounts of Time and Life S.A., which comprise the balance sheet as at December 31, 2011, and the profit and loss account for the period from July 15, 2011 to December 31, 2011 and a summary of significant accounting policies and other explanatory information.

### *Responsibility of the Board of Directors for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of Time and Life S.A. as of December 31, 2011, and of the results of its operations for the period from July 15, 2011 to December 31, 2011 in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

For Deloitte Audit, *Cabinet de révision agréé*



Marco Crosetto, *Réviseur d'entreprises agréé*  
Partner

September 7, 2012

**Time and Life S.A.**  
R.C.S. Luxembourg B 162.433  
**Balance Sheet as at December 31, 2011**

	Notes	31.12.2011 euros
<b><u>ASSETS</u></b>		
<b><u>A.Subscribed capital unpaid</u></b>		
<b><u>B. Formation expenses</u></b>		
	(3)	18,826.14
<b><u>C. Fixed assets</u></b>		
<i>III. Financial Assets</i>		
	(4)	113,305,566.20
<b><u>D. Current Assets</u></b>		
<i>II. Debtors</i>		
a) Becoming due and payable within one year	(5)	21,186,202.66
<i>IV. Cash at bank, in postal cheque accounts, cheques and cash in hand</i>		18,093,105.90
<b><u>E. Prepayment and Accrued income</u></b>		495,000.00
<b>Total Assets</b>		<b>153,098,700.90</b>

The accompanying notes are an integral part of the annual accounts

**Time and Life S.A.**  
**Balance Sheet as at December 31, 2011**  
R.C.S. Luxembourg B 162.433

	Notes	31.12.2011 euros
<b><u>LIABILITIES</u></b>		
<b><u>A. Capital and Reserves</u></b>		
<i>I. Subscribed capital</i>	(6)	231,000.00
<i>VI. Profit and loss for the financial year/period</i>	(8)	(1,860,690.62)
<b><u>B. Subordinated debt</u></b>		
<b><u>C. Provisions</u></b>		
<i>2. Provisions for taxation</i>		1,575.00
<i>3. Other provisions</i>		27,706.50
<b><u>D. Non-subordinated debts</u></b>		
<i>a) Becoming due and payable within one year</i>	(9)	699,110.02
<i>b) Becoming due and payable after more than one year</i>	(9)	154,000,000.00
<b><u>E. Accruals and Deferred income</u></b>		
<b>Total Liabilities</b>		<b>153,098,700.90</b>

The accompanying notes are an integral part of the annual accounts



Time and Life S.A.

Profit and Loss Account for the period from 15.07.2011 to 31.12.2011

R.C.S. Luxembourg B 162.433

	Notes	from 15.07.2011 to 31.12.2011 euros
<b><u>CHARGES</u></b>		
<u>materials</u>		-
<u>2. Other external charges</u>		2,181,380.07
<u>3. Staff costs</u>		
<u>4. Value Adjustments</u>		
<i>a) on formation expenses and on tangible and on intangible fixed assets</i>		1,862.16
<u>5. Other operating charges</u>		-
<u>6. Value adjustments and fair value adjustments on financial fixed assets</u>		
<u>7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities.</u>		-
<u>8. Interests payable and other financial charges</u>		
<i>b) other interest and charges</i>	(10)	761,101.45
<u>10. Extraordinary charges</u>		-
<u>11. Income tax</u>	(11)	1,575.00
<u>12. Other taxes not included in the previous caption</u>		-
<u>13. Profit of the financial period</u>		
<b>Total charges</b>		<b>2,945,918.68</b>

The accompanying notes are an integral part of the annual accounts

Time and Life S.A.

Profit and Loss Account for the period from 15.07.2011 to 31.12.2011

R.C.S. Luxembourg B 162.433

	Notes	from 15.07.2011 to 31.12.2011 euros
<u>INCOME</u>		
<u>1. Net turnover</u>		-
<u>2. Changes in inventories of finished goods and of work and contracts in progress</u>		-
<u>3. Fixed assets under development</u>		-
<u>4. Reversal of value adjustments</u>		
<u>5. Other operating income</u>		348,333.33
<u>6. Income from financial fixed assets</u>		
<u>7. Income from financial current assets</u>		
<u>8. Other interest and other financial income</u>		
<i>b) other interest and financial income</i>	(10)	736,894.73
<u>9. Extraordinary income</u>		-
<u>12. Loss for the financial period</u>		1,860,690.62
<b>Total income</b>		<b>2,945,918.68</b>

The accompanying notes are an integral part of the annual accounts

**Time and Life, S.A.**  
**R.C.S. Luxembourg B 162.433**  
**Notes to the accounts on December 31, 2011**

**Note 1 - General Information**

Time and Life S.A. (the Company) was incorporated in Luxembourg on July 15, 2011 and organised under the laws of Luxembourg in the form of a S.A. for an unlimited period.

Its registered office is established in 65 boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg.

The Company's financial year starts on 01.01 and ends on 31.12 of each year. Exceptionally, the first accounting period started on July 15.

The purpose of the company is the acquisition, the management, the enhancement and the disposal of participations in whichever form in domestic and foreign companies. The company may also contract loans and grant all kinds of support, loans, advances and guarantees to companies, in which it has a direct or indirect participation or which are members of the same group.

Based on the criteria defined by Luxembourg law, the Company is exempted from the obligation to draw up consolidated accounts and a consolidated management report for the 2011 ending December 31, 2011.

Therefore, in accordance with the legal provisions, these annual accounts were presented on a non-consolidated basis to be approved by the shareholders during the Annual General Meeting.

**Note 2 - Significant accounting policies**

**2.1 General principles**

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the modified Law of 19 December 2002, determined and applied by the Board of Directors.

The preparation of annual accounts requires the use of certain critical accounting estimates. It is also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

**2.2 Significant accounting policies**

The main valuation rules applied by the Company are the following, in accordance with the principles described above:

**2.2.1 Formation expenses**

Formation expenses are written off on a straight-line method over a period of 5 years.

**2.2.2 Financial fixed assets**

**Historical cost model**

**Valuation at purchase price**

Shares in affiliated undertakings and loans to these undertakings are valued at purchase price.

In case of a durable depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

**2.2.3 Debtors**

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

**2.2.4 Cash**

Cash is valued at its nominal value.

**2.2.5 Foreign currency translation**

The accounts are expressed in euros .

Transactions expressed in currencies other than euros are translated into euros at the exchange rate effective at the time of the transaction.

Formation expenses and long-term assets expressed in currencies other than euros are translated into euros at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historic exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the 2011.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historic exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The realised exchange gains are recorded in the profit and loss account at the moment of their realisation.

## 2.2.6 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

### Provision for taxation Current tax provision

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years for which the tax return has not yet been filed are recorded under the caption "Tax debts". The advance payments are shown in the assets of the balance sheet under the "Other receivables" item.

## 2.2.7 Debts

Debts are valued at their reimbursement value.

## Note 3- Formation expenses

Formation expenses comprise incorporation expenses/expenses incurred for the capital increase.

The movements of the period are as follows:

	2011 euros
<b>Gross book value - opening balance</b>	-
Additions for the 2011	20,688.30
Disposals for the 2011	-
Transfers for the 2011	-
<b>Gross book value - closing balance</b>	<b>20,688.30</b>
<b>Accumulated value adjustment - opening balance</b>	-
Allocations for the 2011	1,862.16
Reversals for the 2011	-
<b>Accumulated value adjustment - closing balance</b>	<b>(1,862.16)</b>
<b>Net book value - closing balance</b>	<b>18,826.14</b>

## Note 4 - Financial Fixed Assets

For assets following the historical cost model

The movements of the period are as follows:

	Shares in affiliated undertakings	Loans to affiliated undertakings	Participating interests	Loans to undertakings with which the company is linked by virtue of participating interests	Securities held as fixed assets	Loans and receivables	Own shares or own corporate units	Total
	euros	euros	euros	euros	euros	euros	euros	euros
<b>Gross book value - opening balance</b>	-	-	-	-	-	-	-	-
Additions for the period	13,200,000.00	20,000,000.00	-	-	80,105,566.20	-	-	113,305,566.20
Disposals for the period	-	-	-	-	-	-	-	-
Transfers for the period	-	-	-	-	-	-	-	-
<b>Gross book value - closing balance</b>	13,200,000.00	20,000,000.00	-	-	80,105,566.20	-	-	113,305,566.20
<b>Accumulated value adjustment - opening balance</b>	-	-	-	-	-	-	-	-
<b>Accumulated value adjustment - closing balance</b>	-	-	-	-	-	-	-	-
<b>Net book value - closing balance</b>	13,200,000.00	20,000,000.00	-	-	80,105,566.20	-	-	113,305,566.20
<b>Net book value - opening balance</b>	-	-	-	-	-	-	-	-

Details of the undertakings

<b>Name</b>	WRM Reinsurance A.G.	Banca Popolare di Milano
<b>Activity</b>	Insurance company	Bank
<b>Headoffice</b>	Switzerland	Italy
<b>Capital</b>	CHF 12,500,000.-	EUR 3,032,620.-
<b>Ownership</b>	100.00%	8.27%
<b>Net equity 31.12.2011</b>	CHF 16,296,938.-	EUR 4,062,610.-

Based on audited figures, the net equity includes the result of the year.

## Note 5 - Debtors

Debtors are mainly composed of

	Within one year	After one year and within five years	After more than five years	Total	2011	Total	2010
	euros	euros	euros	euros	euros	euros	euros
Interests on loan to Capital Investment Trust	380,238.33	-	-	380,238.33	-	-	-
Finers Stephens Innocent deposit	20,157,666.00	-	-	20,157,666.00	-	-	-
Nominee agreement reimbursement	348,333.33	-	-	348,333.33	-	-	-
Queensberry Holding	299,965.00	-	-	299,965.00	-	-	-
<b>Total</b>	<b>21,186,202.66</b>	<b>-</b>	<b>-</b>	<b>21,186,202.66</b>	<b>-</b>	<b>-</b>	<b>-</b>

The interest rate of the loan to Capital Investment Trust (the sole shareholder of Time and Life S.A.) is 6.625% + 6 months Euribor (360 days basis) and there is no maturity date.

The deposit on Finers Innocent was granted on behalf of Queensberry House in relation with an exclusivity agreement for the purchase of an estate property in UK. The amount available on this deposit is GBP 16,800,000 and GBP 250,000 (of non refundable deposit Queensberry House) and represents 10% of the acquisition price of the property. This amount was refund back in February 2012 for GBP 12,050,000 and the remaining GBP 5,000,000 were granted as a loan to Queensberry Holding. The nominee agreement reimbursement account are the interest payable on the loan granted by Four Elements (EUR 114,000,000 at an interest rate of 10%). This loan was granted for the acquisition of the shares in Banca Popolare di Milano on behalf of Capital Investment Trust. All the costs supported by Time and Life are recharged on Capital Investment Trust. This nominee agreement entered into for an indefinite period of time.

## Note 6 – Subscribed capital

The subscribed capital amounts to EUR 231,000 and is divided into 231,000,000 shares fully paid-up with a nominal value per unit of EUR 0.01.

The movements on the "Subscribed capital" item during the period are as follows:

December 31, 2011 euros	Subscribed capital - opening balance	Subscriptions for the 2011	Redemptions for the 2011	Subscribed capital - closing balance
Number of shares	-	231,000.00	-	(231,000.00)
<b>Number of Shares / Corporate units Total</b>	-	<b>231,000.00</b>	-	<b>(231,000.00)</b>

## Note 7 - Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

## Note 8 - Movements for the period on the reserves and profit/loss items

The movements for the period are as follows:

	Legal reserve	Reserves for own shares and own corporate units	Reserves provided for by the Articles of Associa- tion	Other reserves	Profit or loss brought forward (*)	Profit or loss for the financial year	Dividend payment	Total
	euros	euros	euros	euros	euros	euros	euros	euros
<b>As at December 31, 2010</b>	-	-	-	-	-	-	-	-
Movements for the 2011								
- Profit or loss of the period 2011	-	-	-	-	(1,860,690.62)	-	-	(1,860,690.62)
- Other movements	-	-	-	-	-	-	-	-
<b>As at December 31, 2011</b>	-	-	-	-	<b>(1,860,690.62)</b>	-	-	<b>(1,860,690.62)</b>

## Note 9 - Non-subordinated debt

Amounts due and payable for the accounts shown under "Non-subordinated debt" are as follows:

	Within one year	After one year and within five years	After more than five years	Total	2011	Total	2010
	euros	euros	euros	euros	euros	euros	euros
Convertible debenture loans	369,303.19	-	20,000,000.00	<b>20,369,303.19</b>	-	-	-
Non- convertible debenture loans	311,320.00	-	134,000,000.00	<b>134,311,320.00</b>	-	-	-
Amounts owed to credit institutions	-	-	-	-	-	-	-
Payments received on account of orders	-	-	-	-	-	-	-
Trade creditors	17,986.83	-	-	<b>17,986.83</b>	-	-	-
Bills of exchange payable	-	-	-	-	-	-	-
Amounts owed to affiliated undertakings	-	-	-	-	-	-	-
Amounts owed to undertakings with which the company is linked by virtue of participating interests.	-	-	-	-	-	-	-
Tax and social security debts	-	-	-	-	-	-	-
Other creditors	500.00	-	-	<b>500.00</b>	-	-	-
<b>Total</b>	<b>699,110.02</b>	-	<b>154,000,000.00</b>	<b>154,699,110.02</b>	-	-	-

The convertible debenture loan are composed of 2,000,000,000.- CPEC's with a par value of EUR 0.01. The interest rate is 0.43%. These CPEC's were subscribed by Minerva Capital Fund but were subsequently transferred to Capital Investment Trust in 2011. The interest for 2011 amounted to EUR 20,969.86. As from the 21st anniversary of the date of issuance, being October 04, 2011, the holder shall have the right to require the conversion of any of all of the CPEC's into conversion shares. The ratio of conversion is 1 CPEC against 1 share. The maturity date is the 30th anniversary of the date of issuance. At the maturity date, the issuer have the obligation to redeem any or all the outstanding CPEC's at a price equal to the redemption price. The issuer shall give notice of its intention to redeem the CPEC's by delivering a conversion notice to each holder following 15 business days following a conversion event.

The amount of EUR 348,333.33 is related to the interest payable on the loan granted by Four Elements (EUR 114,000,000 at an interest rate of 10%) for the acquisition of the shares in Banca Popolare di Milano on behalf of Capital Investment Trust. The loan was granted on December 19, 2011 for an indefinite period of time.

The non-convertible debenture loans are composed of

The amount of EUR 114,000,000.- is the loan granted by Four Elements PPC. EUR 30,000,000 were paid back in March 2012. The loan was granted on December 19, 2011 for an indefinite period of time.

The EUR 20,000,000.- represent the bonds subscribed on October 20, 2011 by Minerva Capital Fund. The interest rate applied is 6% and the 2011 interest amounted to EUR 311,320.-

## Note 10 – Other income and charges

Other income and charges include EUR 20,969.86 of interests payable on CPEC's, EUR 311,320 of interests payable on bonds, EUR 348,333.33 of interests on the nominee agreement, EUR 11,656.40 of interests received on current accounts, EUR 380,238.33 of interests to receive on the loan granted to Capital Investment Trust and EUR 345,000 as term deposit account.

## Note 11 – Current and deferred taxes

The income tax expense of the Company for the financial period is broken down as follows

	2011	2010
	euros	euros
Tax expense for the financial 2011	1,575.00	-
Tax expenses related to previous year	-	-
<b>Total</b>	<b>1,575.00</b>	<b>-</b>

## Note 12 – Subsequent events

On February 2012, Athena Capital S.à r.l. was incorporated in Luxembourg by Time and Life with a share capital of EUR 12,500 and Time and Life purchased 1 unit (EUR 1,000.-) of Athena Capital Fund SICAV-SIF (total share capital EUR 31,000).  
On March 2012, 17 Pop's S.à r.l. were incorporated by Time and Life S.A.. Their registered address is in Luxembourg. Their share capital is EUR 12,500.-.  
End of March 2012, the company acquired 1.01% of the shares of Monte Dei Paschi di Siena for an acquisition price of EUR 39,913,835.30. All these shares were sold in June 2012 generating a loss of EUR 17,650,420.77.  
On March 2012, the Company granted a loan of EUR 1,000,000 to a third party at an interest rate of 3%. The maturity date is April 2013.  
On May 2012, WRM Reinsurance AG granted a loan to Time and Life for EUR 13,000,000.- The interest rate applied is 3% and the loan is payable back on July 2013.  
The loan granted to Queensberry Holding Limited of GBP 5,000,000 was refund back in June 2012.  
In July 2012, the company entered into a Lombard credit for EUR 25,000,000.-.

## Note 13 – Going concern

The accumulated losses as of December 31, 2011 exceed the equity of the corporate capital. In accordance with art. 100 of the amended companies' law of August 10, 1915, the executive board shall convene a general meeting of the sole shareholder within a period not exceeding two months from the time at which the loss was or should have been ascertained by them and such meeting shall resolve in accordance with the conditions laid down in article 67-1 on the possible dissolution of the Company.  
The Management of the Company assessed as appropriate the going concern assumption given the fact that:  
a) the company has sufficient cash availability to meet its financial obligation for at least the next 12 months;  
b) CPEC4s are due to the shareholder;  
c) the shareholder intends to continue the activity of the company.

**Time and Life S.A.**

**ANNUAL ACCOUNTS AND  
REPORT OF THE REVISEUR D'ENTREPRISES AGREE**  
as at and for the year ended 31 December 2012  
9, rue Sainte Zithe  
L-2763 Luxembourg  
R.C.S. Luxembourg B 162.433  
Subscribed capital: EUR 231.000



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## **DIRECTORS' REPORT**

The Board of Directors of Time and Life S.A. (the “**Company**”) herewith submits its annual accounts for the financial year from 1 January 2012 to 31 December 2012.

### **General**

The Company is a commercial company and has as corporate purpose the acquisition, the management, the enhancement, the disposal of participations, of securities or of real estate, of patents and licenses, as well as rights deriving therefrom or supplementing them.

### **Summary of activities**

On March 5, 2012, the Company incorporated Athena Capital S.à r.l. which has as corporate purpose the acquisition of participations in Luxembourg or abroad, in any companies or enterprises in any form whatsoever and the management of such participations. The Company shall in particular be appointed as and act as the managing general shareholder of one or more corporate partnerships (société en commandite par actions).

In March 2012 the Company incorporated POP 1 S.à r.l., POP 2 S.à r.l., POP 3 S.à r.l., POP 4 S.à r.l. , POP 5 S.à r.l., POP 6 S.à r.l., POP 7 S.à r.l., POP 8 S.à r.l., POP 9 S.à r.l., POP 10 S.à r.l., POP 11 S.à r.l., POP 12 S.à r.l., POP 13 S.à r.l., POP 14 S.à r.l., POP 15 S.à r.l., POP 16 S.à r.l. and POP 18 S.à r.l. which have as corporate purposes the acquisition, the management, the enhancement and the disposal of participations.

In March 2012, the Company bought 117.983.551 shares in Banca Monte Dei Paschi Di Siena Spa representing 1,01% of the share capital. The Company sold those shares in June 2012 and generated a loss of EUR 17.650.421. The acquisition was financed with a loan from Barclays which has been repaid.

In July 2012, the Company obtained a Lombard loan from Banque Internationale à Luxembourg S.A. (“BIL”) amounting to EUR 25.000.000.

In August 2012, the Company bought 25.000 shares in Athena Capital Real Estate & Special Situations Fund 1, a sub-fund of Athena Capital Fund SICAV-FIS (« RE1 ») for an amount of EUR 25.000.000.

In December 2012, the Company launched a EUR 30.000.000 issuance under its 250.000.000 Euro Medium Term Note Programme.

In December 2012, the Company bought shares in RE1 for an amount of EUR 22.700.000 and in Athena Capital Real Estate & Special Situations Fund 2, a sub-fund of Athena Capital Fund SICAV-FIS (“RE2”) for an amount of EUR 7.300.000.

In December 2012, the Company successfully consolidated all its debt exposure (EUR 113.800.000) in a single debt instrument characterised by a lower volatility risk due to the limited recourse nature of the loan.

## **Acquisition of own shares**

During the year ended 31 December 2012, the Company did not purchase any of its own shares.

## **Board of Directors**

At incorporation date Mr R. Mincione, Mr X. Soulard and Mr D. Giannetti were appointed as Directors of the Company. On 1 March 2013, Mr X. Soulard and Mr D. Giannetti resigned and Mr F. Bonfond and Mrs C. Burgard were appointed.

## **Financial performance and position**

The Company had total assets at 31 December 2012 of EUR 180.806.465 (2011: EUR 153.098.701) including EUR 13.425.000 (2011: EUR 13.200.000) of investments in subsidiaries.

The net loss of Time and Life S.A. for the year ended 31 December 2012 was EUR 20.250.986 (2011: EUR 1.860.691). The Company's loss for 2012 was mainly due to a loss on disposal of shares in Banca Monte Dei Paschi Di Siena Spa.

## **Subsequent events**

On 9 January 2013, the Company reimbursed in full the EUR 25.000.000 loan granted by BIL.

On 25 March 2013, the Company sold its participation in RE2 for an amount of EUR 7.305.402, realizing a gain of EUR 5.402.

On 26 March the loan granted by WRM Reinsurance AG was increased by an amount of EUR 3.700.000.

On 22 April 2013, in order to comply with certain obligations arising from the shareholder status the Company transferred 224.900.054 shares of Banca Popolare di Milano to the POP's Companies.

The Company made an early repayment of EUR 20.025.371 under the loan obtained in December 2012.

In June 2013 the POPs pledged the securities accounts on which BPM shares received on 22 April 2013 are held to secure the restructuring loan amounting EUR 113.800.000 as disclosed in the summary of activities. The Company and POPs are still economical and legal owner of those shares and are still entitled to exercise voting rights and to receive any dividend or other income. The lender is however ranking in priority to third party creditors in respect of the loan collateral.

During the first quarter 2013, as outlined below the investment in Banca Popolare di Milano has led to a gain.

### **Future outlook**

The Company will continue to search for investment opportunities in its core business areas whilst endeavoring to exploit the full potential of its existing assets and strategic participations.

### **Corporate governance statement**

The sole shareholder of the Company is The Capital Investment Trust, a trust duly established under the laws of Channel Islands, with registered office at 15 Union Street, St Helier, Jersey.

No holder of any securities has special control rights.

There are no restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities.

The Company is managed by a Board of Directors composed of at least three directors, who need not be shareholders of the Company. The directors are elected by the shareholders at a general meeting, which shall determine their number, remuneration and term of office. The term of the office of a director may not exceed six years and the directors shall hold office until their successors are elected. The directors may be re-elected for consecutive terms of office.

The board of directors will elect from among its members a chairman.

Any director may act at any meeting of the Board of Directors by appointing in writing or by telegram, telex or facsimile another director as his proxy. A director may represent one or more of his colleagues.

The Board of Directors can deliberate or act validly only if a majority of the directors is present or represented at a meeting of the board of directors.

Decisions shall be taken by a majority vote of the directors present or represented at such meeting. In case of a tie in votes, the vote of the chairman of the meeting will be the deciding vote.

The Board of Directors is vested with the broadest powers to perform all acts of administration and disposition in compliance with the corporate object.

All powers not expressly reserved by law or by the articles of association to the general meeting of shareholders fall within the competence of the board of directors. The Board of Directors may pay interim dividends, in compliance with the legal requirements.

The shareholders have authorized the Board of Directors to issue convertible CPECs or assimilated instruments convertible into shares, within the limits of the authorized capital which has been set at thirty million Euro (EUR 30.000.000) represented by three billion (3,000,000,000) shares with a nominal value of one Cent (EUR 0,01) each.

Annual accounts preparation process is internally controlled, bookkeeping tasks were performed by an external services provider. The board reviewed entries led by Mr Bonfond for tax and accounting matters and Mrs Burgard for legal and compliance matters.

The Board is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements.

Future projections and estimates are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The Board assessed the effectiveness of the company's internal controls over financial reporting as of 31 December 2012. Based on this assessment, the Board determined that, as of 31 December 2012, the Company maintained effective internal control over financial reporting.

The Board assessment was aimed at avoiding significant deficiencies or material weaknesses in the structure or functioning of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information, and to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

The audit of annual accounts was performed by Deloitte Audit in its capacity as "réviseur d'entreprises agréé".

### **Point of attention**

The Board of Directors has to draw the attention of the sole shareholder on article 100 of the Law dated August 10, 1915.

Except more rigorous measures of the statutes, in case of loss of half of the share capital, the Board of Directors convokes, so that it is held for the deadline not exceeding two months as from the moment when the loss was noticed by them or would have been noticed, the general assembly which will deliberate in the conditions of the article 67-1 on the possible dissolution of the Company.

## **Principal Risks and Uncertainties**

The markets in which the Company operates may be affected by numerous factors, many of which are beyond the Company's control and the exact effect of which cannot be accurately predicted.

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Directors note that the principal risks and uncertainties facing the Company include the following areas:

- **Acquisitions**

The risks associated with selecting appropriate acquisitions, integrating them into the business and successfully realising the growth expected from such acquisitions. The Company conducts a stringent internal due diligence process prior to completing an acquisition. Company and subsidiary management have significant experience and expertise in acquisition integration.

- **Global economic downturn**

The economic, technological and other macro factors affecting investments' performances. Whilst the current economic downturn may affect all business the impact will vary according to the markets in which they operate. The Company continues to work on operating efficiencies and business development to ensure it remains competitive.

- **Management resources**

Strong and effective management has been fundamental to the Company's success. The ability to attract and retain highly skilled employees and executives is critical to this continued success. The Company maintains a constant focus on recruitment processes and management development.

- **Regulation**

Changes to regulation, taxation or legislative environment applicable to the Company's activities. All regulatory, taxation and legislative requirements are managed locally by compliance and finance managers. The Company also reviews regulation centrally together with legislative developments.

- **Capital markets and treasury**

The Company reliance on capital markets is very limited. However, in principle, adverse capital markets conditions may affect the financing and refinancing ability of the Company. Treasury risks are actively managed by the Director in charge of accounting and treasury in adherence to Board approved policies and procedures.

- **Equity price risk**

The Company is exposed to equity price risks arising from equity instruments. As at December 31, 2012 the company invested approximately EUR 80 million in Banca Popolare di Milano, a listed Italian bank.

- Interest rate risk

The Company has no significant interest bearing exposures other than bank balances and borrowings. Interest rate risk arising from the Company's borrowings is managed by minimising interest rate mismatches between assets and liabilities.

- Foreign exchange risk

The Company is not exposed to foreign exchange risk as all assets and liabilities are in euros.

- Fair value risk

The establishment of fair value adjustments and the determination of the amount of write-downs involve estimates that are based on accounting processes and judgments by the Board of Directors. The Board evaluates the adequacy of the fair value adjustments and the amount of impairments on an ongoing basis. The levels of impairments could be changed as events warrant and may not reflect ultimate realizable amounts.

- Credit risk

The Company measures and monitors credit risk on an ongoing basis.

Credit risk is managed at both the Company level and each subsidiary level. At the company level credit risk mainly arises from exposures in respect of cash and short-term deposits with banks. Credit risk is managed by limiting the aggregate amount and duration of exposure to counterparties. These judgements are made after taking into account the counterparty's credit quality or ratings (when available) and by regular monitoring of such credit quality or ratings. Acceptable credit ratings are medium-to-high investment grade ratings for cash and cash equivalents. At the end of the reporting period, the Board of Directors believes that there were no concentrations of credit risk in respect of receivables. The maximum exposure to credit risk is represented by the carrying value of each receivable on the balance sheet. The Company's maximum exposure to credit risk in respect of cash and cash equivalents during the year end is the carrying value of the balance.

- Liquidity risk

Cash flow forecasting is performed on an ongoing basis at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements - for example, restrictions in respect of currency.

The principal liquidity risks faced by the Company relate to the maturity profile of debt obligations. The Company's finance function ensures that sufficient resources are available to meet such liabilities as they fall due through a combination of liquid investments, cash and cash equivalents, cash flows. Flexibility in funding sources is achieved through a variety of means including (i) maintaining cash, cash equivalents and other highly liquid assets with a range of financially sound counterparties; (ii) limiting the maturity of such balances.

- Capital risk management

The Company's primary objective in respect of capital risk management is to safeguard its ability to continue as a going concern.

Capital is monitored on an ongoing basis with the view to ensure that each group entity has a capitalisation level which is compliant with relevant legal and regulatory requirements and commensurate with the risk profile of each group entity.

Each of the Directors confirm that, to the best of her or his knowledge:

(a) the annual accounts are prepared in accordance with laws and regulation in force in Luxembourg, give a true and fair view of the assets, liabilities and result of Time and Life S.A. for the year ended 31 December 2012; and

(b) the Report of the Board of Directors includes a fair review of the development and performance of the business and the position of Time and Life S.A., together with a description of the principal risks and uncertainties that they face.

## **Proposal**

We propose to the sole shareholder to approve the annual accounts, to bring forward the loss and to grant discharge to the Directors and the réviseur d'entreprises agréé.

Approved by the Board of Directors



To the Sole Shareholder of  
Time and Life S.A.  
9, rue Sainte Zithe  
L-2763 Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### **Report on the annual accounts**

Following our appointment by the Sole Shareholder, we have audited the accompanying annual accounts of Time and Life S.A., which comprise the balance sheet as at December 31, 2012 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Responsibility of the Board of Directors for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

#### *Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

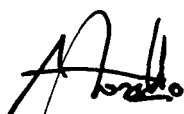
## *Opinion*

In our opinion, the annual accounts give a true and fair view of, the financial position of Time and Life S.A. as of December 31, 2012, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

## **Report on other legal and regulatory requirements**

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts and includes the information required by the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit, *Cabinet de révision agréé*



Marco Crosetto, *Réviseur d'entreprises agréé*  
Partner

July 1, 2013

# BALANCE SHEET

Identification n° : 20112216376

Trade Register n° : B162433

VAT n° : 25452069

Currency record keeping : EUR

Financial year ending on : 31/12/2012

Time and Life S.A.  
9, rue Sainte Zithe  
L-2763 Luxembourg

ASSETS	Note	31/12/2012	31/12/2011
<b>B. Formation expenses</b>	<b>3</b>	<b>14.688,48</b>	<b>18.826,14</b>
<b>C. Fixed assets</b>		<b>169.543.866,09</b>	<b>113.305.566,20</b>
III. Financial assets	<b>4</b>	169.543.866,09	113.305.566,20
1. Shares in affiliated undertakings		13.425.000,00	13.200.000,00
2. Loans to affiliated undertakings		20.000.000,00	20.000.000,00
5. Investments held as fixed assets		135.118.866,09	80.105.566,20
6. Loans and claims held as fixed assets		1.000.000,00	0,00
<b>D. Current assets</b>		<b>11.247.910,66</b>	<b>39.279.308,56</b>
II. Debtors	<b>5</b>	10.649.625,33	21.186.202,66
2. Amounts owed by affiliated undertakings		1.773.184,44	380.238,33
a) becoming due and payable after less than one year		1.773.184,44	380.238,33
4. Other debtors		8.876.440,89	20.805.964,33
a) becoming due and payable after less than one year		8.876.440,89	20.805.964,33
IV. Cash at bank and in hand		598.285,33	18.093.105,90
<b>E. Prepayments</b>		<b>0,00</b>	<b>495.000,00</b>
<b>TOTAL ASSETS</b>		<b>180.806.465,23</b>	<b>153.098.700,90</b>

LIABILITIES	Note	31/12/2012	31/12/2011
<b>A. Capital and reserves</b>	<b>6</b>	<b>-21.880.676,34</b>	<b>-1.629.690,62</b>
I. Subscribed capital		231.000,00	231.000,00
V. Profit or loss brought forward		-1.860.690,62	0,00
VI. Result for the financial year		-20.250.985,72	-1.860.690,62
<b>B. Subordinated creditors</b>	<b>7</b>	<b>20.106.969,86</b>	<b>20.020.969,86</b>
<b>D. Non subordinated debts</b>		<b>182.580.171,71</b>	<b>134.707.421,66</b>
1. Debenture loans	<b>8</b>	143.854.166,67	134.659.653,33
b). Non convertible loans		143.854.166,67	134.659.653,33
i. becoming due and payable after less than one year		54.166,67	659.653,33
ii. becoming due and payable after more than one year		143.800.000,00	134.000.000,00
2. Amounts owed to credit institutions	<b>9</b>	25.134.814,16	0,00
a) becoming due and payable after less than one year		25.134.814,16	0,00
4. Trade creditors		256.938,60	45.693,33
a) becoming due and payable after less than one year		256.938,60	45.693,33
6. Amounts owed to affiliated undertakings	<b>10</b>	13.243.750,00	0,00
a) becoming due and payable after less than one year		13.243.750,00	0,00
8. Tax and social security		90.002,28	1.575,00
a) Tax		85.888,74	1.575,00
b) Social security		4.113,54	0,00
9. Other creditors		500,00	500,00
b) becoming due and payable after more than one year		500,00	500,00
<b>TOTAL LIABILITIES</b>		<b>180.806.465,23</b>	<b>153.098.700,90</b>

The accompanying notes are an integral part of the annual accounts.

# PROFIT AND LOSS ACCOUNT

Time and Life S.A.  
9, rue Sainte Zithe  
L-2763 Luxembourg

Identification n° : 20112216376  
Trade Register n° : B162433  
VAT n° : 25452069  
Currency record keeping : EUR  
Financial year ending on : 31/12/2012

CHARGES	Note	01/01/2012 31/12/2012	15/07/2011 31/12/2011
<b>1. Raw materials and consumables</b>		<b>985,83</b>	<b>0,00</b>
<b>2. Other external charges</b>		<b>1.233.923,06</b>	<b>2.181.380,07</b>
<b>3. Staff costs</b>	<b>15</b>	<b>18.455,96</b>	<b>0,00</b>
a) Wages and salaries		16.363,12	0,00
b) Social security costs		2.092,84	0,00
<b>4. Value adjustments</b>		<b>4.137,66</b>	<b>1.862,16</b>
a) on formation expenses and on tangible and intangible fixed assets	<b>3</b>	4.137,66	1.862,16
<b>7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of</b>	<b>4</b>	<b>17.650.420,77</b>	<b>0,00</b>
<b>8. Interest payable and similar charges</b>		<b>11.007.685,75</b>	<b>761.101,45</b>
a) concerning affiliated undertakings		329.750,00	20.969,86
b) other interest payable and similar charges		10.677.935,75	740.131,59
<b>9. Extraordinary charges</b>		<b>18.070,03</b>	<b>0,00</b>
<b>10. Tax on profit or loss</b>	<b>11</b>	<b>1.575,00</b>	<b>1.575,00</b>
<b>11. Other taxes not included in the previous caption</b>	<b>11</b>	<b>62,00</b>	<b>0,00</b>
<b>TOTAL CHARGES</b>		<b>29.935.316,06</b>	<b>2.945.918,68</b>

INCOME	Note	01/01/2012 31/12/2012	15/07/2011 31/12/2011
<b>5. Other operating income</b>		<b>8.184.729,35</b>	<b>348.333,33</b>
<b>8. Other interests and other financial income</b>	<b>4</b>	<b>1.492.903,25</b>	<b>736.894,73</b>
a) derived from affiliated undertakings		1.391.946,11	380.238,33
b) other interest receivable and similar income		100.957,14	356.656,40
<b>9. Extraordinary income</b>		<b>6.697,74</b>	<b>0,00</b>
<b>10. Loss for the financial year</b>		<b>20.250.985,72</b>	<b>1.860.690,62</b>
<b>TOTAL INCOME</b>		<b>29.935.316,06</b>	<b>2.945.918,68</b>

The accompanying notes are an integral part of the annual accounts.

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**NOTES TO THE ANNUAL ACCOUNTS**  
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**NOTE 1 - GENERAL**

Time and Life S.A. (the "Company") was incorporated on 15 July 2011 as a "Société Anonyme" under the laws of Luxembourg for an unlimited period of time.

The Company has its registered office at 9, rue Sainte Zithe, L-2763 Luxembourg.

The purpose of the Company is the acquisition, the management, the enhancement, the disposal of participations in whichever form in domestic and foreign companies, including the investment in reinsurance companies. The Company may grant all kinds of support, loans, advances and guarantees to companies, in which it has a direct or indirect participation or which are members of the same group. The Company may also borrow in any form. It may issue notes, bonds and any kind of debt and equity securities. The Company may open branches in Luxembourg and abroad. Furthermore, the Company may acquire and dispose of all other securities by way of subscription, purchase, exchange, sale or otherwise. The Company may also acquire, enhance and dispose of patents and licenses, as well as rights deriving there from or supplementing them. In addition, the Company may acquire, manage, enhance and dispose of real estate located in Luxembourg or abroad. In general, the Company may carry out all commercial, industrial and financial operations, whether in the area of securities or of real estate, likely to enhance or to supplement the above-mentioned purposes.

The Company also prepares consolidated accounts, which are published according to the provisions of the Luxembourg law.

These consolidated accounts are available at 9, rue Sainte Zithe, L-2763 Luxembourg.

The Company's financial year begins on 1 January and ends on 31 December of each year.

Except for the first period which started on 15 July 2011 (date of incorporation) and ended on 31 December 2011.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

*Basis of preparation*

The annual accounts of the Company have been prepared in accordance with the legal and regulatory requirements applicable in the Grand-Duchy of Luxembourg.

Accounting policies and valuation rules are, besides the ones laid down by the law, determined and applied by the Board of Directors.

These annual accounts have been disclosed following the layout in the Title II of the law of 19 December 2002.

The figures of the year ending 31 December 2011 relating to items "Convertible loans becoming due and payable after less than one year", "Convertible loans becoming due and payable after more than one year" have been reclassified in order to ensure the comparability with the current year figures, which were presented in accordance with the law of 19 December 2002 as amended by the law of 10 December 2010.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - continued**

The Company's significant accounting policies are as follows:

Accounting convention

The annual accounts have been prepared under the historical cost convention on a going concern basis.

Formation expenses

Formation expenses are amortized on a straight-line basis over a period of 5 years.

Financial assets

Shares in affiliated undertakings are valued at purchase price, loans to these undertakings and investments held as fixed assets are valued at cost including the expenses incidental thereto.

In case of a permanent depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of financial assets so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Debtors

Current debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Creditors

Creditors are recorded at their nominal value.

Debts

Debts are valued at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt on a linear method.

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - continued**

Translation of foreign currencies

The Company presents its annual accounts and maintains its accounting records in Euro ("EUR").

During the year transactions, charges and income expressed in a currency other than EUR are recorded on the basis of the exchange rate prevailing at the respective transaction dates.

Fixed assets and long term liabilities expressed in currencies other than EUR are translated into EUR at the exchange rate applicable at the time of the transaction. At the balance sheet date, these assets remain translated at historic exchange rates.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historic exchange rate or the value determined on the basis of the exchange rate effective at the balance sheet date.

Only realized exchange gains and losses and unrealized exchange losses are included in the result of the financial year/period. Unrealized exchange gains are not recognized.

Cash at bank is translated at the exchange rate applicable at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Provisions for liabilities and charges

Provisions for liabilities and charges are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

**NOTE 3 - FORMATION EXPENSES**

Formation expenses comprise expenses incurred for the creation of the Company and the capital increase.

The movements for the year/period are as follows:

	<b>2012 EUR</b>	<b>2011 EUR</b>
<b>Cost</b>		
Balance at the beginning of the year/period	20.688,30	---
Additions during the year/period	---	20.688,30
Balance at the end of the year/period	20.688,30	20.688,30
<b>Amortization</b>		
Balance at the beginning of the year/period	(1.862,16)	---
Charge for the year/period	(4.137,66)	(1.862,16)
Balance at the end of the year/period	(5.999,82)	(1.862,16)
<b>Value at the end of the year/period</b>	<b>14.688,48</b>	<b>18.826,14</b>

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**NOTE 4 - FINANCIAL ASSETS**

*a) Shares in affiliated undertakings*

<i>Shares in affiliated undertakings</i>	<i>Proportion of capital held</i>	<u>Cost</u> <u>At the beginning of</u> <u>the year</u> EUR	<u>Additions</u> <u>during the year</u> EUR	<u>(Disposals)</u> <u>during the year</u> EUR	<u>Cost</u> <u>At the end of the year</u> EUR	<u>Value</u> <u>adjustment</u> <u>At the beginning</u> <u>of the year</u> EUR	<u>Movement of</u> <u>the year</u> EUR	<u>Value</u> <u>adjustment</u> <u>At the end of the</u> <u>year</u> EUR	<u>Net book value</u> <u>December 31, 2012</u> EUR
WRM Reinsurance AG	100% (1)	13.200.000,00	---	---	13.200.000,00	---	---	---	13.200.000,00
POP 1 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 2 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 3 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 4 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 5 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 6 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 7 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 8 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 9 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 10 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 11 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 12 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 13 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 14 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 15 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 16 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
POP 18 S.à r.l. (Luxembourg)	100% (2)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
Athena Capital S.à r.l. (Luxembourg)	100% (3)	---	12.500,00	---	12.500,00	---	---	---	12.500,00
		<b>13.200.000,00</b>	<b>225.000,00</b>	<b>---</b>	<b>13.425.000,00</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>13.425.000,00</b>



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**NOTE 4 - FINANCIAL ASSETS - continued**

*a) Shares in affiliated undertakings - continued*

- 1) Since 19 September 2011, the Company is the holder of 100% of the share capital of WRM Reinsurance AG.
- 2) On 13 March 2012, the Company incorporated 17 companies named from POP 1 to POP 16 and POP 18 and subscribed the entire share capital for an amount of EUR 12.500,00 for each Pop company, represented by 12.500 shares with a nominal value of EUR 1,00 each and paid up by cash contribution.
- 3) On 5 March 2012, the Company incorporated Athena Capital S.à r.l. and subscribed entire share capital for an amount of EUR 12.500,00 represented by 12.500 shares with a par value of EUR 1,00 each, and paid up by cash contribution.

<i>Company</i>	<i>Ownership %</i>	<i>Net book value</i>	<i>Net equity at the balance sheet date</i>	<i>Result of the financial year</i>	<i>Last balance sheet date</i>
		EUR	EUR*	EUR*	
WRM Reinsurance AG	100%	13.200.000,00	13.285.653,47	(211.893,44)	31/12/2012
POP 1 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 2 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 3 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 4 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 5 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 6 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 7 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 8 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 9 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 10 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 11 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 12 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 13 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 14 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 15 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 16 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
POP 18 S.à r.l. (Luxembourg)	100%	12.500,00	5.071,00	(7.429,00)	31/12/2012
Athena Capital S.à r.l. (Luxembourg)	100%	12.500,00	19.629,69	7.129,69	31/12/2012
		<b>13.425.000,00</b>			

(\*) Information on the Company's subsidiaries is based on their unaudited financial statements and reflects the shareholding balance.

In the opinion of the Board of Directors of the Company, there is no permanent impairment in value and accordingly, no value adjustment has been recorded as of 31 December 2012.

**NOTE 4 - FINANCIAL ASSETS - continued**

*b) Loans to affiliated undertakings*

On 4 October 2011, the Company entered into a term loan agreement with its sole shareholder the Capital Investment Trust for an amount of EUR 20.000.000,00. This loan was bearing interest at 1,43% per year calculated on a 360 days basis. The maturity date is 4 October 2019. This loan has been amended on 19 October 2011, the interest rate applicable is Euribor 6 months plus a margin of 6,25%.

As at 31 December 2012, the loan amounts to EUR 20.000.000,00 and the accrued interest amounts to EUR 1.772.184,44 (2011: EUR 380.238,33) and was recorded under the caption "Amounts owed by affiliated undertakings becoming due and payable after less than one year". Interest income amounting to EUR 1.391.946,11 (2011: EUR 380.238,33) was recorded under the caption "Other interests and other financial income".

*c) Investments held as fixed assets*

As of 31 December 2012, the Company held 267.000.054 shares of Banca Popolare di Milano for an amount of EUR 80.118.866,09 representing 8,27% of the total shareholding (2011: EUR 80.105.566,20).

During the month of April 2012, the Company acquired 117.983.551 shares of Monte Dei Paschi di Siena for an amount of EUR 39.913.835,30. At the end of June 2012, the Company sold its participation held in Monte Dei Paschi di Siena. The sale of the shares determined a loss amounting EUR 17.650.420,77.

On 5 March 2012, the Company and its wholly owned subsidiary Athena Capital S.à r.l. incorporated Athena Capital Fund, SICAV-FIS, ("The Fund"), an investment company with variable capital organized as a specialized investment Fund. The initial share capital of the Fund amounts to EUR 31.000,00 and the Company subscribed for an amount of EUR 30.000,00 paid up by cash contribution.

During the year, the Directors resolved to increase the investment of the Company in Athena Capital Fund, SICAV-FIS: EUR 47.700.000,00 were invested in Athena Capital Real Estate and Special situation Fund 1 and EUR 7.300.000,00 were invested in Athena Capital Real Estate and Special situation Fund 2 paid up by contribution in cash. The above mentioned sub-funds invest in Real Estate. These sub-funds have been incorporated on April 13, 2012 and have their first closing at December 31, 2012 (net assets value is not yet available).

*d) Loans and claims held as fixed assets*

On 29 March 2012, the Company entered into a term loan agreement with a Director for an amount of EUR 1.000.000,00. This loan bears an interest at a rate equal to 3% per year calculated on a 360 days basis.

The principal and the accrued interest are payable at the maturity date which is 1 April 2016. As at 31 December 2012, the accrued interest amounts to EUR 23.333,33 and was recorded under the caption "Other debtors becoming due and payable after less than one year". Interest income of EUR 23.333,33 was recorded in the profit and loss account.

On 14 March 2012, the Company entered into a loan agreement with General Real Estate Ltd for an amount of GBP 5.000.000,00. During the month of June 2012, the principal and the accrued interests were repaid. Interest income amounting to EUR 77.434,79 was recorded in the profit and loss account.

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**NOTE 5 - DEBTORS**

a) Debtors - amounts owed by affiliated undertakings becoming due and payable after less than one year

Debtors mainly include accrued interest on a loan to Capital Investment Trust for an amount of EUR 1.772.184,44 (2011: EUR 380.238,33).

b) Other debtors

Debtors also include a receivable of EUR 8.523.062,68 due from the shareholder related to a loan obtained for the acquisition of the shares in Banca Popolare di Milano (2011: EUR 348.333,33).

**NOTE 6 - CAPITAL AND RESERVES**

a) Movements

	Subscribed capital	Profit or loss brought forward	Result for the financial year	Total
	EUR	EUR	EUR	EUR
As at 31 December 2011	231.000,00	---	(1.860.690,62)	(1.629.690,62)
Allocation of the result for the year ended 31 December 2011	---	(1.860.690,62)	1.860.690,62	---
Result for the financial year	---	---	(20.250.985,72)	(20.250.985,72)
<b>As at 31 December 2012</b>	<b>231.000,00</b>	<b>(1.860.690,62)</b>	<b>(20.250.985,72)</b>	<b>(21.880.676,34)</b>

b) Subscribed capital

As at 31 December 2012, the Company's subscribed capital amounts to EUR 231.000,00 represented by 23.100.000 shares with a par value of EUR 0,01 each, fully paid-up by cash consideration.

During the financial year, the Company has not acquired any of its own shares.

As of 31 December 2012, the Company incurred losses exceeding 50% of its share capital. According to article 100 of Luxembourg Commercial Law dated August 1915, the Board of Directors will convene a shareholders' meeting which will have to decide upon the continuance of the activities of the Company (see Note 16 going concern).

c) Authorized capital

The authorized capital, including the issued share capital, of the company is set at thirty million Euro (EUR 30.000.000,00) represented by three billion (3.000.000.000) shares with a nominal value of one Cent (EUR 0,01) each. The shareholders have authorized the board of directors to issue Convertible Preferred Equity Certificates or comparable instruments convertible into shares, within the limits of the authorized capital.

**NOTE 6 - CAPITAL AND RESERVES - continued**

d) Legal reserve

Luxembourg companies are required to allocate to the legal reserve a minimum of 5% of the profit of the year, after deduction of any losses brought forward, until this reserve equal 10% of subscribed capital. This reserve may not be distributed in the form of cash dividends, or otherwise, during the life of the Company. The appropriation to the legal reserve is effected after approval at the general meeting of shareholders. No appropriation is required in respect of the year ended on 31 December 2012 as the Company incurred a loss (2011: loss).

**NOTE 7 – SUBORDINATED CREDITORS**

On 4 October 2011, the Company issued 2.000.000.000 Convertible Preferred Equity Certificates (“CPECs”) with a par value of EUR 0,01 each for an aggregate amount of EUR 20.000.000,00 as of 31 December 2012, those CPECs are fully owned by the shareholder of the Company.

The CPECs holders carry the right to receive a yield in an amount equal to 0,43% on the outstanding amount of the par value. The yield is paid on the maturity date of the CPECs unless the payment is declared by the Board of Directors of the Company.

The mandatory redemption date is fixed on the 30<sup>th</sup> anniversary of the issuance of the CPECs. On this date the Company shall redeem all outstanding CPECs and accrued and unpaid yield thereon for an amount of cash per CPEC equal to the redemption price.

Early redemption is allowed for the Company in accordance with the terms and conditions of the contract.

The early conversion of the CPECs into shares of the Company is allowed by the Company on conversion event under the conditions set out by paragraph 3 of the CPECs agreement or by the holder at the discretion of the issuer from the 21<sup>st</sup> anniversary of the date of issuance as set out by paragraph 4 of the CPECs agreement.

Each CPEC shall be convertible into share at a ratio of 1 CPEC against 1 conversion share of the Company.

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**NOTE 8 - DEBENTURE LOANS**

Non convertible loans

	<b>Principal</b>		<b>Accrued interest</b>	
	<b>Due and payable after more</b>		<b>Due and payable after less than</b>	
	<b>than one year</b>		<b>one year</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
EUR	143.800.000,00	134.000.000,00	54.166,67	659.653,33
	<b>143.800.000,00</b>	<b>134.000.000,00</b>	<b>54.166,67</b>	<b>659.653,33</b>

On 19 October 2011, the Company issued a EUR 20.000.000 bond which was initially subscribed by a private investor.

On 19 December 2011, the Company entered into a loan agreement with a private investor for an amount of EUR 74.000.000,00 (advance 1) and an amount of EUR 2.000.000,00 (advance 2).

On 26 March 2012, the Company paid back EUR 30.000.000,00 on advance 1.

On 15 December 2011, the Company entered into a term loan agreement with a private investor for an amount of EUR 38.000.000,00. The loan bears interest at 10% per annum.

In 2012 each of the initial investors sold the relevant debt to a different entity.

In December 2012, the Company restructured its existing debt (EUR 113.000.000,00) and consolidated it in a single loan. The loan matures on 21 December 2015 and is secured (Note 12). The Company sold 42.100.000 shares of Banca Popolare di Milano (Note 4,c) for an amount of EUR 20.025.375,85, the gain then realized amounted to EUR 7.392.403,64. The proceeds of such sale were used to reduce the company existing indebtedness.

Non convertible loan also include a bond amounting to EUR 30.000.000,00 issued by the Company in December 2012 under the terms of its EUR 250.000.000,00 Euro Medium term notes program. The bond bears interests at 5% per year, the maturity is 17 December 2014.

The board of the Irish Stock Exchange approved the admission of the above mentioned notes to listing on the Official List and trading on the Main Securities Market. ISIN: XS0865243504.

**NOTE 9 - AMOUNTS OWED TO CREDIT INSTITUTIONS**

On 12 July 2012, the Company entered into a Lombard loan with Banque Internationale à Luxembourg S.A. ("BIL") amounting EUR 25.000.000,00. The loan and accrued interests thereon have been repaid in full post closing. The securities account of the Company was pledged in favour of BIL, the pledge has been released after repayment of the loan.

**NOTE 10 - AMOUNTS OWED TO AFFILIATED UNDERTAKINGS**

On 25 May 2012, the Company entered into a loan agreement with WRM Reinsurance AG for an amount of EUR 13.000.000,00. The loan bears an interest at a fixed rate equal to 3% per year calculated on a 360 day basis.

The principal and the accrued interest are payable at the maturity date which is 14 July 2013.

As at 31 December 2012, the accrued interest amounts to EUR 243.750,00 and the interest expense amounts to EUR 243.750,00.

**NOTE 11 - TAXES**

The Company is subject to all taxes applicable to Luxembourg commercial companies.

**NOTE 12 - SUBSEQUENT EVENTS**

On 9 January 2013, the Company reimbursed in full the loan granted by BIL (Note 9) and accrued interests thereon.

On 25 March 2013, the Company sold its participation in Athena Capital Real Estate & Special situations Fund 2 (Note 4,c) for an amount of EUR 7.305.402,00, the gain then realized amounted to EUR 5.402,00.

The loan granted by WRM Reinsurance AG was increased by an amount of EUR 3.700.000,00 (Note 10).

The Company sold 42.100.000 shares of Banca Popolare di Milano (Note 4,c) for an amount of EUR 20.025.375,85, the gain then realized amounted to EUR 7.392.403,64. The proceeds of such sale were used to reduce the company existing indebtedness.

On 22 April 2013, the Company transferred 224.900.054 shares of Banca Popolare di Milano to the affiliated undertakings at fair value. As of 22 April 2013, the Company has no direct participation in Banca Popolare di Milano. Those undertakings may use their assets to provide collateral for the Company's obligations.

In June 2013 affiliated undertakings pledged securities accounts on which BPM shares are held to secure the restructuring loan. The Company and SPVs are still economical and legal owner of those shares and are still entitled to exercise voting rights and to receive any dividend or other income.

On 22 April 2013, the Company has signed a call option agreement pursuant to which the Company can buy up to 224.900.054 shares in Banca Popolare di Milano from its affiliated undertakings.

In April 2013, the Company purchased 1.819.952 shares in BPM which have been transferred to a subsidiary. Those share are unencumbered.

As of May 24<sup>th</sup>, 2013, the sole shareholder of the company signed a commitment letter confirming that he may support the Company's obligations to an amount up to EUR 40.000.000.

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**NOTE 13 - RELATED PARTIES TRANSACTIONS**

During the financial year, all the transactions entered into with related parties have been done at arm's length and are detailed as follows:

**a) Receivables from related parties**

	Nature of the relationship	31 December 2012	31 December 2011
<b>Fixed assets</b>			
Capital Investment Trust	Sole shareholder of the Company		
Long-term loan		20.000.000,00	20.000.000,00
		<u>20.000.000,00</u>	<u>20.000.000,00</u>
<b>Current assets</b>			
Capital Investment Trust	Sole shareholder of the Company		
Accrued interest on long-term loan		1.772.184,44	380.238,33
Short-term receivable		8.533.062,68	20.805.964,33
Athena Capital S.à r.l.	Direct subsidiary of the Company		
Short-term receivable		1.000,00	---
60 S.A. Limited	Indirect subsidiary of the Company		
Short-term receivable		178.611,87	---
Director	Director of the Company		
Short-term loan		1.000.000,00	---
Accrued interest on short-term loan		23.333,33	---
		<u>11.508.192,32</u>	<u>21.186.201,66</u>
		<u><b>31.508.192,32</b></u>	<u><b>41.186.201,66</b></u>

**b) Payables to related parties**

	Nature of the relationship	31 December 2012	31 December 2011
<b>Long-term</b>			
Capital Investment Trust	Sole shareholder of the Company		
CPECs		20.000.000,00	20.000.000,00
		<u>20.000.000,00</u>	<u>20.000.000,00</u>
<b>Short-term</b>			
Capital Investment Trust	Sole shareholder of the Company		
Accrued interest on CPECs		106.969,86	20.969,86
WRM Reinsurance AG	Direct subsidiary of the Company		
Short-term loan		13.000.000,00	---
Accrued interest on short-term loan		243.750,00	---
		<u>13.350.719,86</u>	<u>20.969,86</u>
		<u><b>33.350.719,86</b></u>	<u><b>20.020.969,86</b></u>

Time and Life S.A.  
Société Anonyme  
R.C.S. Luxembourg B 162.433  
**NOTES TO THE ANNUAL ACCOUNTS - continued**  
31 December 2012

**NOTE 13 - RELATED PARTIES TRANSACTIONS - continued**

c) Transactions with related parties

	Nature of the relationship	Year ended 31 December 2012	Period from 15 July until 31 December 2011
<b>Interest income</b>			
Capital Investment Trust	Sole shareholder of the Company		
Interest on long-term loan		1.391.946,11	380.238,33
Other interest receivable		8.184.729,35	348.333,33
Director	Director of the Company		
Interest on short-term loan		23.333,33	---
General Real Estate Ltd	Sister Company		
Interest on short-term loan		77.434,79	---
		<u>9.677.443,58</u>	<u>728.571,66</u>
<b>Interest charges</b>			
Capital Investment Trust	Sole shareholder of the Company		
Interest on CPECs		(86.000,00)	(20.969,86)
WRM Reinsurance AG	Direct subsidiary of the Company		
Accrued interest on short-term loan		(243.750,00)	---
		<u>(329.750,00)</u>	<u>(20.969,86)</u>

**NOTE 14 - OFF BALANCE SHEET ASSET**

The Company has a call option on 25.000 shares of the SICAV's sub-fund "Athena Capital Real Estate & Special situations Fund 1".

**NOTE 15 - PERSONNEL**

As of 31 December 2012, the Company has 2 employees. The Company hired one employee on 15 November 2012 and the second one on 1 December 2012.

**NOTE 16 - GOING CONCERN**

The accumulated losses as of 31 December 2012 exceed the equity of the corporate capital. In accordance with art. 100 of the amended companies' law of 10 August 1915, the executive board shall convene a general meeting of the sole shareholder within a period not exceeding two months from the time at which the loss was or should have been ascertained by them and such meeting shall resolve in accordance with the conditions laid down in article 67-1 on the possible dissolution of the Company. The Board of Directors of the Company will propose to the shareholder to continue the activity of the Company. The Board of Directors of the Company assessed as appropriate the going concern assumption given that:

- a) the Company has sufficient cash availability to meet its financial obligation for at least the next 12 months;
- b) the Board of Directors identified a number of other business opportunities which suggest that the business is sustainable as a going concern;
- c) the shareholder intends to continue the activity of the company and confirms that he may support obligations of the Company to an amount up to EUR 40.000.000.



**TIME AND LIFE S.A.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND REPORT OF THE REVISEUR D'ENTREPRISES AGREE**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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## DIRECTOR'S CONSOLIDATED REPORT

The Board of Directors of Time and Life S.A. (the "**Company**") herewith submits its consolidated report relating to the Company and the consolidated entities as set out on page 4 (the "**Consolidated Entities**") for the financial year from 1 January 2012 to 31 December 2012. The Consolidated Entities and the Company are hereinafter referred to as the "**Group**".

### General

The Company is a commercial company. Its corporate purposes are: a) the acquisition, the management, the enhancement, the disposal of participations, directly or indirectly in whichever form in domestic and foreign companies, included the investment in reinsurance companies; b) the acquisition and disposal by way of subscription, purchase, exchange, sale or otherwise, directly or indirectly, of any other securities, financial instruments and contracts relating thereto; c) the acquisition, the management, the enhancement, the disposal, directly or indirectly, of patents and licenses, as well as rights deriving therefrom or supplementing them; the acquisition, the management, the enhancement, the disposal, directly or indirectly, of real estate located in Luxembourg or abroad; the ownership, administration, development and management of a portfolio, including but not limited to the assets referred to above.

All of the descriptions above are to be understood in their broadest sense and their enumeration is not limiting. The corporate objects shall include any transaction or agreement which is entered into by the company, provided it is not inconsistent with any of the foregoing.

In general, the company may carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its purposes provided the company will not enter into operations that would result in it being engaged in an activity that would be subject to license requirements or that would be a regulated activity.

### Summary of activities

On 5 March 2012, the Company incorporated Athena Capital S.à r.l., which has as corporate purpose the acquisition of participations in Luxembourg or abroad, in any companies or enterprises in any form whatsoever and the management of such participations. Athena Capital S.à r.l. shall in particular be appointed and act as the managing general shareholder of one or more corporate partnerships (société en commandite par actions).

In March 2012 the Company incorporated POP 1 S.à r.l., POP 2 S.à r.l., POP 3 S.à r.l., POP 4 S.à r.l., POP 5 S.à r.l., POP 6 S.à r.l., POP 7 S.à r.l., POP 8 S.à r.l., POP 9 S.à r.l., POP 10 S.à r.l., POP 11 S.à r.l., POP 12 S.à r.l., POP 13 S.à r.l., POP 14 S.à r.l., POP 15 S.à r.l., POP 16 S.à r.l. and POP 18 S.à r.l. (together the "POPs" and each a "POP") which have as corporate purposes the acquisition, the management, the enhancement and the disposal of participations.

In March 2012, the Company bought 117,983,551 shares in Banca Monte Dei Paschi Di Siena Spa representing 1.01% of the share capital. The Company sold those shares in June 2012 and lost 17,650,420.77 EUR. The acquisition was financed by a loan from Barclays which has been repaid.

In July 2012, the Company obtained a 25,000,000 EUR lombard loan from Banque Internationale Luxembourg ("BIL").

In August 2012, the Company bought 25,000 shares in Athena Capital Real Estate & Special Situations Fund 1, a sub-fund of Athena Capital Fund SICAV-FIS ("RE1") for 25,000,000 EUR. The sub fund is the shareholder of 60SA 2 Limited ("60SA 2") which is the shareholder of 60SA 1 Limited ("60SA 1"). 60SA 1 is the shareholder of 60SA Limited ("60SA"). 60SA 2, 60SA 1 and 60SA are companies incorporated in Jersey and are together referred to as the "60SA Group".

In December 2012, 60SA acquired a building for an aggregate amount of 168,946,083 EUR (137,276,415 GBP) (FMV 129,500,000 GBP - 159,375,650 EUR) for which 60SA obtained a loan for 75,000,000 GBP (92,302,500 EUR ) and issued a bond amounting 22,000,000 GBP, which was subscribed by Athena Capital Real Estate & Special Situations Fund 2 and is eliminated in the consolidated accounts.

In December 2012, the Company launched a 30,000,000 EUR inaugural issuance under its 250,000,000 Euro Medium Term Note Programme.

In December 2012, the Company bought shares in Athena Capital Real Estate & Special Situations Fund 2 ("RE2"), a sub-fund of Athena Capital Fund SICAV-FIS for 7,300,000 EUR.

In December 2012, the Company successfully consolidated all its debt exposure against its largest creditor (113,800,000 EUR) in a single debt instrument.

This loan contains a number of provisions which may be considered as embedded derivatives. Such provisions have been deconstructed into a) a long position of a '**Put**' with a maturity of 20 December 2015 in respect of the collateral securing the loan; and b) a short position of a '**Call**' maturity 20 December 2015 in respect of 22.22% of the collateral securing the loan.

### **Capital**

As of 31 December 2012 share capital was 231,000 EUR (as of 31 December 2011: 231,000 EUR) represented by 23,100,000 shares with a par value of 0.01 EUR each, fully paid-up by cash consideration.

As of 31 December 2012, the authorized capital was 30,000,000 EUR (as of 31 December 2011: 30,000,000 EUR) represented by 3,000,000,000 shares with a nominal value of 0.01 EUR each.

The shareholders have authorized the board of directors to issue Convertible Preferred Equity Certificates or comparable instruments convertible into shares, within the limits of the authorized capital.

### **Acquisition of own shares**

During the year ended December 31, 2012, no Company in the Group purchased any of its own shares.

### **Board of Directors**

At incorporation date of the Company Mr R. Mincione, Mr X. Soulard and Mr D. Giannetti were appointed as Directors of Time and Life S.A.. On March 1st 2013, Mr X. Soulard and Mr D. Giannetti resigned and Mr F. Bonfond and Mrs C. Burgard were appointed.

## Consolidated entities

	Country incorporation	of	% equity interest		Consolidation method
			2012	2011	
Time and Life S.A.	Luxembourg		Parent entity		
Athena Capital S.à r.l.	Luxembourg		100%	---	Full
POP 1 S.à r.l.	Luxembourg		100%	---	Full
POP 2 S.à r.l.	Luxembourg		100%	---	Full
POP 3 S.à r.l.	Luxembourg		100%	---	Full
POP 4 S.à r.l.	Luxembourg		100%	---	Full
POP 5 S.à r.l.	Luxembourg		100%	---	Full
POP 6 S.à r.l.	Luxembourg		100%	---	Full
POP 7 S.à r.l.	Luxembourg		100%	---	Full
POP 8 S.à r.l.	Luxembourg		100%	---	Full
POP 9 S.à r.l.	Luxembourg		100%	---	Full
POP 10 S.à r.l.	Luxembourg		100%	---	Full
POP 11 S.à r.l.	Luxembourg		100%	---	Full
POP 12 S.à r.l.	Luxembourg		100%	---	Full
POP 13 S.à r.l.	Luxembourg		100%	---	Full
POP 14 S.à r.l.	Luxembourg		100%	---	Full
POP 15 S.à r.l.	Luxembourg		100%	---	Full
POP 16 S.à r.l.	Luxembourg		100%	---	Full
POP 18 S.à r.l.	Luxembourg		100%	---	Full
WRM Reinsurance AG	Switzerland		100%	100%	Full
Athena Capital Real Estate & Special Situations Fund 1	Luxembourg		85.64%	--	Full
Athena Capital Real Estate & Special Situations Fund 2	Luxembourg		26.74%	--	Full
60SA 2 Limited	Jersey		85.64%	---	Full
60SA 1 Limited	Jersey		85.64%	---	Full
60SA Limited	Jersey		85.64%	---	Full

## Financial performance and position

The Group had total assets at 31 December 2012 of 348,290,876 EUR (at 31 December 2011: 155,282,191 EUR). The total equity was 61,115,907 EUR (at 31 December 2011: 11,811,087 EUR) of which 34,717,245 EUR (at 31 December 2011: 11,811,087 EUR) are attributable to the equity holder of the Company.

The net profit of the Group for the year ended 31 December 2012 was 21,649,313 EUR (at 31 December 2011: 215,305 EUR) of which 23,189,356 EUR (at 31 December 2011: 215,305 EUR) are attributable to the equity holder of the parent Company which means that a loss amounting 1,540,043 EUR (at 31 December 2011: 0 EUR) is attributable to the non-controlling interests. The total comprehensive income was 21,304,820 EUR (at 31 December 2011: 35,620 EUR) of which 22,906,158 EUR (at 31 December 2011: 35,620 EUR) are attributable to the equity holder of the parent Company.

The Group's profit for 2012 was mainly due to the increase in the value of financial assets.

## Subsequent events

On January 9, 2013, the Group reimbursed in full the 25,000,000 EUR lombard loan received from BIL.

In March 2013, the Group made an early repayment of 20,025,370.85 EUR under the loan restructured in December 2012.

On 25 March 2013, the Group sold its participation in Athena Capital Real Estate & Special Situations Fund 2 for 7,305,402 EUR realizing a gain of 5,402 EUR.

In April 2013, the Group purchased 1,819,952 shares in Banca Popolare di Milano Società Cooperativa a r.l. ("BPM"). Those shares will not be used to provide collateral in the frame of the restructuring of indebtedness which occurred in December 2012.

On 22 May 2013, the loan granted to a Director in March 2012 has been increased by 1,000,000 EUR (aggregate amount 2,000,000 EUR).

In June 2013 POP 1 S.à r.l., POP 2 S.à r.l., POP 3 S.à r.l., POP 4 S.à r.l., POP 5 S.à r.l., POP 6 S.à r.l., POP 7 S.à r.l., POP 8 S.à r.l., POP 9 S.à r.l., POP 10 S.à r.l., POP 11 S.à r.l., POP 12 S.à r.l., POP 13 S.à r.l. and POP 14 S.à r.l., pledged the securities accounts on which BPM shares are held to secure the restructuring loan amounting EUR 113.800.000 as disclosed in the summary of activities. The Group retains the economical and legal ownership of those shares and is still entitled to exercise voting rights and to receive any dividend or other income. The lender is however ranking in priority to third party creditors in respect of the loan collateral.

On 17 July 2013, the loan granted to a Director in March 2012 has been increased by 1,500,000 EUR (aggregate amount 3,500,000 EUR).

In July 2013, the Group issued two additional tranches of respectively 2,000,000 EUR and 500,000 EUR under its Euro Medium Term Note programme.

In July 2013, the Group acquired 17.49% of Valore Italia Holding di Partecipazioni S.p.A. for 1,500,000 EUR. The shares are listed on AIM Italia - Mercato Alternativo del Capitale.

On 26 July 2013, the loan granted to a Director in March 2012 has been increased by 300,000 EUR (aggregate amount 3,800,000 EUR).

On 1 August 2013, the loan granted to a Director in March 2012 as amended for the last time in July 2013 and accrued interests have been assigned to The Capital Investment Trust.

On 15 August 2013, WRM reinsurance AG reimbursed in full the 7,000,000 EUR promissory note.

In September 2013, the Group purchased 12,172,662 shares in Sirius Petroleum PLC (1.249% of the share capital) for an aggregate amount of 423,000 GBP (500,000 EUR).

In September 2013, the Group exercised the call option on 25,000 shares of Athena Capital Real Estate & Special Situations Fund 1.

On 13 November 2013, the Company transferred the shares in POP 1 S.à r.l., POP 2 S.à r.l., POP 3 S.à r.l., POP 4 S.à r.l., POP 5 S.à r.l., POP 6 S.à r.l., POP 7 S.à r.l., POP 8 S.à r.l., POP 9 S.à r.l., POP 10 S.à r.l., POP 11 S.à r.l., POP 12 S.à r.l., POP 13 S.à r.l., POP 14 S.à r.l. and POP 15 S.à r.l. and the shares in Sirius Petroleum PLC to Athena Capital Balanced Fund 2, a sub-fund of Athena Capital Fund SICAV-FIS, in exchange of shares in that sub-fund.

## **Future outlook**

The Group will continue to search for investment opportunities in its core business areas whilst endeavouring to exploit the full potential of its existing assets and strategic participations. It is anticipated that future growth will come from both strategic acquisitions and organic growth.

## **Corporate governance statement**

The sole shareholder of the Company is The Capital Investment Trust, a trust duly established under the laws of Channel Islands, with registered office at 15 Union Street, St Helier, Jersey.

Mr Raffaele Mincione is the beneficiary of The Capital Investment Trust.

No holder of any securities has special control rights.

There are no restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities.

The Company shall be managed by a board of directors composed of at least three directors, who need not be shareholders of the Company. The directors shall be elected by the shareholders at a general meeting, which shall determine their number, remuneration and term of office. The term of the office of a director may not exceed six years and the directors shall hold office until their successors are elected. The directors may be re-elected for consecutive terms of office.

The Board of Directors will elect from among its members a chairman.

Any director may act at any meeting of the board of directors by appointing in writing or by telegram, telex or facsimile another director as his proxy. A director may represent one or more of his colleagues.

The board of directors can deliberate or act validly only if a majority of the directors is present or represented at a meeting of the board of directors.

Decisions shall be taken by a majority vote of the directors present or represented at such meeting. In case of a tie in votes, the vote of the chairman of the meeting will be the deciding vote.

The board of directors is vested with the broadest powers to perform all acts of administration and disposition in compliance with the corporate object.

All powers not expressly reserved by law or by the articles of association to the general meeting of shareholders fall within the competence of the board of directors. The board of directors may pay interim dividends, in compliance with the legal requirements.

The shareholders have authorized the board of directors to issue convertible CPECs or assimilated instruments convertible into shares, within the limits of the authorized capital which has been set at thirty million EUR (30,000,000 EUR) represented by three billion (3,000,000,000) shares with a nominal value of one cent (0.01 EUR) each.

The process for preparing financial statements is controlled internally. Bookkeeping tasks were performed by different external services providers. The board reviewed entries led by Mr Bonfond for tax and accounting matters and Mrs Burgard for legal and compliance matters. Financial statements have been prepared by Ernst and Young and reviewed in the same manner.

The Board is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. The Board assessment was aimed at avoiding significant deficiencies or material weaknesses in the structure or functioning of internal controls over financial reporting which are reasonably likely to

adversely affect the Company's ability to record, process, summarize and report financial information, and to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

External control was performed by Deloitte Audit in its capacity as «réviseur d'entreprises agréé».

## **Risk Management framework**

The following objectives drive the Group's approach to risk management.

Having a culture that is risk aware and supported by high standards of accountability at all levels.

Promoting and achieving an integrated risk management approach whereby risk management forms a part of all key organisational processes.

Supporting more effective decision making through better understanding and consideration of risk exposures.

Increasing shareholder value by protecting and improving share price and earnings per share in the short to medium term while building a sustainable business in the longer term.

Safeguarding the Group's assets.

Enabling the Board to fulfil its governance and compliance requirements.

In achieving effective risk management, the Group recognises the importance of leadership. Each subsidiary then has responsibility for implementing this approach and adapting it, as appropriate, to its own circumstances.

## **Principal Risks and Uncertainties**

The markets in which the Group operates may be affected by numerous factors, many of which are beyond the Group's control and the exact effect of which cannot be accurately predicted.

The Directors note that the principal risks and uncertainties that the Group is facing include the following areas:

- Acquisitions

The risks associated with selecting appropriate acquisitions, integrating them into the business and successfully realising the growth expected from such acquisitions. The Group conducts a stringent internal due diligence process prior to completing an acquisition. Group management have significant experience and expertise in acquisition integration.

- Global economic downturn

The economic, technological and other macro factors affecting investments' performances. Whilst the current economic downturn may affect all business the impact will vary according to the markets in which they operate. The Group continues to work on operating efficiencies and business development to ensure it remains competitive.

- Management resources

Strong and effective management has been fundamental to the Group's success. The ability to attract and retain highly skilled employees and executives is critical. The Company maintains a constant focus on recruitment processes and management development.

- Regulation



Changes to regulation, taxation or legislative environment applicable to the Group's activities. All regulatory, taxation and legislative requirements are managed locally by compliance and finance managers. The Group also reviews regulation centrally together with legislative developments.

- Capital markets and treasury

The Group reliance on capital markets is very limited. However, in principle, adverse capital markets conditions may affect the financing and refinancing ability of the Group. Treasury risks are actively managed by Group finance.

- Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Group entered into an interest rate swap, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

- Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Based on a number of factors, including but not limited to macro economic scenarios, cost and benefit analysis, counterparty risk analysis, the Group may elect to keep FX positions open, or alternatively hedge FX exposures. The Group has foreign exchange open positions as 60SA Group accounts are expressed in British Pounds and WRM Reinsurance AG accounts are expressed in Swiss Francs. Variation in the exchange rate (GBP/EUR) (CHF/EUR) may affect the consolidated balance sheet and the consolidated profit and loss account.

- Credit risk

The Group measures and monitors credit risk on an on-going basis.

Credit risk is managed at both the Group level and each subsidiary level. At the Group level credit risk mainly arises from exposures in respect of cash and short-term deposits with banks. Credit risk is managed by limiting the aggregate amount and duration of exposure to counterparties. These judgements are made after taking into account the counterparty's credit quality or ratings (when available) and by regular monitoring of such credit quality or ratings. Acceptable credit ratings are medium-to-high investment grade ratings for cash and cash equivalents. At the end of the reporting period, management believes that there were no concentrations of credit risk in respect of receivables. The maximum exposure to credit risk is represented by the carrying value of each receivable on the balance sheet. The balance sheets credit quality and ratings of banks and financial institutions to which the Group has exposure and where necessary addresses concentration risk by reducing its exposure to individual banks. The Company's maximum exposure to credit risk in respect of cash and cash equivalents during the year-end is the carrying value of the balance.

- Liquidity risk

Cash flow forecasting is performed on an on-going basis at all times so that no Group entity breaches borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

The principal liquidity risks faced by the Group relate to the maturity profile of debt obligations. The Group's finance function ensures that sufficient resources are available to meet such liabilities as they fall due through a combination of liquid investments, cash and cash equivalents, cash flows. Flexibility

in funding sources is achieved through a variety of means including (i) maintaining cash, cash equivalents and other highly liquid assets with a range of financially sound counterparties; (ii) limiting the maturity of such balances.

- Capital risk management

The Group's primary objective in respect of capital risk management is to safeguard its ability to continue as a going concern.

Capital is monitored on an ongoing basis with the view to ensure that each Group entity has a capitalisation level which is compliant with relevant legal and regulatory requirements and commensurate with the risk profile of its activities.

Each of the Directors confirm that, to the best of her or his knowledge:

(a) the financial statements are prepared in accordance with IFRS regulation as set forth by EU Regulations give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

(b) the Report of the Board of Directors includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face.

Luxembourg laws and regulations applicable to the preparation and dissemination of financial statements may differ from laws and regulations applicable in other jurisdictions.

### **Proposal**

We propose to the sole shareholder to approve consolidated financial statements, to bring forward the profit and to grant discharge to the Directors.

Approved by the Board of Directors



**C. Burgard**  
Director



**F. Bonfond**  
Director

To the Sole Shareholders  
of Time and Life S.A. 9,  
rue Sainte Zithe L-2763  
Luxembourg

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Time and Life S.A., Societe Anonyme and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statements of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Responsibility of the Board of Directors for the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control the Board of Directors determines is necessary to enable the preparation of the consolidated financial statement that are free from material misstatement, whether due to fraud or error.

#### *Responsibility of the reviseur d'entreprises agree*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *reviseur d'entreprises agree's* judgement including the assessment of the risks of material

misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *reviseur d'entreprises agree* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Time and Life S.A., Societe Anonyme as of 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Report on other legal and regulatory requirements**

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit, *Cabinet de revision agree*



Marco Crosetto, *Reviseur d'entreprises agree*

November 18, 2013

## CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated amounts are expressed in EUR)

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		31 December 2012 EUR	31 December 2011 EUR (unaudited)
	Notes		
<b>Non-current assets</b>			
Investment property	8	159,375,650	---
Equipment	9	194,104	---
Loans and receivables	10	24,095,700	28,017,886
Financial assets at fair value through profit or loss	11	139,701,695	81,862,217
Deferred tax assets	18	929,096	---
Other non-current financial assets		24,000	---
<b>NON-CURRENT ASSETS</b>		<b>324,320,245</b>	<b>109,880,103</b>
<b>Current assets</b>			
Loans and receivables	10	11,328,580	21,186,204
Trade and other receivables	12	3,405,214	350,310
Prepayments		1,186,978	495,000
Cash at bank and in hand	13	8,049,859	23,370,574
<b>CURRENT ASSETS</b>		<b>23,970,631</b>	<b>45,402,088</b>
<b>TOTAL ASSETS</b>		<b>348,290,876</b>	<b>155,282,191</b>
Issued share capital	14	231,000	231,000
Other reserves	15	11,544,467	11,544,467
Translation reserve		(462,883)	(179,685)
Retained earnings		23,404,661	215,305
Equity attributable to equity holders of the parents		34,717,245	11,811,087
Non-controlling interests		26,398,662	---
<b>TOTAL EQUITY</b>		<b>61,115,907</b>	<b>11,811,087</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	16	237,139,406	137,754,217
Derivative financial instrument	11	1,301,272	---
Deposits from tenants		2,636,488	---
Deferred tax liability	18	10,227,215	4,765,885
<b>NON-CURRENT LIABILITIES</b>		<b>251,304,381</b>	<b>142,520,102</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	16	32,490,112	659,653
Trade and other payables	17	3,245,033	262,715
Income tax payable	18	135,443	28,634
<b>CURRENT LIABILITIES</b>		<b>35,870,588</b>	<b>951,002</b>
<b>TOTAL LIABILITIES</b>		<b>287,174,969</b>	<b>143,471,104</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>348,290,876</b>	<b>155,282,191</b>

The notes are an integral part of the consolidated financial statements.

## CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated amounts are expressed in EUR)

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2012	Period from 15 July 2011 until 31 December 2011 EUR (unaudited)
		EUR	
		300,511	
Rental income		302,897	---
Management fee income		8,432,731	---
Other income			---
Administration expenses	27	(2,413,973)	(2,293,983)
Valuation loss from investment property	8	(9,588,856)	---
Net gain/(loss) on financial assets at fair value through profit or loss	11	40,175,837	1,756,651
Valuation loss on financial liabilities at fair value through profit or loss	11	(1,303,777)	---
Interest income	19	1,415,720	1,201,977
Interest expense	20	(11,159,211)	(724,223)
Foreign exchange gain		49,634	286,230
<b>RESULT BEFORE TAX</b>		<b>26,211,513</b>	<b>226,652</b>
Income tax (expense)/income	18	(4,562,200)	(11,347)
<b>PROFIT FOR THE YEAR/PERIOD</b>		<b>21,649,313</b>	<b>215,305</b>
Attributable to:			
Equity holders of the parent		23,189,356	215,305
Non-controlling interests		(1,540,043)	---
		<b>21,649,313</b>	<b>215,305</b>
Exchange differences on translation of foreign operations		(344,493)	(179,685)
<b>Other comprehensive income for the year/period</b>		<b>(344,493)</b>	<b>(179,685)</b>
<b>Total comprehensive income for the year/period</b>		<b>21,304,820</b>	<b>35,620</b>
Attributable to:			
Equity holders of the parent		22,906,158	35,620
Non-controlling interests		(1,601,338)	---
		<b>21,304,820</b>	<b>35,620</b>

The notes are an integral part of the consolidated financial statements.

## CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated amounts are expressed in EUR)

31 December 2012

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Attributable to equity holders of the parent

	Issued capital	Other reserves	Foreign currency translation reserve	Retained earnings	Total	Non- controlling interests	Total equity
	EUR		EUR	EUR	EUR	EUR	EUR
<b>At 15 July 2011</b>	---	---	---	---	---	---	---
Issue of shares	231,000	---	---	---	231,000	---	231,000
Issue of CPECs	---	11,544,467	---	---	11,544,467	---	11,544,467
Profit for the period	---	---	---	215,305	215,305	---	215,305
Other comprehensive income	---	---	(179,685)	---	(179,685)	---	(179,685)
Total comprehensive income	---	---	<b>(179,685)</b>	<b>215,305</b>	<b>35,620</b>	---	<b>35,620</b>
<b>At 31 December 2011</b>	<b>231,000</b>	<b>11,544,467</b>	<b>(179,685)</b>	<b>215,305</b>	<b>11,811,087</b>	---	<b>11,811,087</b>
Incorporation of subsidiary	---	---	---	---	---	28,000,000	28,000,000
Profit for the year	---	---	---	23,189,356	23,189,356	(1,540,043)	21,649,313
Other comprehensive income	---	---	(283,198)	---	(283,198)	(61,295)	(344,493)
Total comprehensive income	---	---	(283,198)	23,189,356	22,906,158	(1,601,338)	21,304,820

<b>At 31 December 2012</b>	<b>231,000</b>	<b>11,544,467</b>	<b>(462,883)</b>	<b>23,404,661</b>	<b>34,717,245</b>	<b>26,398,662</b>	<b>61,115,907</b>
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The notes are an integral part of the consolidated financial statements.



## CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated amounts are expressed in EUR)

31 December 2012

### CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2012 EUR	2011 until 31 December 2011 EUR (unaudited)
<b>Operating activities</b>		
Profit before tax	26.211.513	226.652
Adjustments to reconcile profit before tax to net cash flows		
Net gain on listed equity securities	(21.158.088)	(1.756.651)
Valuation loss on investment property	9.588.656	---
Valuation gain on derivative financial instrument	(19.017.750)	---
Valuation loss on derivative financial instrument	1.303.777	---
Interest income	(1.415.720)	(1.201.977)
Interest expense	11.159.211	726.792
Foreign exchange loss	(49.634)	(266.230)
Depreciation of equipments	5.545	---
	<b>6.627.710</b>	<b>(2.291.414)</b>
Working capital adjustments		
Decrease/ (increase) in trade and other receivables	(3.054.904)	(349.984)
Decrease/ (increase) prepayments	(691.979)	(495.000)
(Decrease)/ increase in trade, other payables and accruals	2.982.318	221.625
Movements in deposits from tenants	2.636.488	---
<b>Net cash flow generated by/(used in) operating activities</b>	<b>8.499.633</b>	<b>(2.914.773)</b>
<b>Investing activities</b>		
Acquisition of businesses, net of cash acquired	---	(12.767)
Acquisition of listed equity securities	---	(80.165.566)
Disposal of listed equity securities	22.263.415	---
Purchase of investment property	(168.946.083)	---
Purchase of equipment	(189.649)	---
<b>Net cash flow used in investing activities</b>	<b>(146.882.317)</b>	<b>(80.118.333)</b>
<b>Financing activities</b>		
Loans granted	(8.000.000)	(48.175.472)
Loans reimbursed	8.922.186	---
Proceeds from borrowings	151.162.610	154.000.000
Repayment of borrowings	(30.000.000)	---
Proceeds from issues of share capital	---	231.000
Interest paid	(1.248.817)	---
<b>Net cash flow generated by financing activities</b>	<b>122.836.179</b>	<b>106.055.528</b>
Effect of exchange rate adjustments on cash and bank balances	225.790	348.152
Net increase in cash and cash equivalents	(15.320.715)	23.370.574
Cash and cash equivalents at the beginning of the year/period	23.370.574	---
<b>Cash and cash equivalents at the end of the year/period</b>	<b>8.049.859</b>	<b>23.370.574</b>

The notes are an integral part of the consolidated financial statements.

## CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated amounts are expressed in EUR

31 December 2012

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### **1 General information**

Time and Life S.A. (the "Company") was incorporated on 15 July 2011 as a "Société Anonyme" under the law of the Luxembourg Companies Act for an unlimited period of time.

The Company has its registered office in Luxembourg, at 9, rue Sainte Zithe, L-2763 Luxembourg.

The sole shareholder of the Company is The Capital Investment Trust, a trust duly established under the laws of Channel Islands, with registered office at 15 Union Street, St Helier, Jersey.

Mr Raffaele Mincione is the beneficiary of The Capital Investment Trust.

The purposes of the Company are:

- i) the acquisition, the management, the enhancement, the disposal of participations, directly or indirectly in whichever form in domestic and foreign companies, included the investment in reinsurance companies;
- ii) the acquisition and disposal by way of subscription, purchase, exchange, sale or otherwise, directly or indirectly, of any other securities, financial instruments and contracts relating thereto;
- iii) the acquisition, the management, the enhancement, the disposal, directly or indirectly, of patents and licenses, as well as rights deriving therefrom or supplementing them;
- iv) the acquisition, the management, the enhancement, the disposal, directly or indirectly, of real estate located in Luxembourg or abroad;
- v) the ownership, administration, development and management of a portfolio, including but not limited to the assets referred to in (i), (ii), (iii) and (iv) above.

The Company may grant all kinds of support, loans, advances and guarantees to any company, including to its subsidiaries and affiliated companies. The Company may also give guarantees and grant security in favour of third parties to secure its obligations, the obligations of its subsidiaries, affiliated companies or any other Company. The Company may further pledge, cede, transfer, encumber or otherwise create security over some or all of its assets.

The Company may also borrow in any form. It may issue notes, bonds and any kind of debt and equity securities.

It may open branches in Luxembourg and abroad.

All of the descriptions above are to be understood in their broadest sense and their enumeration is not limiting. The corporate objects shall include any transaction or agreement which is entered into by the company, provided it is not inconsistent with any of the foregoing.

In general, the company may carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its purposes provided the company will not enter into operations that would result in it being engaged in an activity that would be subject to license requirements or that would be a regulated activity.

The Company's financial year begins on 1st January and ends on 31st December of each year.

The Group adopted IFRS for the first time for the period ended 31 December 2012.

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on November 18, 2013.

## **2 Basis of preparation**

The consolidated financial statements of the Company and its subsidiaries (the Group) have been prepared on a historical cost basis, except for investment property and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in euros. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and approved by the European Union. The Group applied IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS) in preparing these first IFRS consolidated financial statements.

## **3 New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new amended IFRS and IFRIC interpretations effective as of 1 January 2012:

### ***IAS 12 Income Taxes – Recovery of Underlying Assets***

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It implies the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the assets. The amendment becomes effective for annual periods beginning on or after 1 January 2012, but will not have any effect in the entity's performance or in its disclosures because the tax rate for these assets in the jurisdictions in which they are located does not differ if they are recovered by sale or use.

### ***IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements***

The amendment requires additional disclosures about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The entity did not have any assets with these characteristics, so there has not been any effect in the presentation of its consolidated financial statements.

## **4 Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

### ***IAS 1 Financial Statement Presentation — Presentation of Items of Other Comprehensive Income***

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment will have no impact on the Group's financial position. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

#### **4 Standards issued but not yet effective (continued)**

##### ***IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32***

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group’s financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

##### ***IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7***

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group’s financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

##### ***IFRS 9 Financial Instruments: Classification and Measurement***

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected by the end of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but is not expected to have any impact on classification and measurements of financial liabilities. The Group has chosen to defer a full impact analysis of the new standard until it is completed by inclusion of the still outstanding phases, and quantitative information of the effects of the new standard is therefore not available.

##### ***IFRS 10 Consolidated Financial Statements***

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2014. Based on the preliminary analysis performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

##### ***IFRS 11 Joint Arrangements***

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, joint arrangements that meet the definition of a Joint Venture must be accounted for using the equity method. Otherwise joint arrangements are accounted for by recognizing the group’s share of the arrangements assets and liabilities. IFRS 11 becomes effective for annual periods beginning on or after 1 January 2014.

## **4 Standards issued but not yet effective (continued)**

### ***IFRS 12 Disclosure of Involvement with Other Entities***

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required including:

- A requirement to disclose judgements made in determining if the Group controls, has joint control or significant influence over an entity.
- A requirement to disclose judgements made in determining the type of joint arrangement in which the Group has an interest.
- The Group will disclose its judgement in respect of the entity, if any, currently excluded from the consolidated financial statements that will be included due to the existence of potential voting rights held within the Group.

This standard becomes effective for annual periods beginning on or after 1 January 2014.

Based on the preliminary analysis performed, IFRS 12 will require a number of new disclosures but is not expected to have any impact on the Group's financial position or performance.

### ***IFRS 13 Fair Value Measurement***

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group does not consider that the definition of fair value that is applied in IFRS 13 differs in a material way from its current approach and consequently anticipates there will not be any impact from this standard on its financial position. However, IFRS 13 does expand the disclosure requirements in respect of fair value measurement. In particular, the financial statements will in the future, as well as other disclosures, contain:

- An analysis of the fair value hierarchy for investment property (as well as for financial instruments).
- Information about the sensitivity of fair value measurements to changes in unobservable estimation inputs.
- And a detailed commentary on the Group's valuations methods and procedures.

IFRS 13 becomes effective for annual periods beginning on or after 1 January 2013.

Based on the preliminary analysis performed, IFRS 13 is not expected to have any impact on the Group's financial position or performance.

As a general rule, new Standards and Interpretations and amendments to existing Standards and Interpretations, are not applied before their mandatory date of application. The Group applies new Standards and Interpretations after they become mandatory within the EU (endorsement).

## **5 Accounting policies**

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year. Subsidiaries are fully consolidated from the date of acquisition, being the date of which the Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group

balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of Profit or Loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

### **Property acquisitions and business combinations**

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgement is set out in the note "Assumptions, estimates and judgments by applied by management".

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

### **Business combinations**

Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: *Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

## **5 Accounting policies (continued)**

### **Foreign currency translation**

The consolidated financial statements are presented in euros. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The assets and liabilities, including goodwill, of foreign operations are translated into euros (the Group's presentation currency) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

On partial disposals, a proportionate share of the deferred cumulative amount is recognised in the statement of profit or loss.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### **Investment properties**

Investment property comprises completed property that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise.

For the purposes of these financial statements, in order to avoid double accounting, the assessed fair value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of investment property are recognised in the income statement in the year of retirement or disposal. Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

## **5 Accounting policies (continued)**

### **Investment properties (continued)**

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

### **Equipment**

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

- Fixtures and fittings 3-8 years

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains on disposals – net, in the statement of profit or loss.

### **Trade and other receivables**

Trade and other receivables are recognised at their original invoiced value. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

## **5 Accounting policies (continued)**

### **Cash and bank balances**

Cash and bank balances in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **Financial instruments**

#### **Classification**

The Group classifies its financial instruments on initial recognition as a financial liability, financial asset or equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial liability, a financial asset and an equity instrument as per IAS 32.

#### ***Financial assets and liabilities at fair value through profit or loss***

Financial instruments designated as at fair value through profit or loss upon initial recognition: these include equity securities and debt instruments that are not held for trading. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Group. The financial information about these financial assets is provided internally on that basis to the Investment Manager and to the Board of Directors.



### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group includes in this category amounts relating short-term receivables.

### ***Other financial liabilities***

This category includes all financial liabilities, other than those classified as held for trading. The Group includes in this category amounts relating to other short-term payables.

### **Recognition**

The Group recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

## **5 Accounting policies (continued)**

### **Initial measurement**

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself classified as held for trading or designated as at fair value through profit or loss.

Embedded derivatives separated from the host are carried at fair value with changes in fair value recognised in profit or loss.

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

### **Compound financial instrument**

The Group evaluates the terms of each financial instrument to determine whether it contains both a liability and an equity component. Such components are classified separately as financial liability and equity instrument.

The Group first determined the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associate equity component. The carrying value of the equity component represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

### **Subsequent measurement**

After initial measurement, the Group measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at fair value through profit or loss. Interest earned and dividend revenue elements of such instruments are recorded separately in 'Interest income' and 'Dividend income, respectively.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

## **5 Accounting policies (continued)**

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either the Group has transferred substantially all the risks and rewards of the asset; or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

The Group derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

### **Derivative financial instruments**

The Group uses derivative financial instruments such as swaps to hedge the risks associated with fluctuations in interest rate to which it is exposed. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The gain or loss arising from a change in the fair value of derivative financial instruments is included in the profit or loss of the period in which it arises under "Valuation (Loss)/Gain on derivative financial instruments".

The Group did not apply hedge accounting even though the derivatives are cash flow hedges as no formal designation and documentation is done.

## **Determination of fair value**

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Where the Group has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the bid or ask price to the net open position as appropriate.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible.

## **5 Accounting policies (continued)**

### **Impairment of financial assets**

The Group assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss as an impairment expense.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to the Credit loss expense.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### **Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

### **Tenant deposits**

Tenant deposits liabilities are initially recognised at fair value and subsequently measured at amortised cost where material. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

## **5 Accounting policies (continued)**

### **Current Tax**

Current income tax assets and liabilities are measured as the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. The Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and it establishes provisions where appropriate.

### **Deferred tax**

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:

Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary differences can be controlled by the parent, venturer or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an investment property measured at fair value a rebuttable presumption exists that its carrying amount will be recovered through sale.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit or loss.

### **Deferred income**

Deferred income represents rental income which has been billed to tenants as at the statement of financial position date, but which relates to future periods.

## **5 Accounting policies (continued)**

### **Revenue recognition**

#### *Rental income*

Rental income receivable from operating leases except for contingent rental income, is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease

together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the statement of profit or loss when the right to receive them arises.

#### *Interest income*

Interest income is recognised as it accrues using the effective interest rate method.

#### *Service charges and expenses recoverable from tenants*

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable. Service charges and other such receipts are included gross of the related costs in revenue, as the directors consider that the Group acts as principal in this respect.

#### *Sale of completed property*

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

## **6 Assumptions, estimates and judgments applied by management**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### **Judgements other than estimates**

In the process of applying the Group's accounting policies, the Directors have made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### ***Business combinations***

At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

## **6 Assumptions, estimates and judgments applied by management (continued)**

### ***Business combinations (continued)***

At 31 December 2012 the Group determined that it has control over Athena Capital Real Estate & Special Situations Fund 2 in which it holds a 26.74% (2011: nil) ownership interest. Although the Group holds less than 50% of the ownership interest and voting rights in Athena Capital & Real Estate & Special Situations Fund 2, the Group considers that it has control over Athena Capital & Real Estate & Special Situations Fund 2 through its control over Athena Capital S.à r.l. which is the general partner of Athena Capital & Real Estate & Special Situations Fund 2 with the power to govern its financial and operating policy.

Conversely, the Group did not consolidate either Athena Capital Special Situation Fund 1 or Athena Capital Balanced Fund 1 on the basis that the Group does not participate in the benefits deriving from its involvement in the financial and operating policy of either Athena Capital Special Situation Fund 1 or Athena Capital Balanced Fund 1.

### ***Classification of property***

The Group determines whether a property is classified as investment property or inventory property:

- Investment property comprises land and buildings (principally offices, commercial warehouse and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

### ***Valuation of property***

The fair value of investment property is determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group assets.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. Future revenue streams comprise contracted rent (passing rent) and estimated rental income (ERV) after the contract period. In calculating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date.

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2011 and, to a lesser extent, into 2012. Therefore, in arriving at their estimates of market values as at 31 December 2011 and 31 December 2012, valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables. In these circumstances, there was a greater degree of uncertainty in estimating the market values of investment property than would exist in a more active market.

The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 8.

## **6 Assumptions, estimates and judgments applied by management (continued)**

### ***Fair value of financial instruments***

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

IFRS 7 requires disclosures relating to fair value measurements using a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the Group performs sensitivity analysis or stress testing techniques.

## **Assumptions and Estimates**

### ***Compound financial instrument***

The CPECs issued by the Group represent a compound financial instrument and in accordance with IAS 32 *Financial Instruments: Presentation* the equity component amounting to EUR 16,310,352 (2011: 16,310,352) is presented in equity as "Other reserves" whereas the liability component amounting to EUR 4,017,012 (2011: EUR 3,754,217) is presented as "Interest bearing loans and borrowings" (note 16).

The Group has first determined the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associate equity component and using a discount rate of 7%. The carrying value of the equity component represented by the option to convert the instrument into ordinary shares has then been determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole (see note 15).

### ***Embedded derivatives***

The loan (Note 16.1) contains a number of provisions which may be considered as embedded derivatives. Such provisions have been deconstructed into a) a long position of a "Put" with a maturity of 20 December 2015 in respect of the collateral securing the loan; and b) a short position of a "Call" maturity 20 December 2015 in respect of 22.22% of the collateral securing the loan.

## **6 Assumptions, estimates and judgments applied by management (continued)**

### ***Embedded derivatives (continued)***

The embedded derivative has been valued based on the following factors:

1. The put was valued using a notional equal to the expected outstanding loan amount on the 20th of December 2015 determined taking into account amortisation obligations maturing in March 2013; The Call was valued using a notional reflecting the entitlement of the lender to the collateral appreciation.
2. Contractual amortization obligations and future price expectations calculated within a Black and Scholes framework.
3. Maturity 20 December 2015 which is the scheduled maturity date of the loan.
4. Implied volatility of 51%.
5. The components of the derivatives have been valued on an aggregate basis to provide an accurate reflection of the commercial rationale underlying the loan and of its structure. The derivatives are embedded in the loan and such derivatives will not stand in their current format in a different context.
6. Call value on a stand-alone and prior to illiquidity haircut basis of EUR 7,376,780.
7. Put value on a stand-alone and prior to illiquidity haircut basis of EUR 31,148,967.
8. Based on market's practices, illiquidity haircut of 20% applied to the aggregate value of the put and the call options to reflect the key features of such derivatives, including size and illiquidity.

## **7 Business combinations**

On 16 September 2011 the Group acquired 100% of the shares of WRM Reinsurance AG, an unlisted company based in Switzerland.

The existing strategic management function and associated processes were acquired with the other assets and, as such, the Directors consider this transaction the acquisition of a business, rather than an asset acquisition.

The fair value of the identifiable assets and liabilities of WRM Reinsurance AG as at the date of acquisition were:

	<b>Fair value recognized on acquisition EUR</b>
<b>Assets</b>	
Loans and receivables	9,166,413
Cash and cash equivalents	4,087,770
	<hr/> 13,254,183
<b>Liabilities</b>	
Trade payables	41,090
Tax payable	13,093
	<hr/> 54,183
<b>Total identifiable net assets at fair value</b>	<hr/> <b>13,200,000</b> <hr/>
 Non-controlling interest	 ---
Goodwill arising on acquisition	---
 <b>Total consideration</b>	 <hr/> <b>13,200,000</b> <hr/>

The total consideration of EUR 13,200,000 for the 100% interest acquired consists of EUR 13,200,000 cash.

From the date of acquisition, WRM Reinsurance AG has contributed EUR 346,108 to the profit after tax of the Group.

If the combination had taken place at the beginning of the year ended 31 December 2011, the result after tax for the Group would have been a loss of EUR 477,886.

No goodwill was generated in connection with the acquisition of WRM Reinsurance AG.



## 8 Investment property

As at 31 December 2012, the investment property balance is set out in the table below:

	2012 EUR	2011 EUR
<b>As at 1 January</b>	---	---
Acquisitions	168,946,083	---
Valuation loss on investment property	(9,588,856)	---
Foreign currency exchange gain	18,423	---
<b>As at 31 December</b>	<b>159,375,650</b>	---

The caption refers to the freehold investment property located in 60 Sloane Avenue, London purchased on 18 December 2012 at a price of EUR 159,375,650 plus acquisition costs of EUR 9,570,433.

Due to the short time between the purchase date and the year end the fair value of the investment property as of 31 December 2012 is deemed to be equal to the purchase price of EUR 159,375,650 paid on 18 December 2012. The valuation loss of EUR 9,588,856 recorded in the profit or loss is due to the acquisition costs incurred at the time of the acquisition of the investment property excluding foreign currency exchange gains.

The determination of fair value was supported by market evidence as set in the report issued by the independent valuer.

Investment properties shall be valued with the assistance of one or several independent valuer(s) designated by the Group for the purpose of appraising, where relevant, each time prior to any acquisition or sale of a real estate asset and at least once a year at balance sheet date, the fair value of a property investment in accordance with its/their applicable standards, such as, for example, and without limitation, the edition of Appraisal and Valuations Standards published by the Royal Institution of Chartered Surveyors (RICS).

The fair value of investment property (as measured or disclosed in the consolidated financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Rental income generated by the property was EUR 300,513 and operating expenses amounted to EUR 111,772.

## 9 Equipment

	2012 EUR	2011 EUR
<b>As at 1 January</b>	---	---
Additions of the year/period	199,649	---
Acquisition cost at the end of the year/period	<b>199,649</b>	---
Accumulated depreciation at the beginning of the year/period	---	---
Depreciation for the year/period	(5,545)	---
Accumulated depreciation at the end of the year/period	<b>(5,545)</b>	---
<b>As at 31 December</b>	<b>194,104</b>	---

This caption is mainly composed of furniture and computer equipment.

## 10 Loans and receivables

		31 December 2012 EUR	31 December 2011 EUR
<b>Non-current</b>			
Loan to Capital Investment Trust	10.1	20,000,000	20,000,000
Loan to Prisma Life	10.2	4,095,700	8,017,886
		24,095,700	28,017,886
<b>Current</b>			
Interests on the loan to Capital Investment Trust	10.1	1,772,185	380,238
Short-term receivable from third party		---	20,457,633
Short-term receivable from Capital Investment Trust	10.3	8,533,063	348,333
Loan to key management personnel	10.4	1,023,332	---
		11,328,580	21,186,204
<b>Total loans and receivables</b>		<b>35,424,280</b>	<b>49,204,090</b>

### **10.1 Loan to Capital Investment Trust**

On 4 October 2011, the Company entered into a term loan agreement with Capital Investment Trust for an amount of EUR 20,000,000. This loan was bearing interest at 1.43% per year calculated on a 360 day basis. The maturity date is 4 October 2019. This loan was amended on 19 October 2011, the interest rate applicable is Euribor 6 Months plus a margin of 6.25% per year calculated on a 360 days basis.

As at December 2012 accrued interest amounts to EUR 1,772,185 (2011: EUR 380,238).

### **10.2 Loan to Prisma Life**

The loan bears an annual interest rate of 4.5% per annum and it matures on 1 January 2014.

### **10.3 Short-term receivable from Capital Investment Trust**

The caption refers to a receivable of EUR 8,533,063 due from Capital Investment Trust.

### **10.4 Other short –term loan to key management personnel**

On March 2012, the Company entered into a term loan agreement with a Director for an amount of EUR 1,000,000. The loan bears an annual interest rate of 3% calculated on a 360 day basis. The principal and the accrued interest are payable at the maturity date on 1 April 2013. As at 31 December 2012, the accrued interest amounts to EUR 23,332.

On 28 March 2013, the parties agreed to postpone the maturity to 1 April 2016.

This loan has been assigned to a different entity in August 2013.

## **11 Financial assets and financial liabilities at fair value through profit or loss**

### **Financial assets at fair value through profit or loss**

	<b>31 December 2012 EUR</b>	<b>31 December 2011 EUR</b>
Listed equity securities in Banca Popolare di Milano	120,683,945	81,862,217
<b>Total financial assets designated at fair value through profit or loss</b>	<b>120,683,945</b>	<b>81,862,217</b>
Derivative financial instrument (note 6)	19,017,750	---
<b>Total derivative financial instrument</b>	<b>19,017,750</b>	<b>---</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>139,701,695</b>	<b>81,862,217</b>

**11 Financial assets and financial liabilities at fair value through profit or loss**  
**(continued)**

	2012	2011
	EUR	EUR
<b>Net gain or loss on financial assets at fair value through profit or loss:</b>		
Realised loss arising from disposal of equity instruments in Monte dei Paschi di Siena	(17,650,421)	---
Unrealised gain on equity instruments in Banca Popolare di Milano	38,808,508	1,756,651
Unrealised gain on derivative financial	19,017,750	---
<b>Total gains</b>	<b>40,175,837</b>	<b>1,756,651</b>

In March 2012, the Company bought 117,983,551 shares in Banca Monte Dei Paschi Di Siena Spa representing 1.01% of the share capital. The Company sold those shares in June 2012 and lost EUR 17,650,420.77. The acquisition was financed by a loan from Barclays which has been repaid.

**Financial liabilities at fair value through profit or loss**

	31 December 2012	31 December 2011
	EUR	EUR
Derivative financial instrument	1,301,272	--
<b>Total financial liabilities at fair value through profit or loss</b>	<b>1,301,272</b>	<b>--</b>
	2012	2011
	EUR	EUR

**Net gain or loss on financial liabilities at fair value through profit or loss:**

Unrealised	(1,303,777)*	--
<b>Total losses</b>	<b>(1,303,777)</b>	<b>--</b>

\*The unrealised loss of EUR 1,303,777 recorded in the profit or loss also includes a foreign currency exchange difference of EUR 2,505.

## **11 Financial assets and financial liabilities at fair value through profit or loss (continued)**

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data;
- Level 3: use of a model with inputs that are not observable market data.

### **31 December 2012**

	<b>Level 1 EUR</b>	<b>Level 2 EUR</b>	<b>Level 3 EUR</b>	<b>Total EUR</b>
<b>Financial assets at fair value through profit or loss</b>				
Listed equity securities in Banca Popolare di Milano	120,683,945	---	---	<b>120,683,945</b>
Derivative financial instruments	---	19,017,750	---	<b>19,017,750</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial instruments	---	1,301,272	---	<b>1,301,272</b>

### **31 December 2011**

	<b>Level 1 EUR</b>	<b>Level 2 EUR</b>	<b>Level 3 EUR</b>	<b>Total EUR</b>
<b>Financial assets designated at fair value through profit or loss</b>				
Listed equity securities	81,862,217	---	---	<b>81,862,217</b>
Derivative financial instrument	---	---	---	<b>---</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial instruments	---	---	---	<b>---</b>

Due to their short-term nature the carrying value of current financial assets and current financial liabilities recorded at amortised cost, approximate their fair values. The shares in Banca Popolare di Milano and the derivative financial instruments are carried at fair market value.

The Group pledged the securities account on which BPM shares are held to secure the loan from Banque Internationale à Luxembourg. The Group repaid that loan after the end of the year and pledged later the securities accounts on which BPM shares are held to secure the EUR 113,800,000 loan.

## 12 Trade and other receivables

	31 December 2012 EUR	31 December 2011 EUR
VAT receivable	722,083	---
Tenants deposits held by property managers	2,636,492	---
Other receivables	46,639	350,310
<b>Total trade and other receivables</b>	<b>3,405,214</b>	<b>350,310</b>

## 13 Cash and bank balances

	31 December 2012 EUR	31 December 2011 EUR
Cash at bank and in hand	8,049,859	23,370,574
<b>Total cash at bank and in hand</b>	<b>8,049,859</b>	<b>23,370,574</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Current account with Banque International Luxembourg as well as accounts (except current accounts) with Deutsche Bank London were pledged in favour of the bank.

## 14 Issued capital

	31 December 2012	31 December 2011
	Number of shares	Number of shares
Ordinary share of EUR 0.01 each (issued and fully paid)	<b>23,100,000</b>	<b>23,100,000</b>
	EUR	EUR
<u>Ordinary shares issued and fully paid</u>	<b>231,000</b>	<b>231,000</b>

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## **14 Issued capital (continued)**

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

As of 31 December 2012, the authorized capital was EUR 30,000,000 (2011: EUR 30,000,000) represented by 3,000,000,000 shares with a nominal value of EUR 0.01 each.

The shareholders have authorized the board of directors to issue Convertible Preferred Equity Certificates or comparable instruments convertible into shares, within the limits of the authorized capital.

## **15 Other reserves**

On 4 October 2011, the Group issued 2,000,000,000 Convertible Preferred Equity Certificates ("CPECs") with a par value of EUR 0.01 each for an aggregate amount of EUR 20,000,000 as of 31 December 2012, those CPECs are fully owned by Capital Investment Trust, the sole shareholder of the Company.

The CPECs holders carry the right to receive a yield in an amount equal to 0.43% on the outstanding amount of the par value. The yield is paid on the maturity date of the CPECs unless the payment is declared by the Board of Directors of the Company.

The mandatory redemption date is fixed on the 30<sup>th</sup> anniversary of the issuance of the CPECs. On this date the Company shall redeemed all outstanding CPECs and accrued and unpaid yield thereon for an amount of cash per CPEC equal to the redemption price.

Early redemption is allowed for the Company in accordance with the terms and conditions of the contract.

The conversion of the CPECs into shares of the Company is allowed by the holder upon occurrence of a Conversion event or from the 21<sup>st</sup> anniversary of the date of issuance or any subsequent 12-month anniversary thereof as set out by paragraph 4 of the CPEC agreement.

Each CPEC shall be convertible into shares at a ratio of 1 CPEC against 1 conversion share of the Company. As of 31 December 2012 the intention of Time and Life S.A. was to pay interest yearly. It has been subsequently to year end agreed that interests on CPECs would be yearly offset to pay the consideration for the loan assigned by Time and Life S.A. see also note 28. This process will remain in place even if the CPECs holder sells the CPECs to another party.

The CPECs issued by the Group represent a compound financial instrument and in accordance with IAS 32 *Financial Instruments: Presentation* the equity component amounting to EUR 16,310,352 (2011: 16,310,352) is presented in equity as "Other reserves" whereas the liability component amounting to EUR 4,017,012 (2011: EUR 3,754,217) is presented as "Interest bearing loans and borrowings" (note 16).

The Group has first determined the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associate equity component and using a discount rate of 7%. The carrying value of the equity component represented by the option to convert the instrument into ordinary shares has then been determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole

At the time of the issuance the equity component amounting to EUR 16,310,352 was netted off with the deferred tax liability of EUR 4,765,885.

## 16 Interest bearing loans and borrowings

		<u>Nominal interest rate</u>	<u>Maturity</u>	<u>31-Dec-12</u>	<u>31-Dec-11</u>
				EUR	EUR
<b>Non-current</b>					
Loan from a third party	16,1	Variable	20/12/2015	113.800.000	---
Bank borrowings - Deutsche Bank AG	16,2	Variable	18/12/2017	89.322.394	---
Notes	16,3	5,00%	17/12/2014	30.000.000	---
Convertible preferred equity certificates	16,4	0,43%	04/10/2041	4.017.012	3.754.217
Bonds	16,5	Euribor 6 month + 6%	04/10/2019	---	20.000.000
Loan from a third party	16,1	10,00%		---	76.000.000
Loan from a third party	16,1	10,00%		---	38.000.000
				<u>237.139.406</u>	<u>137.754.217</u>
<b>Current</b>					
Bank borrowings - BIL	16,6	Euribor 1 month + 2%	26/06/2013	25.134.814	---
Promissory note from Athena Capital	16,7	2,50%	15/08/2013	7.108.889	---
Special Situations Fund1					---
Interest on the Notes	16,3			54.166	---
Interest on the Bank borrowings - Deutsche Bank AG	16,2			192.243	---
Interest on the Bonds	16,5			---	311.320
Interest on loan from a third party				---	348.333
				<u>32.490.112</u>	<u>659.653</u>
<b>Total interest bearing loans and borrowings</b>				<u><b>269.629.518</b></u>	<u><b>138.413.870</b></u>

### 16.1 Loan from private investors

On 19 December 2011, the Group entered into a loan agreement with a private investor for an amount of EUR 74,000,000 (advance 1) and an amount of EUR 2,000,000 (advance 2).

On 15 December 2011, the Group entered into a term loan agreement with a private investor for an amount of EUR 38,000,000. The loan bears interest at 10% per annum.

On 26 March 2012, the Group paid back EUR 30,000,000 on advance 1.

Later in 2012, each of the initial investors sold the relevant debt to a different entity.

In December 2012, the Group restructured both its existing loan from private investors and Bonds (note 16.5) so as to consolidate them in a single loan amounting to EUR 113,800,000 as of 31 December 2012. The loan matures on 21 December 2015.

The yield of the loan is equal to 22.22% of the aggregate of the following:

- any proceeds realised by the Group in connection with the disposal of shares in Banca Popolare di Milano in excess of the amount used to prepay or repay the loan; and
- the market value of the shares in Banca Popolare di Milano which remain unsold at the maturity date

The loan is secured by fixed charges over the account where shares in Banca Popolare di Milano are held.



The loan contains a number of provisions which have been considered as embedded derivatives. As of 31 December 2013 the value of the embedded derivative is EUR 19,017,750 (note 11).

#### **16.1 Loan from private investors (continued)**

As of 31 October 2013 the value of the derivative is EUR 11,375,542 (20% illiquidity haircut with a put value of EUR 21,680,365 and a call value of EUR 7,460,937).

#### **16.2 Bank borrowings - Deutsche Bank AG**

On 18 December 2012 the Group entered into a loan agreement with Deutsche Bank AG for a notional amount of GBP 75,000,000 (EUR: 92,302,500) with a variable interest. Following the conclusion of a Libor Swap agreement in 2012, this loan bears interest at a rate equal to 1) an annual fixed margin of 4.25% plus 2) 1.18% plus 3) mandatory costs. Group is not using any hedge accounting.

The maturity date of the loan is on 18 December 2017.

As of 31 December 2012, the accrued interest amount to EUR 192,243

The property, the shares of 60SA Limited and the bank accounts of 60SA Limited are pledged in favour of Deutsche Bank AG.

The interest rate for the year ended 31 December 2012 is 6.67%.

#### **16.3 Notes – 5%**

On 17 December 2012 the Group issued bonds amounting to EUR 30,000,000 under the terms of its Euro Medium term notes program. The notes bear an annual fixed interest of 5% and the maturity date is 17 December 2014.

As of 31 December 2012, the accrued interest amount to EUR 54,166.

The board of the Irish Stock Exchange approved the admission of the above mentioned notes to the listing on the Official List and trading on the Main Securities Market. ISIN: XS0865243504.

#### **16.4 Convertible preferred equity certificates**

On 4 October 2011, the Group issued 2,000,000,000 Convertible Preferred Equity Certificates ("CPECs") with a par value of EUR 0.01 each for an aggregate amount of EUR 20,000,000 as of 31 December 2012, those CPECs are fully owned by Capital Investment Trust, the sole shareholder of the Company (note 15).

CPECs rank senior to all shares and other capital stock issued by the Company, but rank junior to all other present and future obligations of the Company, whether secured or unsecured.

The effective interest rate for the year ended 31 December 2012 is 7% (2011: 7%).

#### **16.5 Bonds – 6 months EURIBOR + 6%**

On 19 October 2011 the Group issued a EUR 20,000,000 bond which was initially subscribed by a private investor. The bonds bore an interest of 6 months EURIBOR plus 6 % per year.

In December 2012, the Group restructured both its existing loan from private investors (note 16.1) and Bonds so as to consolidate them in a single loan amounting to EUR 113,800,000 as of 31 December 2012. The new loan matures on 21 December 2015 and is secured (note 16.1).

The interest rate for the period ended 31 December 2011 was 7.78%.

#### **16.6 Bank borrowings - BIL**

On 12 July 2012, the Company entered into a loan agreement with Banque Internationale à Luxembourg ("BIL") amounting to EUR 25,000,000. This loan bears interest at a rate of 1 month EURIBOR plus an annual margin of 2%.

The maturity date of the loan is on 26 June 2013. The loan and the accrued interest thereon have been repaid in full after the year ended 31 December 2012.

The securities account of the Company and cash at bank amounting to EUR 356,898 were pledged in favour of BIL, the pledge has been released after repayment of the loan in 2013 (note 28).

The interest rate for the year ended 31 December 2012 is 2%.

#### **16.7 Promissory note from Athena Capital Special Situations Fund 1**

In 2012, the Group entered into a promissory note with Athena Capital Special Situation Fund 1 for an amount of EUR 7,000,000 bearing an interest at 2.5% per year. The maturity date of this loan is 15 August 2013.

### **17 Trade and other payables**

	<b>31 December 2012 EUR</b>	<b>31 December 2011 EUR</b>
Prepaid rental income	1,234,309	49,118
Trade payables and accrued expenses	2,010,724	213,597
<b>Total trade and other payables</b>	<b>3,245,033</b>	<b>262,715</b>

As of December 31, 2012 the main items in Trade payables and accrued expenses are

- 84,000.00 accounting fees
- 429,205.72 accrued interest
- 40,000.00 audit fees
- 64,000.00 investment advisor to the fund
- 100,000.00 investment advisor Uk building project
- 257,439.00 management fees payable to FAMI Ltd
- 919,000.00 prepaid rentals
- 108,000.00 VAT payable reverse charge (counterpart in receivables)

## 18 Taxation

The major components of income tax expenses for the year ended 31 December 2012 and the period ended 31 December 2011 are:

	2012 EUR	2012 EUR
<b>Current income tax</b>		
Current income tax charge	31,754	11,347
<b>Deferred tax</b>		
In respect of the current year	4,530,446	-
Deferred tax reclassification from equity to profit or loss		-
<b>Income tax expense reported in the profit or loss</b>	<b>4,562,200</b>	<b>11,347</b>

### Consolidated statement of changes in equity

Deferred income tax related to items charged or credited directly to equity	-	4,765,885
Compound financial instrument		
<b>Income tax reported in equity</b>	<b>-</b>	<b>4,765,885</b>

A reconciliation between tax expense and the product of accounting multiplied by Group's average effective tax rate for the year ended 31 December 2012 and the period ended 31 December 2011, is as follows:

	2012 EUR	2011 EUR
Profit before tax	26,211,513	226,650
At the Luxembourg tax rate of 29.22%	(7,659,004)	(66,227)
Effect of different tax rates in other countries	(1,003,636)	63,506
Tax losses for which no deferred tax has been recognized	(187,811)	(543,233)
Non-deductible expenses	(1,211,404)	(18,241)
Non-taxable income	5,528,005	554,423
Minimum tax in Luxembourg	(28,350)	(1,575)
<b>Income tax expense reported in the profit or loss</b>	<b>(4,562,200)</b>	<b>(11,347)</b>

## 18 Taxation (continued)

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2012	2011	2012	2011
<b>Deferred tax liability</b>				
Embedded derivative financial instrument	5,556,986	---	5,556,986	---
Compound financial instrument	4,670,229	4,765,885	(95,656)	---
	<b>10,227,215</b>	<b>4,765,885</b>		
<b>Deferred tax assets</b>				
Tax losses carried forward	668,341	---	(668,341)	---
Fair value loss on derivative financial instrument	260,755	---	(260,755)	---
	<b>929,096</b>	<b>---</b>		
Currency translation			(1,788)	---
<b>Deferred income tax</b>			4,530,446	---
<b>Deferred tax liabilities/(assets) net</b>	9,298,119	4,765,885		
Reflected in the balance sheet as follows				
Deferred tax assets	929,096	---		
Deferred tax liabilities	10,227,215	4,765,885		
<b>Deferred tax liabilities/(assets) net</b>	<b>9,298,119</b>	<b>4,765,885</b>		

As of 31 December 2012, the Group has tax losses which arose in Switzerland of 246,987 that are available for seven years for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may only be used to offset the taxable profits of certain companies in the Group, and there is uncertainty whether these companies will generate taxable profit in the future.

## 19 Interest income

	Year ended 31 December 2012	Period from 15 July until 31 December 2011
Interest on loans and receivables	1,415,720	1,201,977
<b>Total interest income</b>	<b>1,415,720</b>	<b>1,201,977</b>

## 20 Interest expense

	Year ended 31 December 2012	Period from 15 July until 31 December 2011
Interest on loans and borrowings	11,159,211	724,223
<b>Total interest expense</b>	<b>11,159,211</b>	<b>724,223</b>

## 21 Consolidation scope

The financial statements include the financial statements of the Group and the subsidiaries. The Group's significant investment in subsidiaries is listed in the following table:

	Country of incorporation	% equity interest		Consolidation method
		2012	2011	
<b>Subsidiary</b>				
Time and Life S.A.	Luxembourg	Parent entity		
Athena Capital S.à r.l.	Luxembourg	100%	---	Full
POP 1 S.à r.l.	Luxembourg	100%	---	Full
POP 2 S.à r.l.	Luxembourg	100%	---	Full
POP 3 S.à r.l.	Luxembourg	100%	---	Full
POP 4 S.à r.l.	Luxembourg	100%	---	Full
POP 5 S.à r.l.	Luxembourg	100%	---	Full
POP 6 S.à r.l.	Luxembourg	100%	---	Full
POP 7 S.à r.l.	Luxembourg	100%	---	Full
POP 8 S.à r.l.	Luxembourg	100%	---	Full
POP 9 S.à r.l.	Luxembourg	100%	---	Full
POP 10 S.à r.l.	Luxembourg	100%	---	Full
POP 11 S.à r.l.	Luxembourg	100%	---	Full
POP 12 S.à r.l.	Luxembourg	100%	---	Full
POP 13 S.à r.l.	Luxembourg	100%	---	Full
POP 14 S.à r.l.	Luxembourg	100%	---	Full
POP 15 S.à r.l.	Luxembourg	100%	---	Full
POP 16 S.à r.l.	Luxembourg	100%	---	Full
POP 18 S.à r.l.	Luxembourg	100%	---	Full
WRM Reinsurance AG	Switzerland	100%	100%	Full
Athena Capital Real Estate & Special Situations Fund 1	Luxembourg	85.64%	---	Full
Athena Capital Real Estate & Special Situations Fund 2	Luxembourg	26.74%	---	(note 6) Full
60SA 2 Limited	Jersey	85.64%	---	Full
60SA 1 Limited	Jersey	85.64%	---	Full
60SA Limited	Jersey	85.64%	---	Full

## **22 Transactions with related parties**

The following table provides the details of the outstanding balance at the year-end with related parties:

### **Loans and receivables:**

	<b>31 December 2012 EUR</b>	<b>31 December 2011 EUR</b>
<b>Non-current</b>		
Loan to Capital Investment Trust	20,000,000	20,000,000
<b>Current</b>		
Accrued interest on loan to Capital Investment Trust	1,772,185	380,238
Short-term receivable from Capital Investment Trust	8,533,063	348,333
Short-term loan to key management personnel	1,023,332	---
	<b>31,328,580</b>	<b>20,728,571</b>

### **Interest bearing loans and borrowings**

	<b>31 December 2012 EUR</b>	<b>31 December 2011 EUR</b>
<b>Non-current</b>		
Capital Investment Trust - CPEC	4,017,012	3,754,217
<b>Current</b>		
Management fees payable to FAMI Limited	257,439	--
	<b>3,759,573</b>	<b>3,754,217</b>

The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

	<b>2012 EUR</b>	<b>2011 EUR</b>
Interest income on the loan to Capital Investment Trust	1,391,947	380,238
Interest income on the loan to key management personnel	23,333	---
Management fee income from Athena Capital Fund FIS SICAV	302,897	---
Interest expenses on CPEC – Capital Investment Trust	262,795	64,569
Management fee expense to Fami Limited	257,439	---

## **23 Financial risk management objectives and policies**

### **23.1 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. The table below summarises the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments.

<b>31 December 2012</b>	<b>On demand</b>	<b>Less than 12 months</b>	<b>1 to 5 years</b>	<b>&gt;5 years</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Interest bearing loans and borrowings	---	32,490,112	236,102,500	20,000,000
Deposits from tenants	---	---	2,636,488	---
Trade and other payables	---	3,245,033	---	---
Derivative financial instruments	---	---	1,301,272	---

<b>31 December 2011</b>	<b>On demand</b>	<b>Less than 12 months</b>	<b>1 to 5 years</b>	<b>&gt;5 years</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Interest bearing loans and borrowings	---	659,653	114,000,000	40,000,000
Deposits from tenants	---	---	---	---
Trade and other payables	---	262,715	---	---
Derivative financial instruments	---	---	---	---

## 23.2 Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Management's best estimate of how profit or loss and equity would have been affected by a reasonably possible change in the stock prices.

	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>Year ended 31 December 2012</b>	<b>Period from 15 July 2011 Until 31 December 2011</b>
	<b>Equity EUR</b>	<b>Equity EUR</b>	<b>Profit or loss EUR</b>	<b>Profit or loss EUR</b>
<b>Equity price risk</b>				
+10% change in all stock prices	<b>12,068,402</b>	<b>8,186,222</b>	<b>12,068,402</b>	<b>8,186,222</b>
-10% change in all stock prices	<b>(12,068,402)</b>	<b>(8,186,222)</b>	<b>(12,068,402)</b>	<b>(8,186,222)</b>

### **23.3 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of IFRS 7, currency risk does not arise from financial instruments that are non-monetary items or from financial instrument denominated in an entity's functional currency.

As of 31 December 2012, if the euro had weakened against the British pound sterling with all the other variables held constant, post-tax profit for the year would have been 2,707,540 higher (2011: no change), and the equity would have been 2,707,540 higher (2011: no change).

Conversely, if the euro had strengthened against the British pound sterling with all the other variables held constant, post-tax profit for the year would have been 2,707,540 lower (2011: no change), and the equity would have been 2,707,540 lower (2011: no change).

### **23.4 Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group is exposed to risk of credit-related losses that can occur as a result of a counterparty being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationship, derivative and other transactions.

The Group closely monitors the creditworthiness of the Group's counterparties by reviewing their credit ratings, financial statements and press releases on a regular basis.

The carrying amount of the financial instruments as of 31 December 2012 and 31 December 2011 best represents the maximum exposure of the Group to credit risk.

### **23.5 Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Group entered into an interest rate swap, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. The Group is not using any hedge accounting.

The analysis below describes reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax and equity.



	31 December 2012	31 December 2011	Year ended 31 December 2012	Period from 15 July 2011 until 31 December 2011
	Equity EUR	Equity EUR	Profit or loss EUR	Profit or loss EUR
<b>Interest rate risk</b>				
+2% in EURIBOR 1 Month	14,780	--	14,780	--
-2% in EURIBOR 1 Month	14,780	--	14,780	--

## **24 Contingencies**

The Group has entered into a call option agreement under which it has the right to acquire 25,000 shares in the Sub-fund of Athena Capital Fund SICAV-SIF, denominated "Athena Capital Real Estate & Special Situations Fund 1".

## **25 Capital management**

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. No changes were made in the objectives, policies or processes during the years ending 31 December 2012 and 31 December 2011.

During the period, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

## **26 Segment information**

The board identified that the Group has only 2 different activities.

The first is linked to the management of the Group's building which is clearly a real estate activity. The second is asset management, the companies in the Group (except the one in real estate) are SPVs which are dedicated to the management of Group's assets and a GP managing a FIS-SICAV.

Information reported for the purposes of resource allocation and assessment of segment performances on the types of services provided.

The Directors have choose to organize the Group around differences in services.

No operating segments have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group's reportable segments under IFRS 8 are as follow:

Real estate: rental incomes and increase in the value of the building.

Asset management: management fees for the management of assets on behalf of third parties and increase in the value of Group's assets.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The accounting policies of the reportable segments are the same as the Groups's accounting policies described in note 5. Segment profits represents the profit before tax earned by each segment without allocation of central administration costs, share profit of associates, gain recognized on disposal of interest in former associate, investment income, other gains and losses as well as finance costs. This is the measure reported to the Chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

## BALANCE SHEET

Year ended 31 December 2012	Asset management EUR	Real Estate EUR	TOTAL EUR
<b>Non-current assets</b>			
Investment property	---	159,375,650	159,375,650
Equipment	194,104.00	---	194,104
Loans and receivables	24,095,700.00	---	24,095,700
Financial assets at fair value through profit or loss	139,701,695.00	---	139,701,695
Deferred tax assets	---	929,096	929,096
Other non-current financial assets	24,000	---	24,000
<b>Current assets</b>			
Loans and receivables	11,328,580	---	11,328,580
Trade and other receivables	99,060	3,306,154	3,405,214
Prepayments	---	1,186,978	1,186,978
Cash at bank and in hand	5,257,371	2,792,488	8,049,859
<b>TOTAL ASSETS</b>	<b>180,700,510</b>	<b>167,590,366</b>	<b>348,290,876</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	147,817,012	89,322,394	237,139,406
Derivative financial instrument	---	1,301,272	1,301,272
Deposits from tenants	---	2,636,488	2,636,488
Deferred tax liabilities	10,227,215	---	10,227,215
<b>Current liabilities</b>			
Interest bearing loans and borrowings	32,490,112	---	32,490,112
Trade and other payables	856,212	2,388,821	3,245,033
Income tax payable	135,443	---	135,443
<b>TOTAL LIABILITIES</b>	<b>191,525,994</b>	<b>95,648,975</b>	<b>287,174,969</b>

## BALANCE SHEET

Year ended 31 December 2011

	Asset management	Real Estate	TOTAL
	EUR	EUR	EUR
<b>Non-current assets</b>			
Investment property	---	---	---
Loans and receivables	28,017,886		28,017,886
Financial assets at fair value through profit or loss	81,862,217		81,862,217
Deferred tax assets	---	---	---
Other non-current financial assets	---	---	---
<b>Current assets</b>			
Loans and receivables	21,186,204		21,186,204
Trade and other receivables	350,310	---	350,310
Prepayments	495,000	---	495,000
Cash at bank and in hand	23,370,574		23,370,574
Prepayments	---	---	---
<b>TOTAL ASSETS</b>	<b>155,282,191</b>	<b>---</b>	<b>155,282,191</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	137,754,217	---	137,754,217
Derivative financial instrument	---	---	---
Deferred tax liability	4,765,885	---	4,765,885
<b>Current liabilities</b>			
Interest bearing loans and borrowings	659,653		659,653
Trade and other payables	262,715	---	262,715
Income tax payable	28,634	---	28,634
<b>TOTAL LIABILITIES</b>	<b>143,471,104</b>	<b>---</b>	<b>143,471,104</b>

## INCOME STATEMENT

Year ended 31 December 2012

	Asset management EUR	Real Estate EUR	TOTAL EUR
Rental income	---	300,511	300,511
Management fee income	302,897	---	302,897
Other income	8,422,021	10,710	8,432,731
Administration expenses	(2,302,202)	(111,772)	(2,413,973)
Valuation loss from investment property	---	(9,588,856)	(9,588,856)
Net gain/(loss) on financial assets at fair value through profit or loss	40,175,837	---	40,175,837
Valuation loss on financial liabilities at fair value through profit or loss	---	(1,303,777)	(1,303,777)
Interest income	1,415,720	---	1,415,720
Interest expense	(10,946,676)	(212,535)	(11,159,211)
Foreign exchange gain	(216,483)	266,117	49,634
<b>RESULT BEFORE TAX</b>	<b>36,851,115</b>	<b>(10,639,602)</b>	<b>26,211,513</b>
Income tax (expense)/income	(5,493,084)	930,884	(4,562,200)
<b>PROFIT FOR THE YEAR</b>	<b>31,358,031</b>	<b>(9,708,718)</b>	<b>21,649,313</b>

<b>INCOME STATEMENT</b>			
<b>Year ended 31 December 2011</b>	<b>Asset management EUR</b>	<b>Real Estate EUR</b>	<b>TOTAL EUR</b>
Rental income	---	--	---
Management fee income	---	--	---
Other income	---	--	---
Administration expenses	(2,293,983)		(2,293,983)
Valuation loss from investment property	---	--	---
Net gain/(loss) on financial assets at fair value through profit or loss	1,756,651	--	1,756,651
Valuation loss on derivative financial instrument	---	--	---
Interest income	1,201,977	--	1,201,977
Interest expense	(724,223)	--	(724,223)
Foreign exchange gain	286,230	--	286,230
Income tax expense	(11,347)	--	(11,347)
<b>PROFIT FOR THE PERIOD</b>	<b>215,305</b>	<b>--</b>	<b>215,305</b>

**Reconciliation of assets**

<b>Assets</b>	<b>31 December 2012 EUR</b>	<b>31 December 2011 EUR</b>
Total assets per reportable segments	348,290,876	155,282,191
Other assets	--	--
Group's assets	<u>348,290,876</u>	<u>155,282,191</u>

**Reconciliation of liabilities**

<b>Liabilities</b>	<b>31 December 2012 EUR</b>	<b>31 December 2011 EUR</b>
Total liabilities per reportable segments	287,174,969	143,471,104
Group's liabilities	<u>287,174,969</u>	<u>143,471,104</u>

**Reconciliation of profit**

<b>Profit or loss</b>	<b>Year ended 31 December 2012 EUR</b>	<b>Period from 15 July 2011 until 31 December 2011 EUR</b>
Total profit or loss per reportable segments	21,649,313	215,305
Group's profit or loss	<u>21,649,313</u>	<u>215,305</u>

## 27 Administrative expenses

	Year ended 31 December 2012 EUR	Period from 15 July until 31 December 2011 EUR
Rent fees	(86,421)	---
Corporate services	(211,661)	(43,838)
Audit fees	(205,342)	(25,631)
Consulting fees	(362,491)	---
Insurance fees	(110)	---
Marketing costs	(49,920)	---
Management fees	(440,441)	(28,454)
Other administrative expenses	(925,788)	(2,142,499)
Depreciation of equipment	(5,546)	(20,688)
Personnel expenses	(126,253)	(32,873)
<b>Total administration expenses</b>	<b>(2,413,973)</b>	<b>(2,293,983)</b>
	<b>(2,413,973)</b>	<b>(2,293,983)</b>

## 28 Subsequent events

On January 9, 2013, the Group reimbursed in full the 25,000,000 EUR lombard loan received from BIL.

In March, the Group made an early repayment of 20,025,370.85 EUR under the loan restructured in December 2012.

On 25 March 2013, the Group sold its participation in Athena Capital Real Estate & Special Situations Fund 2 for 7,305,402 EUR realizing a gain of 5,402 EUR.

In April 2013, the Group purchased 1,819,952 shares in BPM. Those shares will not be used to provide collateral in the frame of the restructuration of indebtedness which occurred in December 2012.

On 22 May 2013, the loan granted to a Director in March 2012 has been increased by 1,000,000 EUR (aggregate amount 2,000,000 EUR) (note 10.4).

In June 2013 the POPs pledged the securities accounts on which BPM shares are held to secure the restructuring loan amounting 113.800.000 EUR as disclosed in the summary of activities. The Company and POPs are still economical and legal owner of those shares and are still entitled to exercise voting rights and to receive any dividend or other income. The lender is however ranking in priority to third party creditors in respect of the loan collateral.

In July 2013, the Group issued two additional tranches of respectively 2,000,000 EUR and 500,000 EUR under its Euro Medium Term Note programme.

On 17 July 2013, the loan granted to a Director in March 2012 has been increased by 1,500,000 EUR (aggregate amount 3,500,000 EUR) (note 10.4).

On 26 July 2013, the loan granted to a Director in March 2012 has been increased by 300,000 EUR (aggregate amount 3,800,000 EUR) (note 10.4).



## **28 Subsequent events (continued)**

In July 2013, the Group acquired 17.49% of Valore Italia Holding di Partecipazioni S.p.A. for 1,500,000 EUR. The shares are listed on AIM Italia - Mercato Alternativo del Capitale.

On 1 August 2013, the loan granted to a Director in March 2012 amended for the last time in July 2013 and accrued interests have been assigned the The Capital Investment Trust.

On August 15 2013, the WRM reinsurance AG reimbursed in full the 7,000,000 EUR promissory note.

In September 2013, the Group purchased 12,172,662 shares in Sirius Petroleum PLC (1.249% of the share capital) for an aggregate amount of 423,000 GBP (500,000 EUR).

In September 2013, the Group exercised the call option on 25,000 shares of Athena Capital Special Situations and Real Estate Fund 1 for an aggregate amount of 25,000,000 EUR.

On 13 November 2013, the Company transferred the shares in POP 1 S. à r.l. to POP 15 S. à r.l. and the shares in Sirius Petroleum PLC to Athena Capital Balanced Fund 2 in exchange of shares in that sub-fund.

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