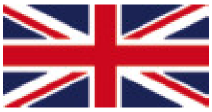
UK Financial Services Industry Annual Review
Ownership, Value and M&A Developments

January 2012

IMAS

BETTER INFORMED • BETTER ADVICE

UK financial services: international appeal



This report highlights the size and structure of the UK financial services industry and the increasing overseas interest in the sector. Over 1,000 international firms own businesses in UK financial services, which demonstrates the openness of the sector. This number is growing, given the UK's importance in the global financial services market which reflects its experience, concentration of expertise, favourable time zone and language. The UK openness to investment is matched and facilitated by transparency of information. Every company has to file financial returns annually and the majority of firms that are active in UK financial services are regulated by the Financial Services Authority. These two sources form the basis of the detailed analysis behind this report.

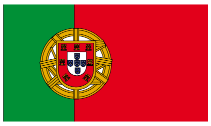
英国金融服务业：国际吸引力

本报告突出了英国金融服务业的规模和结构以及海外对于这一领域日益增长的兴趣。1000多家国际公司在英国金融服务业拥有企业，展示出这一领域的开放度，而英国在全球金融服务市场的重要地位反映出英国拥有经验、专长集聚、时区和语言有利，有鉴于此，这一数字正在增长。英国对投资的开放度由信息的透明度所推动，并且与之匹配。每家公司每年都必须申报财务收益，而且活跃在英国金融服务业的大多数公司都由金融服务署监管。来源于财务收益和金融服务署的信息组成了本报告背后详细分析的基础。

Сектор финансовых услуг Великобритании: международная привлекательность

Данный отчет освещает размер и структуру сектора финансовых услуг Великобритании и растущий международный интерес к деятельности этого сектора. Более 1000 международных фирм владеют британскими компаниями в сфере финансовых услуг, что наглядно демонстрирует открытость этого сектора. Количество этих компаний растет, учитывая важную роль Великобритании на рынке международных финансовых услуг, отражающую опыт, накопленные знания, удобный часовой пояс и язык. Открытость Великобритании для инвестиций существует одновременно с прозрачностью информации и опирается на нее. Каждая компания обязана ежегодно подавать финансовые отчеты, и большинство фирм, работающих в британском секторе финансовых услуг, подлежат регулированию со стороны Управления по финансовому регулированию и надзору (FSA). Эти два источника легли в основу подробного анализа, стоящего за данным отчетом.

Serviços financeiros no Reino Unido: interesse internacional



Este relatório destaca a dimensão e a estrutura da indústria de serviços financeiros no Reino Unido e o crescente interesse internacional no setor. Mais de mil empresas internacionais possuem negócios em serviços financeiros no Reino Unido, o que demonstra a abertura do setor. Esse número vem aumentando devido à importância do Reio Unido no mercado global de serviços financeiros, o que reflete a sua experiência, sua concentração de conhecimento, fuso horário favorável e idioma. A abertura do Reino Unido a investimentos tem seu correspondente na transparência de informação, que a facilita. Toda empresa deve declarar imposto de renda anualmente e a maior parte das que se encontram ativas na prestação de serviços financeiros no Reino Unido é regulada pela Autoridade de Serviços Financeiros. Estas duas fontes são o fundamento da análise detalhada que serve de base ao presente relatório.

الخدمات المالية في المملكة المتحدة : جاذبية دولية

يُلقي هذا التقرير الضوء على حجم وهيكل صناعة الخدمات المالية في المملكة المتحدة والرغبة الدولية المتزايدة في هذا القطاع. حيث تمتلك أكثر من ١٠٠٠ شركة عالمية أعمال في قطاع الخدمات المالية في المملكة المتحدة، وهذا يدل على انفتاح هذا القطاع. ويزداد نمو هذا القطاع نظرًا لأهمية المملكة المتحدة في السوق العالمي للخدمات المالية مما يعكس خبرتها وتركيزها في هذا المجال وفرق التوقيت المواتي بالإضافة إلى عامل اللغة. ويرتبط انفتاح المملكة المتحدة على الاستثمارات ويسهل من عملها وجود شفافية في المعلومات حيث تلتزم جميع الشركات بالكشف عن عوائدها المالية سنويا وتخضع غالبية الشركات التي تنشط في قطاع الخدمات المالية في المملكة المتحدة إلى لوائح وضوابط هيئة الخدمات المالية. ومن ثم يُشكل هذان المصدران أساس التحليل المفصل لهذا التقرير.

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Foreword

TheCityUK

I am delighted to welcome this new report which clearly demonstrates that the UK is the world's pre-eminent international financial services centre.

The UK can proclaim its global standing thanks to the legacy of our legal system, our time zone, the use of English as the international language of business, and the dynamic cross section of financial, legal and other professional services that come together in the City and across the UK. In the competitive and fast moving global economy, we work with many other parts of the world that are keen to expand their financial sectors as these links provide important new opportunities for business and access to capital.

At home, these sectors are still at the heart of our economy. They employ two million people around the country and contributed over £40 billion trade surplus to the UK in 2010. They are also a major tax payer with the Treasury benefiting from £63bn in taxes in 2010/11. This accounted for 12.1% of the total government receipts for all taxes, even as the economy suffered from the effects of the European Sovereign debt crisis.

Established in 2010, TheCityUK champions the UK-based financial and professional service sectors, promoting our excellence overseas, and ensuring we develop a regulatory landscape that encourages entrepreneurship, long term investment and delivers a skills base that keeps our deep pool of talent in the UK.

Continuing to promote and grow these vibrant sectors involves having a detailed understanding of how they operate, and this report is a very valuable contribution to this knowledge. I am sure you will find it useful for your business needs.

Chris Cummings
CEO, TheCityUK

Foreword

UK Trade & Investment

UK Trade & Investment is at the heart of the drive for growth in the UK and since the launch of our new five year strategy in May 2011, 'Britain Open for Business', I recognise the important task ahead during 2012 and beyond.

UK financial services and related business services are critical to this success at home and overseas. While tough trading conditions prevail, this timely report on UK financial and support services, produced in conjunction with TheCityUK and IMAS shows the attractiveness of the UK as a financial centre. With over 900 major overseas investors, the UK's financial services sector is truly global.

With our long-standing reputation, geographic location, skilled workforce and established business and legal frameworks, together with the UK government's commitment to free trade and transparency, it is easy to understand why foreign investment in UK financial services remains a first class business prospect.

This report analyses key forms of ownership across the four main sectors – General Insurance, Investment, Lending and Support Services – of the UK financial services industry; I am sure you will find it both interesting and insightful.

Nick Baird
CEO, UK Trade & Investment

Executive summary

Background

The UK financial services industry is a major contributor to the UK economy, accounting for c.9% of its economic output[1]. IMAS estimates that there are at least 50,000 trading entities in the UK financial services industry, comprising investment firms, lending businesses, general insurance companies and associated financial support services providers.

By identifying and analysing all of the UK financial services groups with an estimated equity capital value in excess of £5 million, IMAS has developed unparalleled insights into the structure and ownership of the industry which are set out in this report and in far greater detail at www.imasinsight.com.

IMAS's proprietary analysis is constructed from base data that is made publicly available by Companies House, cross-referenced to the Financial Services Authority (FSA). This data is then enriched by activity, ownership and value and updated on a daily basis to ensure that changes in ownership are accurately reflected whether from acquisitions, disposals, leveraged buy-outs or flotations.

International appeal

The UK's financial services industry continues to be a truly international marketplace with over 900 overseas firms investing directly in UK financial services groups*. Their attraction to the UK is due in part to its expertise and skills base, its robust legal and regulatory framework and its geographic position and language. It is also the transparency in accounting and other financial disclosures which provides a level playing field for all participants and which in part has enabled the production of this report.

Overseas owned firms represent nearly half of the UK's largest financial services groups, defined as those with an estimated equity capital value of £100+ million, and over one quarter of all the 3,440 groups analysed. Of these, it is the western continents of North America and Europe that maintain by far the largest share (with c.52% and c.26% respectively). Asian ownership remains at c.16%, with the emerging economies of the BRIC[2] and CIVETS[3] nations at 3.8% and 1.9% respectively.

Sectorally, the US is the largest investor in each of the four segments of the market, especially in the investment sector where it accounts for over 270 or c.17% of the 1,650 groups. Thereafter it is Switzerland, given its interests in the investment and banking sectors, followed by Germany and Japan.

Investment: the largest sector

There are in excess of 3,400 UK financial services groups with an estimated capital value of £5 million or more, which have all been classified according to their principal line of activity into one of four sectors and one of nearly one hundred individual sub-sectors.

Within the four sectors of the industry, the investment sector is by far the largest by number representing nearly half of the industry, as shown opposite.

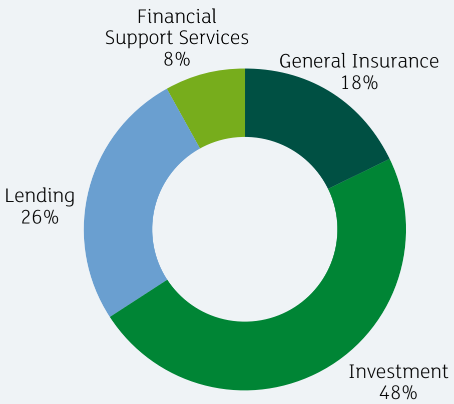
1 Bank of England quarterly bulletin, 2011 Q3
2 Brazil, Russia, India and China
3 Columbia, Indonesia, Vietnam, Egypt, Turkey and South Africa

The UK financial services industry is:

- more than **50,000** entities
- **160,000** approved persons
- **3,400** groups*
- **900** overseas owned groups*
- **300** publicly quoted groups*
- **150** private equity investments*

*with an estimated equity capital value in excess of £5 million

Fig. 1: UK financial services groups (by number)

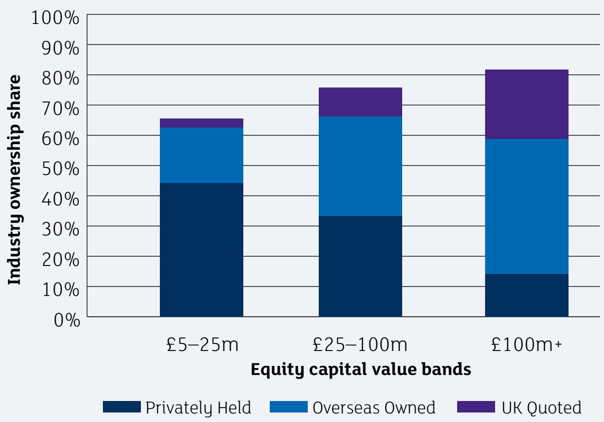


Source: IMAS-*insight*

The predominant activity within the investment sector is that of fund management, with the growth in alternative investment strategies apparent through the next two largest activities of hedge fund management and private equity investment. In total, these three activities represent almost half of the investment sector by number.

Of the other sectors, the predominant activities undertaken within lending are by banks and credit institutions; within insurance, they are by brokers within the commercial lines and specialist segments; and within financial support services, they are by financial technology and payment providers.

Fig. 2: Ownership trends within UK financial services (by value)



Source: IMAS-*insight*

Ownership: value is the key determinant

Privately held groups are the most common form of control within the industry, accounting for over one third of the groups analysed. However, this form of control declines as the value of groups increases, with M&A the principal driver of this change. Private owners will typically consider their strategic options in later life, often divesting their businesses to trade acquirers, overseas firms or private equity firms.

As shown, overseas owned firms and UK publicly quoted groups significantly increase their share of control of the industry as the value of groups increases, with such businesses typically requiring access to deeper pools of capital.

The three forms of control highlighted account for c.65% of all groups at the lower value band and c.82% at the higher value band, with the balance held by private equity firms, mutuals and partnerships.

UK financial services: Open for business

The UK financial services industry occupies a unique position in the global marketplace, serving four very distinct sectors and attracting capital investment from an array of sources.

M&A will continue to be the principal driver of change for ownership within this growing industry, whether domestically sourced demand or international interest from firms looking to enter the European market or enhance an existing presence.

The UK's commitment to free trade, transparency and robust legal and regulatory frameworks should ensure that the UK financial services industry will continue to attract investment, both from overseas firms and UK-owned businesses.

The UK financial services industry

The UK financial services industry is a key contributor to the UK's economic output, spanning the disciplines of investment, insurance, lending and associated financial support services.

IMAS estimates that there are more than 50,000 individual entities within the industry, ranging from one-person firms to very large international operations which comprise multiple entities, defined as a group within this report.

IMAS has analysed the UK financial services market to identify all groups that have an estimated equity capital value in excess of £5 million. The 3,440 identified groups represent over one quarter of all UK entities by number, as value is highly concentrated within a relatively small number of larger groups.

IMAS has defined three equity capital value bands, spanning a:
- **£20 million range at the smaller value band, from £5-25 million;**
- **£75 million range at the mid-value band, from £25-100 million; and**
- **range of several tens of billions of pounds at the upper value band of £100+ million.**

Consistent with the distribution by value of UK financial services groups, the analysis detailed below reveals far more groups in the £5-25 million value banding than in £25+ million categories.

Table 1: Ownership by value band of UK financial services groups

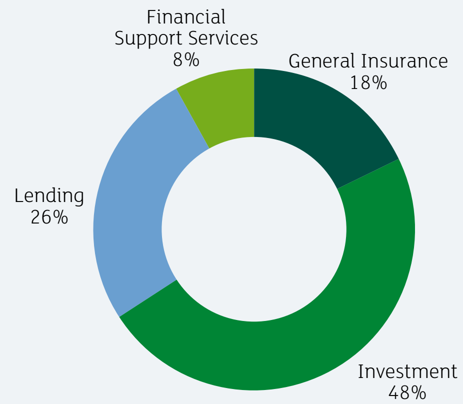
	UK Quoted	Privately Held	Widely Held	Overseas Owned	Private Equity	Mutual/ Friendly	Other	Total
£100+ million	166	102	29	320	44	44	14	719
£25-100 million	68	233	34	229	59	59	17	699
£5-25 million	61	895	55	367	53	549	42	2,022
Total	**295**	**1,230**	**118**	**916**	**156**	**652**	**73**	**3,440**

Ownership profile differs markedly by value, as shown in the table above. Privately held groups are the largest overall constituency but their influence declines as value increases. This is to be expected given that as companies expand and increase in size and value, other sources of capital are required, which frequently results in a change of control.

The opposite trend can be witnessed in overseas owned groups, the second largest constituency overall. Its relative influence increases as value increases, such that it is the most influential form of control at the largest £100+ million value band. Clearly penetration of the UK market is an important strategy for a great number of international firms.

There are two other key observations:
- UK publicly quoted groups are the second largest constituency in the £100+ million value band, as access to equity capital markets is key to fund growth and in the UK there exist liquid markets with a broad investor base; and
- Mutuals are the second largest constituency in the smaller £5-25 million value band, which is driven by the large number of credit unions, promoting basic financial services to their membership base on a not-for-profit basis.

Fig. 3: UK financial services groups (by number)



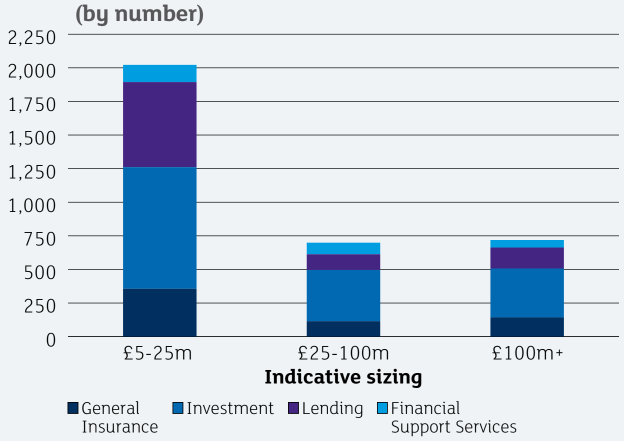
Source: IMAS-*insight*

IMAS has categorised each of the identified groups into one of four sectors, based on their principal line of business, and further into nearly one hundred sub-sectors, which are further explained in the sector reviews of this report.

The investment sector is by far the largest segment within the industry, represented by the great number of fund managers, hedge fund managers and private equity firms. The lending sector is the next largest, with over half of the sector mutually owned by their members, representing the great number of credit unions and building societies in the UK market.

Brokers are the largest constituent of the insurance sector, whilst financial technology firms are the largest constituent within the financial support services sector.

Fig. 4: Indicative sizing of UK financial services groups (by number)

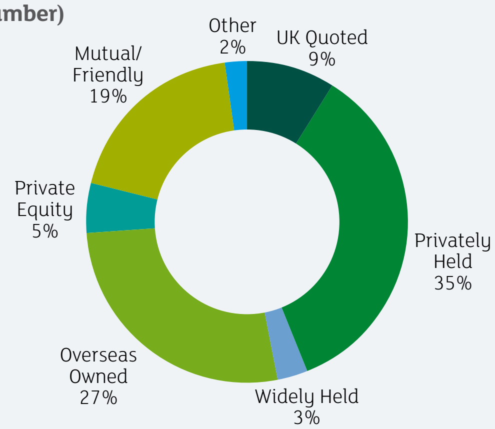


Source: IMAS-*insight*

Well over half of all the groups analysed are represented in the lowest value banding of £5-25 million, with the larger value bands broadly equivalent in number.

The upper-value banding comprises all groups with an estimated equity capital value in excess of £100 million, and hence incorporates a far wider range of values than in the £25-100 million banding. Therefore the distribution shown is consistent with the proposition that the number of groups declines as value increases.

Fig. 5: Ownership profile of UK financial services (by number)



Source: IMAS-*insight*

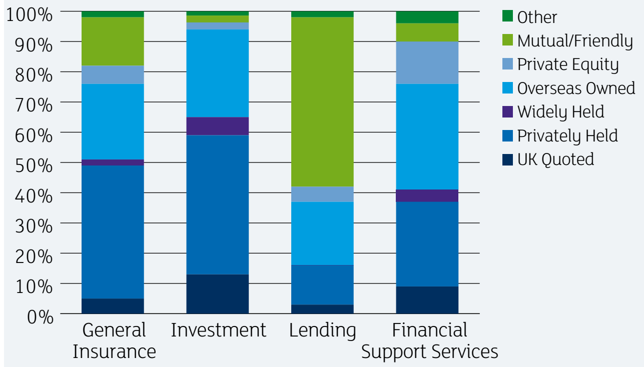
Privately held firms and overseas owned companies are the two dominant forms of control within the industry by number of groups.

As privately held and mutual/friendly groups are predominant within the smaller value banding and UK quoted and overseas owned groups are predominant within the upper value banding, the analysis would be skewed towards the latter categories if conducted by value.

However, it is important to reflect that companies are typically incorporated as private vehicles or partnerships (either widely held or mutuals) and that their ownership status evolves as additional capital is sought to fulfil their strategic aims.

The UK financial services industry

Fig. 6: Ownership profile of UK financial services' sectors (by number)



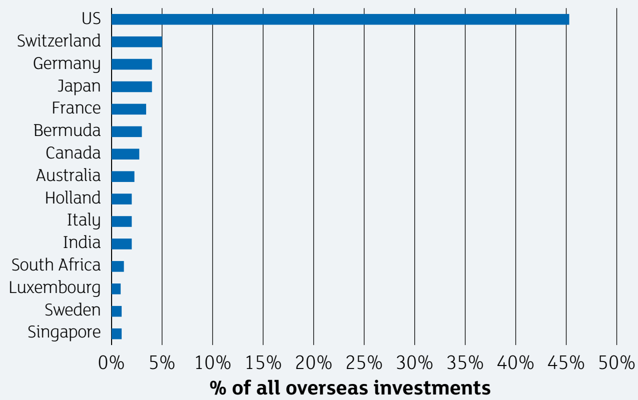
Source: IMAS-*insight*

Contrasting the relative ownership between the four sectors reveals certain differences, notably within the lending sector where the level of mutuals/friendly societies is far greater and privately held groups far less than in other sectors. Lending requires a certain scale and level of funding to operate effectively, which explains this pattern.

Within the other sectors, the ownership categories of UK quoted, widely held and overseas owned all reveal less than 10% variance between the sectors.

Private equity ownership shows most variance, ranging from 2% ownership within investment to 14% within financial support services.

Fig. 7: Top 15 overseas investors (by number of investments)

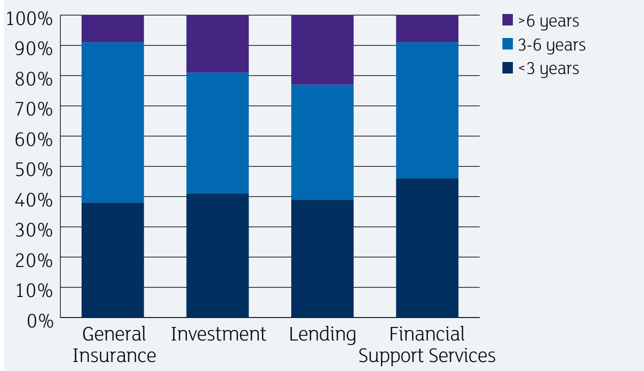


Source: IMAS-*insight*

Of the 916 overseas owned groups, over three quarters are held by North America and Europe. Asian influence remains modest in comparison, with the emerging economies of Brazil, Russia, India and China (BRIC) representing just under 4% of all overseas investments while those of Columbia, Indonesia, Vietnam, Egypt, Turkey and South Africa (CIVETS) represent just under 2%.

The US is by far the most active investor across UK financial services, and within each of the four sectors. However, US investment is far less concentrated in the lending sector, representing c.12% of overseas investments compared with c.40-61% for the other sectors.

Fig. 8: Private equity investments (by hold period)



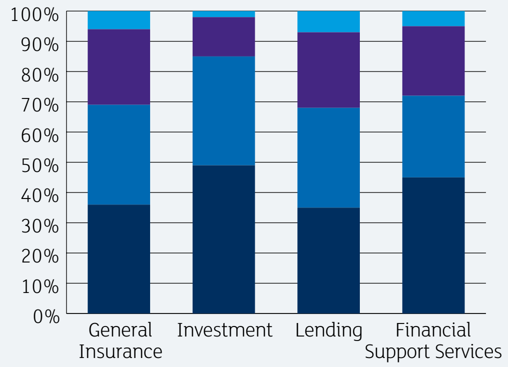
Source: IMAS-*insight*

Private equity firms have been active investors in the UK financial services industry, with 156 investments in excess of £5 million currently held across the four sectors.

Private equity firms typically hold an investment for three to six years before exiting. Contrasting the relative hold periods for each sector, as shown, reveals robust interest in each of the four sectors post-credit crisis as highlighted by the proportion of investments held for less than three years.

However, the investment and lending sectors have a far higher level of investments aged over six years, suggesting that exits in these sectors have been more difficult to achieve recently at acceptable valuation levels.

Fig. 9: Age analysis of privately held groups (by age cohort)



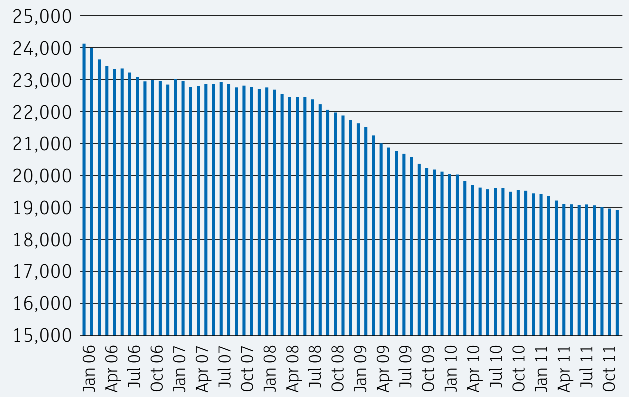
Source: IMAS-*insight*

Privately held businesses are the most common form of control, with ownership of such businesses evolving typically in line with the age of the principal shareholder, either through succession or through a sale to an external party.

Contrasting the relative age cohorts of principal shareholders across the four sectors reveals relatively fewer principal shareholders within the sub-50 year age cohort in the more traditional sectors of general insurance and lending.

Across all sectors, relative ownership begins to contract in the over-60 age cohorts, implying that the strategic options of succession or sale are being implemented at such times.

Fig. 10: FSA authorised entity trend (by number)

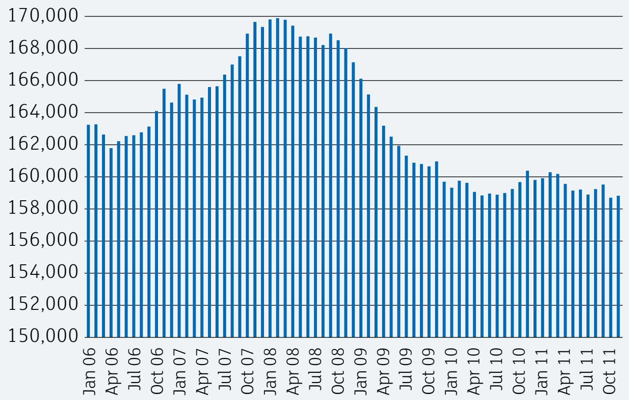


Source: IMAS-*insight*

These two FSA charts are the only charts in this report which are based on all FSA entities, irrespective of size. However, as certain activities fall outside of the regulatory scope of the FSA or do not require FSA authorisation, the UK financial services industry is actually broader than this.

The trend in authorised entities since January 2006 shows an average annual decline of nearly 4%, although this has slowed in 2011. This decline is a natural function of M&A consolidation and de-authorisations, offset to a smaller extent by new entity registrations. The trend has also been impacted by firms, which originally sought direct FSA authorisation, choosing subsequently to become indirectly authorised by joining a single FSA authorised network.

Fig. 11: FSA authorised persons trend (by number)



Source: IMAS-*insight*

Individuals who undertake a customer function or have a senior management control function at an FSA authorised firm are required to be registered with the FSA. Hence the c.160,000 authorised persons (AP) working in the industry represent a small subset of the entire workforce which does not include other employee functions, such as IT, operations or administration.

The trend in APs has been relatively stable recently, with a peak in employment during the period prior to the credit crisis in 2008. Against the backdrop of fewer authorised entities, this suggests that individuals are finding re-employment within the City or that individuals leaving the City are matched by new recruits into the industry or by existing employees becoming authorised due to regulatory scope extensions.

The general insurance market

The general insurance market represents almost one in five groups within the broader UK financial services industry. In absolute terms, this corresponds to 614 groups with an estimated equity capital value in excess of £5 million, as detailed below.

The market itself is broadly balanced between equal numbers of risk-bearing insurers/reinsurers and insurance brokers focused on specific segments of the market, with associated service providers a smaller part of the overall market.

2011 has been a significant year for the insurance market, given the extent of catastrophes and natural disasters, and that has prompted some participants to review their strategic options.

There were a number of notable changes in control for insurers in the year, notably Brit, Chaucer, RAC and Quinn. In the broking sector, the major transaction was Gallagher acquiring Heath Lambert.

Table 2: Ownership by value band of the UK general insurance market

	UK Quoted	Privately Held	Widely Held	Overseas Owned	Private Equity	Mutual/ Friendly	Other	Total
£100+ million	21	9	2	78	14	16	3	143
£25-100 million	8	40	4	31	11	18	3	115
£5-25 million	4	220	7	44	10	62	9	356
Total	**33**	**269**	**13**	**153**	**35**	**96**	**15**	**614**

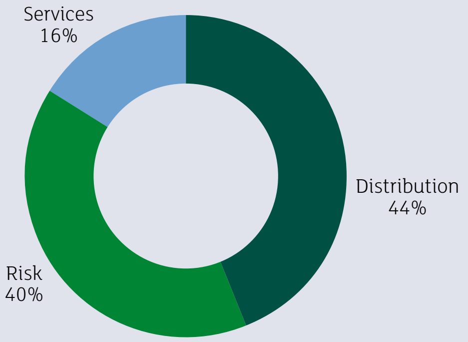
Whilst privately held groups are the most common form of control within the insurance sector, their influence declines as values increase, which is consistent with larger groups requiring access to other forms of capital and resource.

Overseas ownership is the next largest form of control, representing almost one quarter of all insurance groups analysed. However, for the largest insurance groups by value, overseas ownership is the predominant form of control, representing c.55% of such groups. The US is the dominant ownership territory, with many of the ultimate owning companies being US listed.

Mutual/friendly society-controlled entities represent over 15% of the insurance groups analysed, comprising a wide range of activities from shipping P&I clubs to regional healthcare insurers as well as the more conventional mutual-based insurance companies.

Of the other forms of control, both UK quoted and private equity-controlled groups each represent just over 5% of the insurance market. Whilst private equity interest is broadly based across all value bands, quoted groups are far more common at the upper value band.

Fig. 12: General insurance groups (by number)



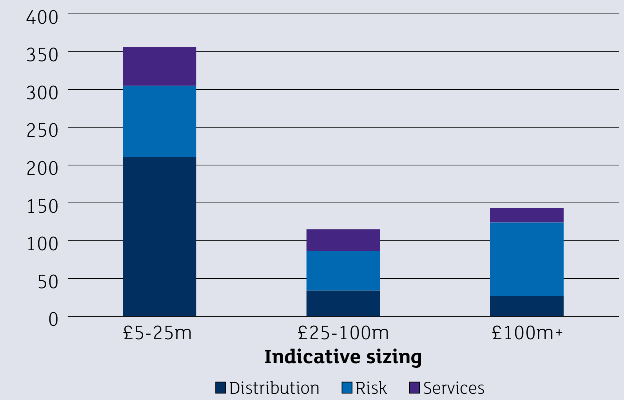
Source: IMAS-*insight*

The general insurance market has been categorised into three segments:

- Risk-carrying insurers that maintain exposure to the underlying policy risk on their balance sheet;
- Distribution, comprising brokers that will source policies on behalf of a client without accepting any direct exposure to the underlying risk; and
- Services, which are related to the lifecycle of insurance policies such as claims handling.

Further detail on the underlying sub-sectors within each segment is provided at the end of this section.

Fig. 13: Indicative sizing of the general insurance industry (by number)

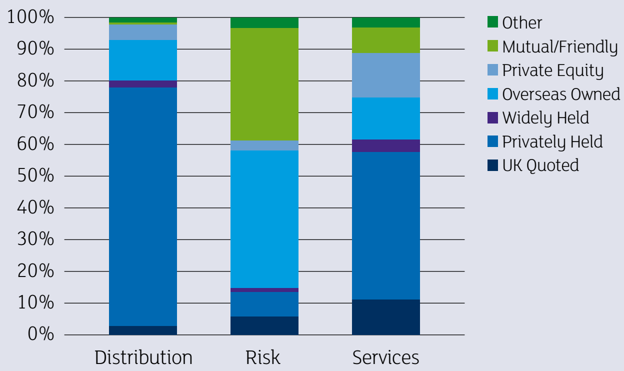


Source: IMAS-*insight*

The distribution of groups within general insurance reveals that c.58% lie within the smaller value band of £5-25 million. Within that category, distribution groups are predominant, reflecting the relative ease with which a broking business can be started. The frequency of distribution groups declines thereafter, as values increase.

Almost one quarter of the insurance sector is valued in excess of £100 million, with risk-carrying insurers predominant. Clearly, capital is important in explaining why there are more risk-carriers in the larger value band than in the lower bands.

Fig. 14: Ownership of the general insurance industry (by number)



Source: IMAS-*insight*

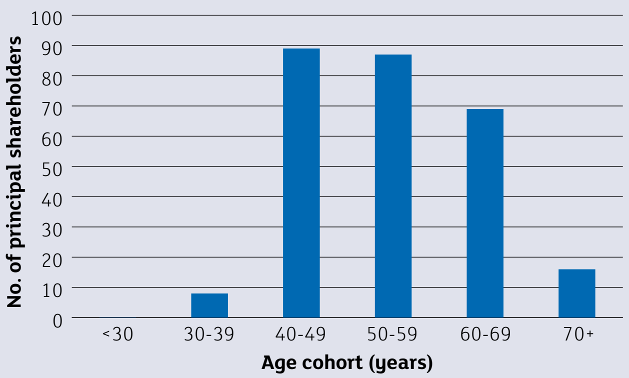
There are very significant differences in ownership between the three segments. Private ownership is concentrated within the distribution and services segments where there are more groups at the lower value band, reflecting the lower amounts of capital required to operate a successful business.

The risk-carrying segment has a very different ownership structure to the other two segments, with overseas owned companies and mutual/ friendly societies accounting for almost 80% of the entire segment.

As highlighted above, capital is important in this segment, and the risk inherent in insurance underwriting can be diversified to an extent through international exposure or pooling of risks.

The general insurance market

Fig. 15: Age analysis within privately held companies (by number)



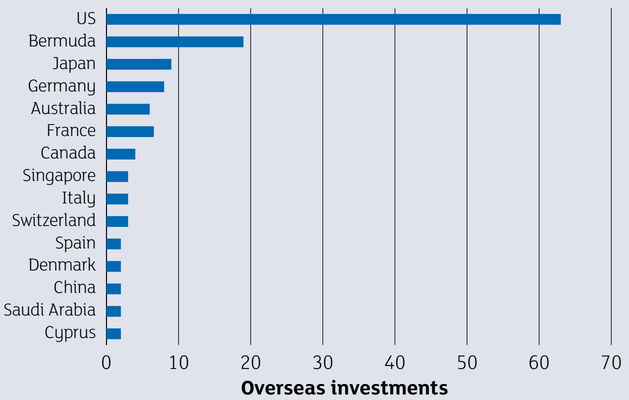
Source: IMAS-*insight*:

Analysing the current age of the principal shareholders within privately held insurance groups reveals the distribution by age cohort shown.

Almost two thirds of the principal shareholders analysed are in either the 40-49 or 50-59 age cohort. Thereafter, the number of principal shareholders begins to decline, which is consistent with the exit or succession planning that is often undertaken at such times. The significant number of shareholders in the 40-49 age cohort is a healthy indicator for the continued diversity of the sector.

The relatively low level of ownership in the 70+ age cohort confirms that exit or succession has largely been completed by such time.

Fig. 16: Top 15 overseas investors (by number of investments)



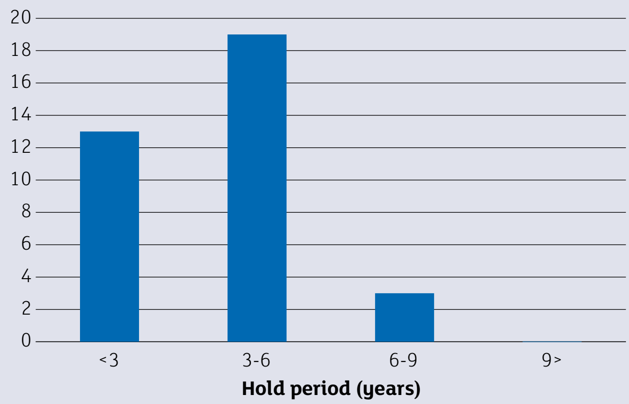
Source: IMAS-*insight*

There are 153 groups within the general insurance sector that are controlled by overseas investors. As demonstrated by the chart, the US is the largest investor with over 40% of such groups.

Bermuda is acknowledged as a key offshore participant in the insurance and reinsurance markets, and is the second largest overseas investor with c.12%.

The top six overseas countries represent in total c.73% of all overseas investments in general insurance.

Fig. 17: Hold period of private equity investments (by number of investments)



Source: IMAS-*insight*

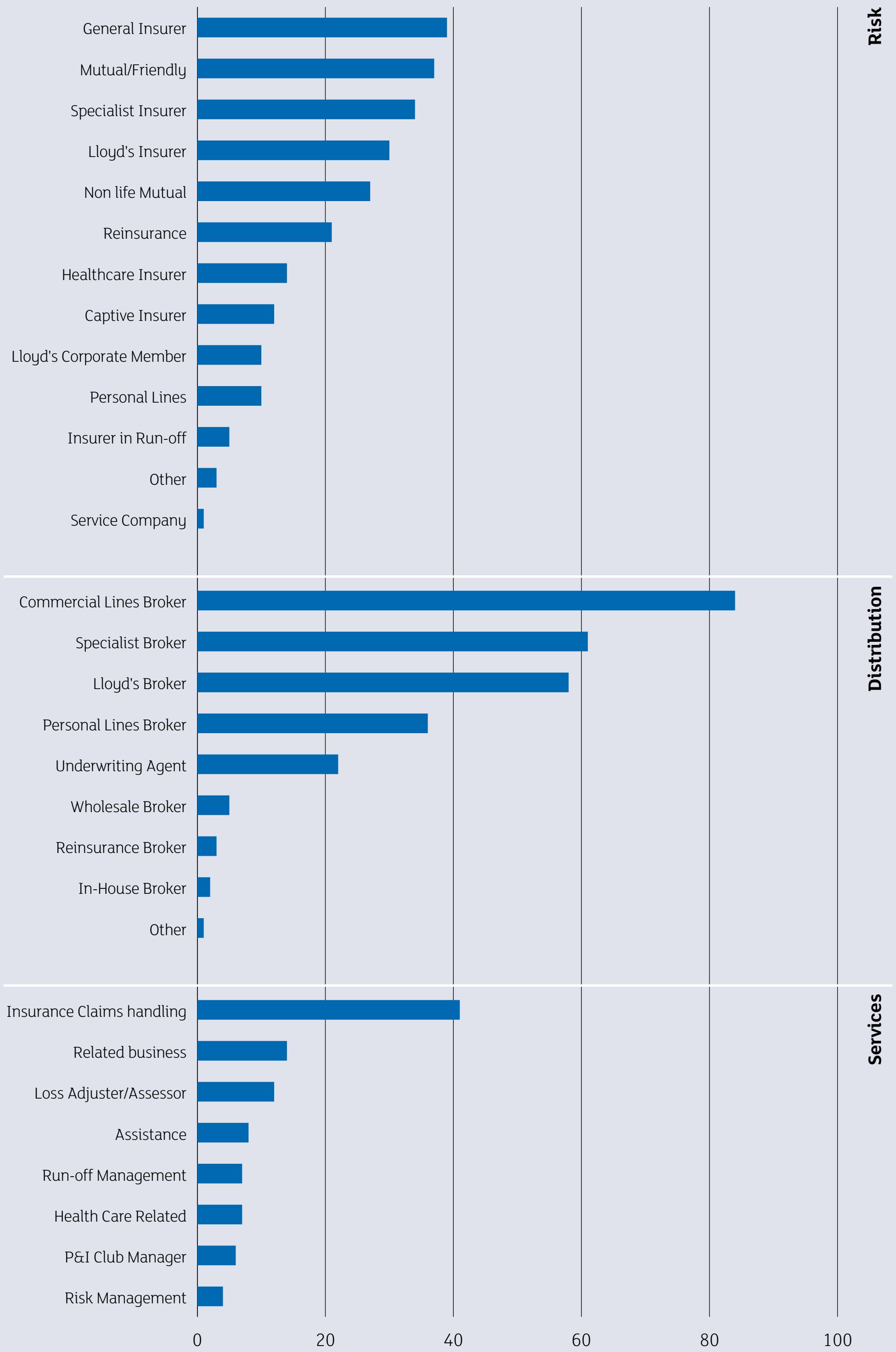
There are 35 private equity investments in the general insurance sector, which have been analysed according to the length of time the investment has been held in the private equity firm's portfolio.

Given the typical term of a private equity fund, investments are frequently acquired and divested within a three- to six-year timeframe.

The distribution of investments highlights that private equity firms have continued to invest in the sector post-credit crisis, and further that there are a number of investments where private equity firms will begin to evaluate their exit options.

The general insurance market: sub-sectors

Fig. 18: Sub-sectors of the general insurance industry (by number)



Source: IMAS-*insight*

The analysis highlights the sub-sector and activity classifications employed in this report, and details the number of participants within each.

Commercial lines brokers, offering general insurance policies aimed at the corporate market, account for c.14% of the entire insurance sector.

M&A in 2011: the general insurance market

2011 was quite a year for insurers, with catastrophe losses hitting the news. A number of significant M&A transactions included Achilles' acquisition of Brit, Hanover's acquisition of Chaucer, Aviva's sale of RAC to Carlyle, Liberty Mutual acquiring Quinn and Hardy receiving several preliminary expressions of interest.

Brokers had a much quieter year with only one significant transaction – Gallagher buying Heath Lambert. Most other broker transactions were at the smaller end of the scale, with regional brokers making strategic acquisitions. Other notable transactions have been in the insurance run-off market, demonstrating interest across the insurance lifecycle.

January:
The year started on a positive note for insurers as well as brokers. Amlin bought two businesses – J R Clare Underwriting and Lead Yacht Underwriting – building its agency underwriting base in niche areas. Admiral sold its German operation and Catlin bought a licensed shell in Wisconsin USA. Broker transactions were on the smaller side, with Saffron acquiring in Suffolk, Weald's management completing its MBO and Antur in Wales acquiring in Milford Haven.

February:
Insurer activity continued with Chaucer announcing approaches, Provident Insurance was confirmed for sale and Achilles' offer for Brit was declared unconditional. Insurance broker Saffron announced its second deal of the year and north-based Henderson acquired P G Bradley. Gallagher announced its acquisition of Woodbrook Underwriting Agencies amid Heath Lambert speculation. Brightside acquired Quote Exchange, a price comparison website developer. Towers Watson acquired actuarial firm EMB.

March:
It was a busy month with transactions across many insurance sectors. Google bought BeatthatQuote and The Bike Insurer was acquired by a web design company, highlighting increased activity in online insurance offerings. Ageas acquired Castle Cover, consolidating its position in the over-50s market with RIAS. An unusual move by Markerstudy was the acquisition of the Auto Windscreen brand name, together with its head office and some other premises, as well as the more conventional Beal & Co, funeral director insurance specialists.

Towergate geared up with the appointment of a new Head of Acquisitions while CCV also announced a small acquisition. Swinton announced its intention to acquire 25 businesses in 2011 and there was much speculation about Aviva preparing RAC for sale, the future of Chaucer and the Gallagher / Heath Lambert merger.

April:
This month saw a number of the first quarter's speculations put to bed. Lloyd's insurer Chaucer announced it had reached agreement to be acquired by US-based Hanover Insurance Group for £313m, MMA acquired Provident Insurance and Liberty Mutual was announced as the acquirer of Quinn.

Peter Wood, Esure, announced his interest in acquiring management's 50% share of Go Compare and the RBS chairman announced the sale of the bank's insurance assets by H2 of 2012.

Other transactions completed were Royal Sun Alliance's acquisition of Oak Underwriting; Central Insurance Brokers consolidated its position as the largest independent broker in Scotland with the acquisition of Collins Halden & Burnett; and Tawa, an insurance run-off specialist, closed its second deal of the year in acquiring Lincoln General via a new US holding company.

May:
The insurance sector was active with Lloyd's insurers Novae and Omega in merger talks as well as Esure announcing plans to launch into the broker market, after April's Go Compare announcement. US broker Ryan acquired Lloyd's insurer Jubilee, putting paid to the speculation started in February with Jubilee's appointment of JLT Advisory.

June:
Aviva announced the sale of RAC to US private equity house Carlyle for £1bn and Axa the C$2.6bn sale of its Canadian unit to Intact Financial, Canada's largest property and casualty insurer. Australian insurance broker Oamps acquired Giles's life sciences business and Markerstudy continued its development in the repair sector with the acquisition of Tonbridge Coachworks Repair Group with its 900 employees.

July:
Insurance consolidation discussions have also been active in July with rumours of a £17bn offer from Zurich for Aviva, The Co-operative Group looking to sell its life arm to Royal London, as well as an agreed deal for HSBC Insurance Services' £68.5m sale of its underwriting business to Syndicate Holding Corp. Giles also approached CBG regarding a potential deal whilst Lloyd's broker Thompson, Heath & Bond was in takeover discussions with US-based broker AmWINS.

August:
August saw Giles reach agreement on the recommended cash offer for CBG Group at 32p/share, valuing CBG at approximately £5m, whilst Simplyhealth Group acquired the healthcare business of Groupama (UK). Other brokers remaining active on infill acquisitions included NMJ Insurance Brokers, Allanfield Group, Reich Insurance, Invicta Insurance Services, CCV and Lark Group.

September:
Lloyd's insurer Omega continued to attract attention from Haverford, Canopius and Barbican looking to merge or acquire a stake, whilst insurance group Torus confirmed its purchase of Lloyd's underwriting business Broadgate. Ryan Specialty completed the acquisition of specialist Lloyd's insurer Jubilee.

US-based McLarens Young International announced the acquisition of Airclaims, the aerospace claims management and consultancy business, from LDC and CIGNA agreed to acquire white-label insurance service business FirstAssist from Barclays Private Equity. LDC also exited their investment in loss adjuster Davies in a £60m private equity deal with Electra Partners.

Other players continuing to make infill acquisitions included Tawa, the UK-listed run-off acquirer, as well as CCV (two deals). Tawa also played a role in the consortium, alongside Paraline and Skuld, which is to acquire Whittington with management becoming equity investors.

AIM-listed insurance broker COBRA disposed of its broking operations in Caterham and Alton to Aston Scott for up to £8.2m.

October:
The FSA has approved Bermuda investment firm Haverford's proposed 25% acquisition in Lloyd's insurer Omega which shareholders have favoured over Barbican's offer whilst bid rival Canopius has withdrawn. The High Court has approved the sale of Quinn Insurance to a joint venture of US insurer Liberty Mutual and Anglo Irish Bank whilst run-off buyout specialist Randall & Quilter has bought run-off insurer Principle for £4.3m. CVC is also understood to have offered £4bn for RBS's Insurance business.

Overseas, JLT has completed its acquisition of a 50.1% stake of Alta, the Chilean broker Orbital's holding company, whilst American Life Insurance Co (a subsidiary of MetLife Inc) sold its Isle of Man life insurance operation in run off to Charles Taylor Consulting.

Dunedin-backed Practice Plan acquired Isoplan, a provider of dental service plans and Jon Ralph led a management buy-out of Broker Assistance, the motor claims management service provider, from the administrators. Other infill acquirers included Invicta Insurance Services, RK Harrison and Quindell Portfolio plc. Finally, the British Insurance Brokers Association (BIBA) have confirmed a merger with the Institute of Insurance Brokers (IIB).

November:
In a busy month for insurance, Aegon completed the sale of its Guardian UK life and pensions company to private equity group Cinven for £275m whilst Resolution-owned Friends Life announced the acquisition of Winterthur Life UK from Axa in a deal worth more than £2.7bn and US broking conglomerate AmWINS agreed to acquire AIM-listed Lloyd's broker THB.

Towergate acquired caravan and motorhome insurance comparison site Caravanquoter; Oxygen agreed to sell event insurance specialist Robertson Taylor to Entertainment Insurance Partners as well as announcing its intention to sell all its remaining assets; and Jardine Lloyd Thompson is merging its Italian business, and taking a 25% stake in the JV, with Marine & Aviation S.p.A. Hyperion's Howden Broking Group has acquired selected Asian operations of Accette Insurance Group with other infill acquirers including Aston Scott, Quindell Portfolio, Higos Insurance Services, The Insurance Partnership, CCV and Clear Insurance.

RL Davison's UK motor and commercial London Market operations were acquired by Miles Smith, who also acquired motor fleet specialist Parker Norfolk.

December:
The month started with Hardy announcing that it had received several preliminary expressions of interest, with Beazley announcing later in the month its interest in entering discussions.

Axa announced the sale of Denplan to Simplyhealth for £115m, their second acquisition of the year, and Cigna finalised the acquisition of First Assist Insurance Services. Other acquirers were Randall & Quilter, RK Harrison, Central in Scotland and JLT acquiring in Ireland. Haverford pulled its original offer to purchase a stake in Omega and then issued a lower value offer. COBRA's corporate solutions business was sold to management.

The investment market

The investment market represents almost half of the groups within the broader UK financial services industry. In absolute terms, this corresponds to 1,650 groups with an estimated equity capital value in excess of £5 million, as detailed below.

The market itself is heavily weighted towards the advice segment, represented by firms that advise individuals and institutions on the investment and allocation of capital. The distribution segment, comprising sub-sectors such as independent financial advice (IFA), is far smaller as it remains a highly fragmented market with most groups falling below the £5 million threshold for this report.

Challenging market conditions and a growing interest in servicing private clients in 2011 precipitated significant changes of control in the sector, with Henderson's take-over of Gartmore being a case in point. Other fund managers that were acquired included Rensburg and J O Hambro Capital Management, both of which were bought by overseas firms.

However, there was even more activity among well-known stockbrokers such as JM Finn, Evolution and Collins Stewart Hawkpoint which received takeover offers from international groups.

2011 also saw further consolidation in the IFA sub-sector, driven by the regulatory imperative of the Retail Distribution Review (RDR) which is due to be implemented by the end of 2012.

Table 3: Ownership by value band of the UK investment market

	UK Quoted	Privately Held	Widely Held	Overseas Owned	Private Equity	Mutual/ Friendly	Other	Total
£100+ million	117	84	24	114	9	11	5	364
£25-100 million	49	148	26	129	17	7	5	381
£5-25 million	45	531	41	234	15	20	19	905
Total	**211**	**763**	**91**	**477**	**41**	**38**	**29**	**1,650**

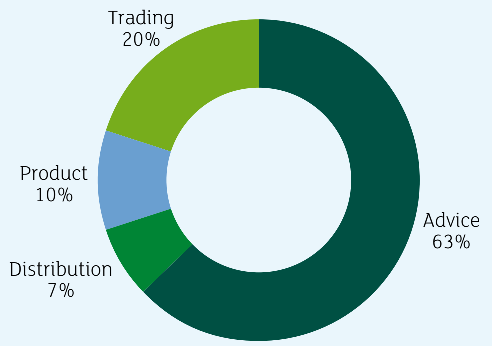
Whilst privately held groups are the most common form of control, accounting for over 46% of the investment sector, their influence declines as values increase. However, privately held groups still represent over 23% of the largest groups with a value in excess of £100m, which is far higher than in the other three sectors of the UK financial services market. This may in part result from the lower capital intensity of the sector compared to other sectors within financial services.

Overseas ownership is the next largest form of control, representing almost 29% of all investment groups analysed, followed by UK quoted groups which represent almost 13% of the groups analysed. For the largest investment groups by value, overseas and UK quoted groups are the most common forms of control, each representing c.32% of such groups.

Of the other forms of control, widely held groups represent in excess of 5% of the investment market. These are groups which are often constituted as partnerships or limited companies, with ownership spread among key individuals.

Private equity held groups represent c.2.5% of the investment market, a share which is lower than in the other three sectors of the UK financial services market. This reflects the higher proportion of groups in the sector which have a more volatile earnings stream as a result of exposure to performance-based fees.

Fig. 19: Investment groups (by number)



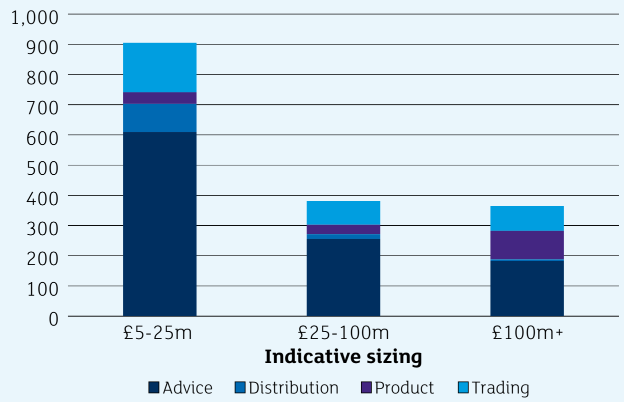
Source: IMAS-*insight*

The investment market has been categorised into four segments:

- Advice, which comprises the advisory and execution services offered in connection with investment strategies;
- Trading, which comprises product execution services for client and proprietary accounts;
- Product, which comprises investment trusts and life assurance companies; and
- Distribution, which comprises brokers and advisers offering access to a range of investment products.

Further detail on the underlying sub-sectors within each segment is provided at the end of this section.

Fig. 20: Indicative sizing of the investment industry (by number)

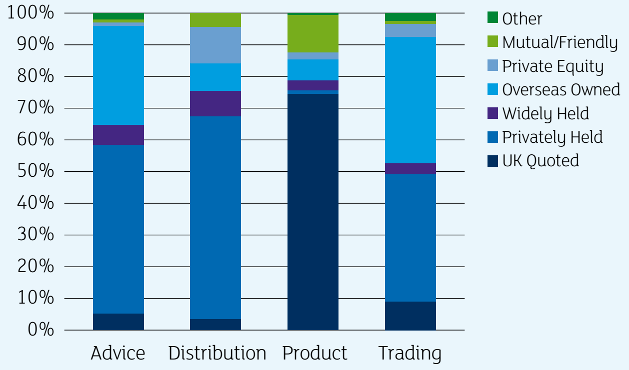


Source: IMAS-*insight*

The distribution of groups within investment reveals that c.55% lie within the lower value band of £5-25 million. Within that category, advice groups are predominant, as they are in the higher value bands.

The frequency of distribution groups declines as values increase, whereas there are more product groups in the larger value band than in the smaller value bands. This is explained by the number of investment trusts at that valuation level which require a certain scale to optimise efficiency.

Fig. 21: Ownership of the investment industry (by number)

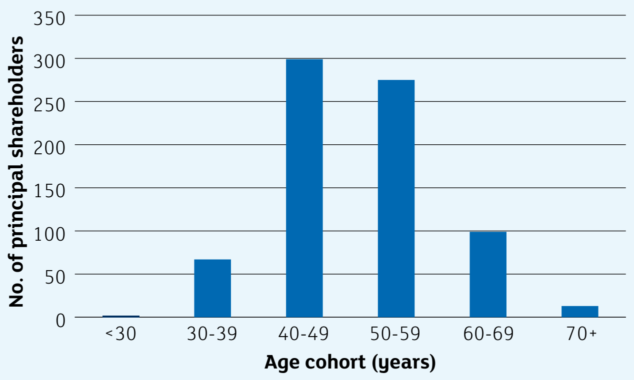


Source: IMAS-*insight*

There are very significant differences in ownership between the four segments. Private ownership is concentrated within the advice, distribution and trading segments as there are more groups at the lower value band within these segments.

The product segment has a far different ownership structure, with UK quoted groups accounting for almost 75% of the entire segment. As highlighted above, scale is important in this segment, and investment trusts require liquidity which is achieved through listing on the London Stock Exchange.

Fig. 22: Age analysis within privately held companies (by number)



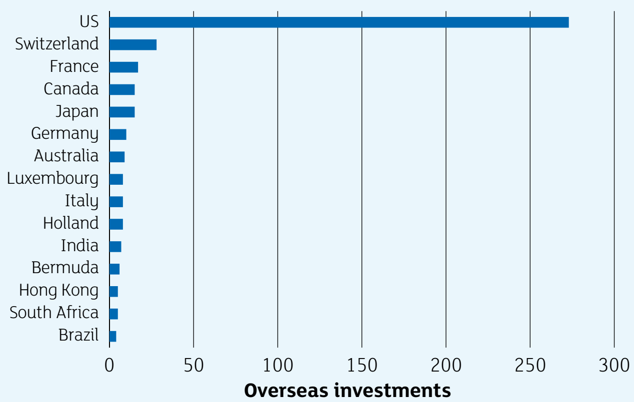
Source: IMAS-*insight*

Analysing the current age of the principal shareholders within privately held investment groups reveals the distribution by age cohort shown.

Over three quarters of the principal shareholders analysed are in either the 40-49 or 50-59 age cohort. Thereafter, the number of principal shareholders begins to decline rapidly, which is consistent with the exit or succession planning that is often undertaken at such times.

The relatively low level of ownership in the 70+ age cohort confirms that exit or succession has largely been completed by such time.

Fig. 23: Top 15 overseas investors (by number of investments)

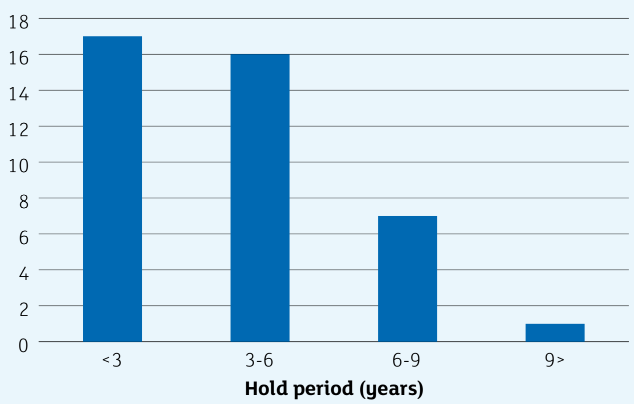


Source: IMAS-*insight*

There are 477 groups within the investment sector that are controlled by overseas investors. The US is by far the largest overseas investor within the sector, accounting for over 57% of such investments. The second largest investor, Switzerland, is far less active, representing less than 6% of the investment sector.

The top six overseas countries represent in total over 75% of all overseas investments in the investment sector, heavily weighted towards the North American and European continents.

Fig. 24: Hold period of private equity investments (by number of investments)



Source: IMAS-*insight*

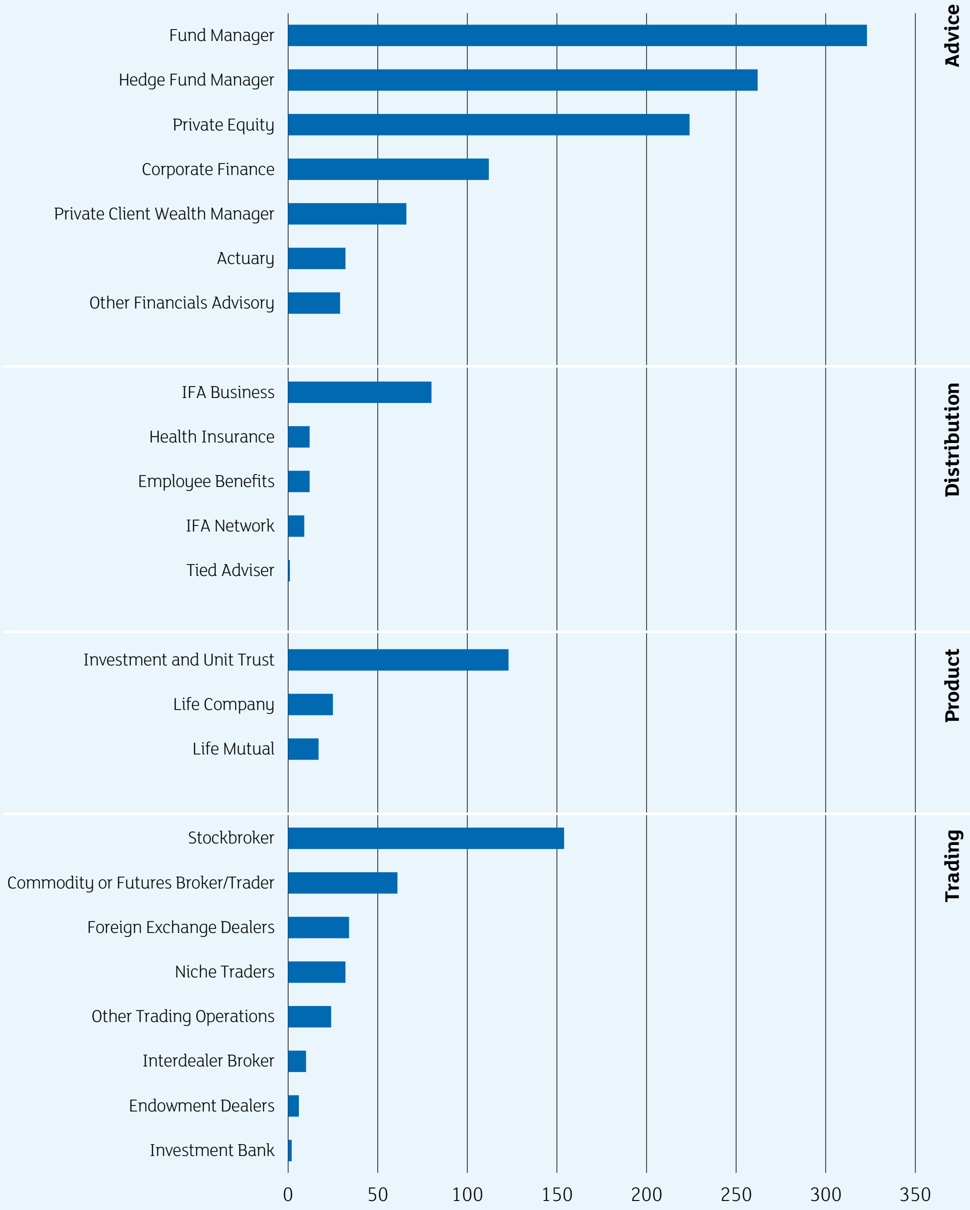
There are 41 private equity investments in the investment sector, which have been analysed according to the length of time the investment has been held in the private equity firm's portfolio.

Given the typical term of a private equity fund, investments are frequently acquired and divested within a three- to six-year timeframe.

The distribution of investments highlights that private equity firms have continued to invest in the sector post-credit crisis. There is a higher level of investments held for more than six years relative to other sectors, suggesting that exits may have been constrained recently by market conditions.

The investment market: sub-sectors

Fig. 25: Sub-sectors of the investment industry (by number)



Source: IMAS-*insight*

The analysis highlights the sub-sector and activity classifications employed in this report, and details the number of participants within each.

Fund managers, offering investment products aimed at retail and institutional markets, account for c.20% of the entire investment sector by number.

M&A in 2011: the investment market

The IFA sector continued to be very active, driven by the RDR deadline and attractive stable earnings, with Perspective Financial Group, Succession and Close Asset Management making a series of acquisitions throughout the year. Duke Street's acquisition of UKWM created another consolidator in addition to local consolidation by regional players.

Fund management activity has also been active, looking to strengthen retail operations to counterbalance more volatile institutional earnings, with Henderson's takeover of Gartmore, Franklin Templeton's acquisition of Rensburg and Westpac's acquisition of J O Hambro Capital Management. UK stockbroking saw significant activity, with JM Finn, Evolution, Collins Stewart Hawkpoint and Merchant Securities acquired by parties with ultimate overseas ownership.

A number of London-based hedge funds also sold significant stakes to US counterparts.

January:
Goldman Sachs acquired Paternoster, the specialist pensions insurer vehicle in a £260m deal whilst Henderson acquired Gartmore for c. £335m to enhance its UK retail asset management presence. IFA consolidator Perspective acquired Equilibrium Wealth Management and Leedham Independent Financial Advisers (its 20th group acquisition). Franklin Templeton completed its £45m acquisition of Rensburg Fund Management and Close Asset Management acquired discount broker Allenbridge. Syndicate Asset Management sold its Guernsey-based investment manager to Hume Capital. Jon Moulton acquired a 58% stake in E-Synergy, a provider of early stage finance to businesses.

February:
Border Asset Management was acquired by Principal, controlled by Sanlam whilst Merchant Securities acquired GT Independent Financial Advisers. Albion Ventures completed the takeover of two Spark venture capital trusts. Brewin Dolphin sold its corporate advisory and broking division to its management and N+1.

March:
Chadney Bulgin acquired pension specialist Pension & Wealth Planning and Duke Street acquired a majority interest in UK Wealth Management from JC Flowers for over £10m. Man Group sold its 25.5% stake in BlueCrest back to the firm. Futures brokerage MAREX Group acquired Spectron Group, a provider of trading and clearing services.

April:
Royal London announced the takeover of Royal Liver and Liontrust sold its credit fund management business to Avoca Capital, the Irish specialist credit fund manager. Richmond Park Capital acquired Olympia Capital Management and GAIN Capital Holdings acquired dbFX, the Deutsche Bank's retail FX trading business. INTL FCStone acquired Ambrian Capital's LME broker-dealer business, Ambrian Commodities.

US hedge fund Caxton Associates acquired a significant stake in Wadhwani Asset Management and Principal Global Investors took a majority stake in London hedge fund Finisterre Capital. IFA activity continued as Berkeley Burke acquired Baker Richmond, Foster Denovo acquired John Holman's IFA business and Close acquired Cavanagh Group.

May:
Canadian financial services group 49 North Resources acquired a further 25% stake in Vicarage Capital whilst Cyrun Finance built a 52% stake in SVM UK Active Trust. Fund of funds manager Nexar announced the acquisition of Ermitage. IFA consolidator Succession took a 39% stake in Campbell Dallas Financial Services and Charles Stanley acquired Jobson James Financial Services. 80% of Savills Private Finance, the mortgage broker, was bought by its management.

June:
Evercore Partners agreed to buy financial adviser Lexicon Partners for c. £86m and Belgian-based Ackermans & van Haaren agreed to acquire 70% in JM Finn & Co, the private client stockbroker. Kleinwort Benson acquired Close Offshore Group for £26.4m whilst Helm Godfrey acquired the employee benefits business of Truestone Asset Management. Scottish IFA Thomson Shepherd's directors bought out Skipton Building Society's 84% stake to form Carbon Financial Partners and Perspective acquired two IFAs, Shirebrook Wealth Management and Austyn James Consulting.

July:
Asset management also saw selected activity, with Michael Spencer's private equity vehicle IPGL disposing of Origin Asset Management to NYSE-listed Principal Financial Group, J O Hambro Capital Management to be bought by Australian fund manager BT Investment Management (owned by Westpac) for £209m and Williams de Broe in talks to acquire BNP Paribas Investment Management.

IFAs also continue to be active, with Moneygate acquiring City-based Equus Independent Financial Management with £1bn funds under influence. In addition, Aegon has put its Guardian Life insurance business up for sale for £250m.

July also saw outbound overseas interest with Kleinwort Benson Bank acquiring German banking service provider BHF-Bank AG from Deutsche Bank and Tullett Prebon gaining approval to acquire Brazilian inter-dealer broker Convencao Corretora de Valores e Cambio.

August:
Cross-border M&A activity was active. Williams de Broe announced the £25m acquisition of the private investment management arm of BNP Paribas Wealth Management following news that Williams de Broe's parent, Evolution Group, had received an approach for the group from South African group Investec as well as Canadian-based Cannacord Genuity. Ares Management LLC, the Los Angeles-based alternative asset manager, signed an agreement to acquire Indicus Advisors, the London-based provider of investment advice on European leveraged finance and global structured products. In addition JPMorgan Private Equity was to buy £56.5m of assets held by the suspended Arch Cru funds.

On the UK front, Brooks Macdonald Asset Management announced its intention to acquire the investment management activities of law firm Clarke Willmott for up to £6m, and Liontrust acquired emerging markets fund manager Occam for £3.9m. LV= is one of four firms understood to be in discussions about acquiring Sipp and SSAS provider Hornbuckle Mitchell.

IFA consolidator Moneygate acquired IFA Results Financial whilst pension consultant and wealth management services provider Mattioli Woods announced the acquisition of TCF Global Independent Financial Services for up to £8.7m. Finally, AIM-listed Insetco announced the acquisition of the (maturing senior life settlement) assets of ARM Asset Backed Securities S.A. and Catalyst Investment Group Ltd.

September:
Punter Southall acquired Brewin Dolphin's corporate pensions arm whilst Investec confirmed a £230m share-based recommended offer for Evolution, the asset manager and investment bank, and the London Metal Exchange received several approaches. However, volatile market conditions continued to impact deal activity with James Hay parent IFG and Bregal Capital citing this reason for discontinuing discussions.

IFAs also remained active, with Paradigm to become a shareholder in wrap platform Nucleus, Gaeia Partnership merging with investment manager Castlefield and further infill acquisitions for Perspective Financial, Jones Sheridan and SG Wealth Management.

Private equity had also been active with Cognetas rejecting Charterhouse's approach to acquire its portfolio and Axa Private Equity put up for sale.

October:
Blackstone's global credit platform GSO Capital Partners acquired Harbourmaster Capital, the European leveraged loan manager advising on c. €8bn of assets, whilst Sanlam was to acquire wealth management firm Merchant Securities for £12.2m and Duff & Phelps acquired corporate restructuring firm MCR.

Private equity had also been active with David Seligman and his management team acquiring Edmond de Rothschild's 75% stake in Private Equity Select, the €200m AUM investor in small European buyout funds, and Palatine Private Equity acquiring a significant stake in Wealth at Work from LDC.

November:
The investment sector saw significant overseas interest with Australian investment bank RFC Group acquiring UK investment house Ambrian Capital; US hedge fund Black Diamond Capital Management acquiring European leverage market investor GSC Group's London business; US capital markets provider INTL FCStone acquiring the metals division of London-based MF Global UK Ltd; and South African investment manager Prescient Holdings acquiring AIB Investment Managers from Allied Irish Banks.

Corporate finance was also active with Webb Capital acquiring Rivington Street Corporate Finance, Westhouse Holdings acquiring Arbuthnot Banking Group and Maven Capital Partners acquiring corporate finance adviser HM Corporate Solutions LLP. In investment management European Wealth Management acquired Aventus Capital Management, Insetco agreed to acquire ARM Asset Backed Securities and Smith & Williamson acquired the tax advisory business of Begbies Traynor, BTG Tax LLP. Other activity included the sale of IFA Oakleaf Independent Financial Services.

December:
Corporate finance continued to be active with Peterhouse Capital agreeing to acquire Rivington Street Corporate Finance. Sumitomo Mitsui Trust, the Japanese financial services group, took a 40% stake in NewSmith Capital Partners. There was US interest in fund management with Climate Change Capital expected to be acquired by Bunge, the US commodities group, and Matrix Group agreeing to sell Prime Rate Capital Management to Federated Investors. Domestically, Hermes bought out Henderson from their joint venture in Hermes GPE, the private equity fund of funds.

In the wealth management sector, Sanlam Private Wealth acquired the client bank of London Asset Management. Investec completed the £233m acquisition of Evolution.

The lending market

The lending market represents more than one quarter of the groups within the broader UK financial services industry. In absolute terms, this corresponds to 906 groups with an estimated equity capital value in excess of £5 million, as detailed below.

The market itself is dominated by risk-carrying lenders with the independent distribution sub-sector far smaller given its fragmented nature. Associated services, such as debt purchase/collection and debt management advice, represent less than 10% of the market.

Capital was generally scarce in 2011, despite the main high-street lenders agreeing with the UK Government certain lending commitments for the year under project Merlin.

There were two notable announcements regarding changes in control which will impact the High Street. Firstly, Northern Rock was returned to the private sector under Virgin Money's ownership and, secondly, Lloyds Banking Group announced that the Co-operative Group was preferred bidder for its EC-mandated disposal of 632 branches.

2011 was also the year when banks began to initiate deleveraging transactions in order to augment capital ratios ahead of the new regulatory capital requirements of the European Banking Authority and of Basel III.

As part of this, private equity firms and hedge funds have been active in the debt purchase and collection sub-sectors in anticipation of further sales.

Table 4: Ownership by value band of the UK lending market

	UK Quoted	Privately Held	Widely Held	Overseas Owned	Private Equity	Mutual/ Friendly	Other	Total
£100+ million	17	4	1	105	9	15	5	156
£25-100 million	3	26	0	33	18	33	4	117
£5-25 million	7	92	1	54	16	455	8	633
Total	**27**	**122**	**2**	**192**	**43**	**503**	**17**	**906**

In contrast to the other sectors of the UK financial services market, privately held groups are not the predominant form of control within the UK lending market.

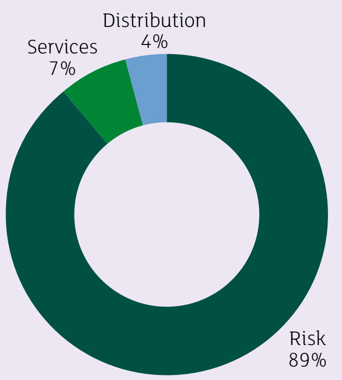
It is the mutual and friendly societies which represent well over half of the market, albeit they are heavily concentrated within the lower value banding of £5-25 million. Within this band, credit unions are the most common groups, typically constituted as not-for-profit organisations offering basic financial services to their membership base.

Thereafter, overseas owned groups are most prevalent, representing over 21% of the lending market. However, for the largest lending groups by value, overseas owned groups represent in excess of two thirds of the market.

The extent of international interest in lending groups in excess of £100 million is a function of the global nature of banking and its multi-product and service offering, with the UK clearly positioned as a major hub in the global market.

Of the other forms of control, private equity held groups represent almost 5% of the lending market and are represented across the value spectrum. UK quoted groups represent almost 3% of the lending market by number, but represent a far larger proportion by value as they include Barclays, HSBC, Lloyds Banking Group, RBS and Standard Chartered among others.

Fig. 26: Lending groups (by number)



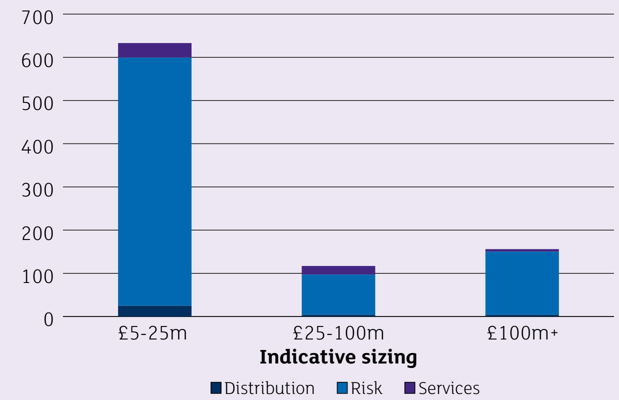
Source: IMAS-*insight*

The lending market has been categorised into three segments:

- Risk carriers, which bears the balance sheet exposure to the underlying credit risk;
- Distribution, which comprises the brokers for secured and unsecured lending; and
- Services, which comprises associated disciplines relating to debt purchase and collection, debt management and loan administration.

Further detail on the underlying sub-sectors within each segment is provided at the end of this section.

Fig. 27: Indicative sizing of the lending industry (by number)



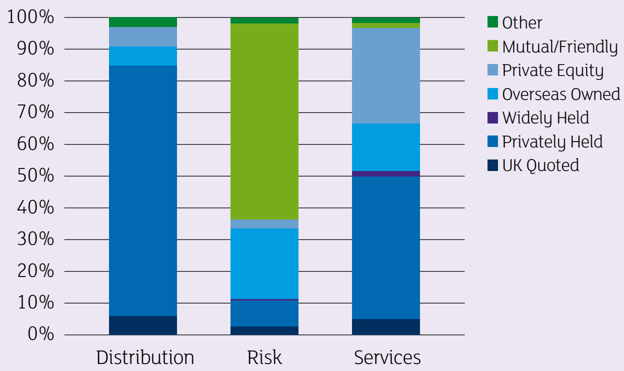
Source: IMAS-*insight*

The distribution of groups within lending reveals that almost 70% lie within the lower value band of £5-25 million.

Clearly risk-carrying groups dominate all value bands within the lending market, given that they represent c.89% of the market as shown. Distribution businesses occupy a relatively small part of the market, remaining a fragmented industry with capital values largely below the £5 million threshold for this report.

Support services are likely to grow as lenders recognise the benefits of outsourcing and seek to augment capital ratios in line with regulatory imperatives.

Fig. 28: Ownership of the lending industry (by number)



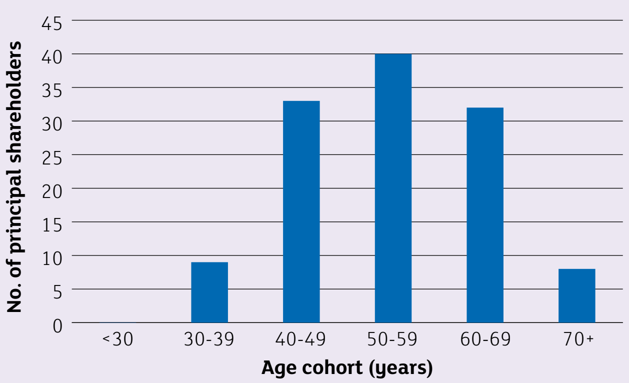
Source: IMAS-*insight*

There are very significant differences in ownership between the three segments. Private ownership is concentrated within the distribution and services segments as there are more groups at the lower value band within these segments.

The risk-carrying segment has a far different ownership structure, with mutually owned groups accounting for over 60% of the entire segment. This is driven by the large number of credit unions and building societies within this market, but the result is somewhat skewed as the majority of credit unions lie at the smaller end of the value spectrum.

The lending market

Fig. 29: Age analysis within privately held companies (by number)



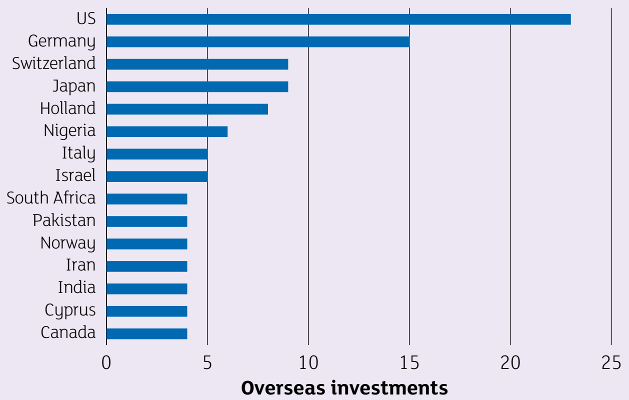
Source: IMAS-*insight*

Analysing the current age of the principal shareholders within privately held lending groups reveals the distribution by age cohort shown.

Over 60% of the principal shareholders analysed are in either the 40-49 or 50-59 age cohort. Thereafter, the number of principal shareholders begins to decline which is consistent with the exit or succession planning that is often undertaken at such times.

The relatively low level of ownership in the 70+ age cohort confirms that exit or succession has largely been completed by such time.

Fig. 30: Top 15 overseas investors (by number of investments)

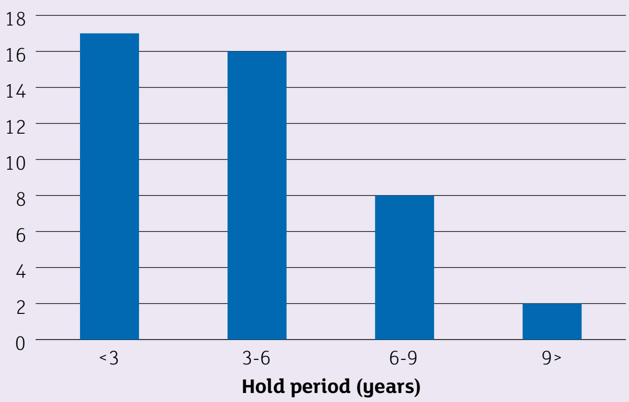


Source: IMAS-*insight*

There are 192 groups within the lending sector that are controlled by overseas investors. The US is the largest investor, representing almost 12% of overseas investments. The second largest investor, Germany, represents almost 8% of overseas investments.

The top six overseas countries represent in total over 36% of all overseas investments in the lending sector. As such, there is a far lower level of concentration of overseas investment within the lending sector than in the general insurance or the investment sectors.

Fig. 31: Hold period of private equity investments (by number of investments)



Source: IMAS-*insight*

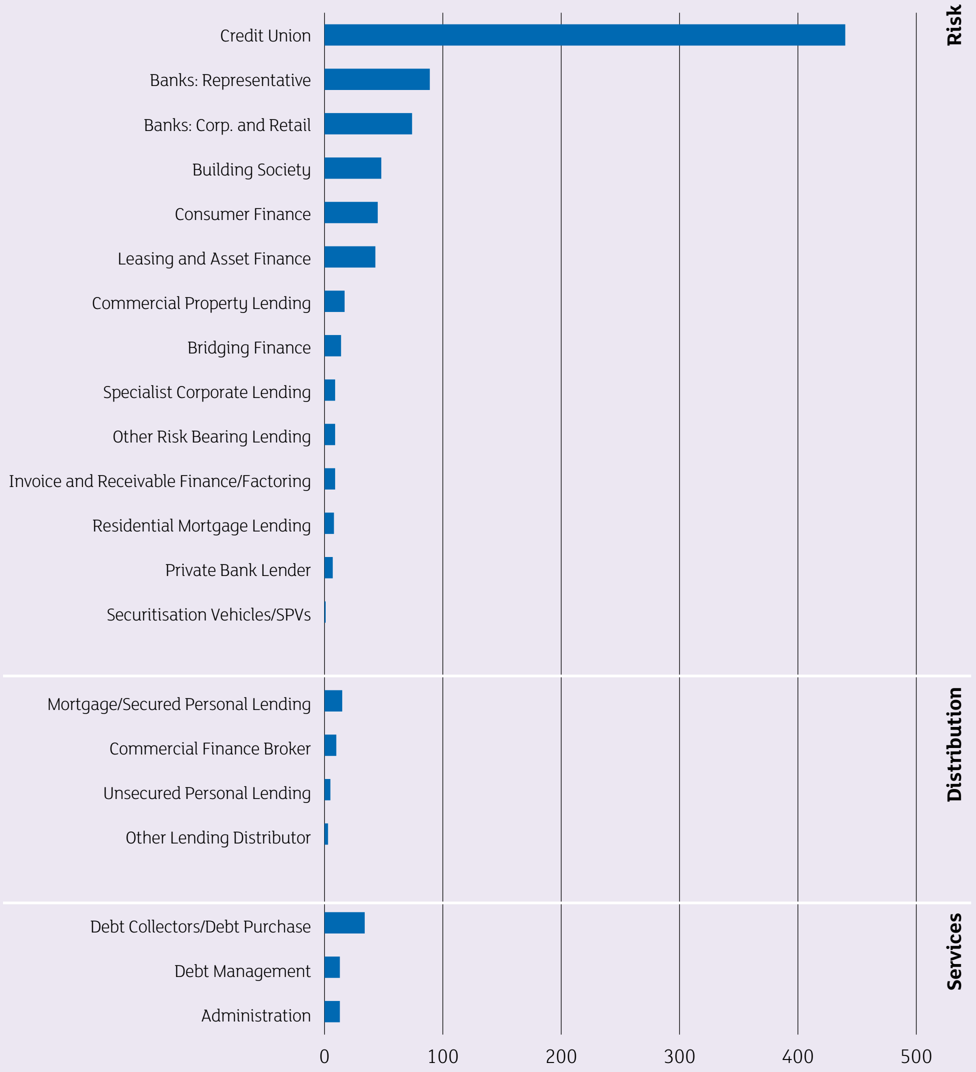
There are 43 private equity investments in the lending sector, which have been analysed according to the length of time the investment has been held in the private equity firm's portfolio.

Given the typical term of a private equity fund, investments are frequently acquired and divested within a three- to six-year timeframe.

The distribution of investments highlights that private equity firms have continued to invest in the sector post-credit crisis. There is a higher level of investments held for more than six years relative to some other sectors, suggesting that exits may have been constrained recently by market conditions.

The lending market: sub-sectors

Fig. 32: Sub-sectors of the lending industry (by number)



Source: IMAS-*insight*

The analysis highlights the sub-sector and activity classifications employed in this report, and details the number of participants within each.

Credit unions, offering access to basic financial services products aimed at their members, account for c.49% of the entire lending sector.

M&A in 2011: the lending market

M&A in the lending markets during 2011 was generally constrained by a lack of capital and eroding confidence in the second half of the year as concerns grew over global economic growth and specifically the sovereign debt crisis in the EU. Key transactions included the return to the private sector of Northern Rock plc and the divestiture of 632 Lloyds Bank branches, with Co-op selected as preferred bidder.

A key theme that emerged during the year was the deleveraging transactions initiated by banks in order to augment capital ratios, as required by the European Banking Authority and by Basel III. Private equity remained active with most focus around the acquisition of debt purchase and collection businesses in anticipation of further sales by the banks of non-performing and semi-performing loan portfolios.

January:
US-based Dollar Financial Corp. announced the acquisition of PaydayUK, an online payday loans provider, for c.£125m. The FSA confirmed the transfer of Kent Reliance Building Society to OneSavings Bank, which is backed by JC Flowers.

Gothia Financial Group, backed by Nordic private equity firm Herkules Capital, acquired the debt collection firm BCW Group. RBS agreed the sale of a £3.3bn commercial project finance debt portfolio to Mitsubishi UFJ Financial.

February:
Wonga, the online short-term small loan provider, raised £73m in third-round founding, led by Oak Investment Partners. Manchester Building Society sold Whiteaway Laidlaw Bank (now rebranded Shawbrook) to the RBS Special Opportunities Fund.

Cheval Bridging Finance was bought out by its management and a consortium of investors. Cattles plc was acquired by Bovess Limited, a special purpose vehicle set up to manage the orderly restructuring of the group on behalf of its creditors.

March:
Barclaycard acquired the entire credit card portfolio (incl. £2.3bn of gross receivables) from Citi-owned Egg Banking plc. Whiteaway Laidlaw Bank acquired the new business platform from Commmercial First Mortgages.

Two private-equity owned companies, Maven-owned Property Service Partnership and Citi-owned Fieldcall, merged to form a prominent player in the debt collection and field counselling market.

Qatar Islamic Bank, already a c.81% shareholder in Islamic Bank of Britain plc, announced an offer to acquire the whole bank, valuing it at c.£25m.

April:
AnaCap, the specialist financial services private equity firm, acquired Cabot Financial from Citi and subsequently merged it with its existing portfolio company in the debt purchase and collection market, Apex Credit Management.

Borro, a short-term secured lender, raised £7.5m in second-round funding from Augmentum Capital, Eden Ventures and Rockridge. Barclays acquired the UK small business credit card portfolio of MBNA. Countrywide acquired Mortgage Intelligence, a mortgage distribution platform servicing more than 6,500 intermediaries.

Paymex Group sold its individual voluntary agreement (IVA) portfolio to Grant Thornton. Yorkshire and Norwich & Peterborough Building Societies announced their intention to merge.

May:
Virgin Money announced that it planned to make a formal bid for the 632 branches that Lloyds Banking Group was required to dispose of by the EU in return for the state aid received following the credit crisis in 2008.

June:
Palatine Private Equity backed the management buy-out of MoneyPlus Group, a leading debt management service provider. Ryder Systems Inc. acquired the vehicle leasing and rental business Hill Hire plc from Lloyds Banking Group.

George Osborne, UK Chancellor, announced that the UK Government was launching a sale process for Northern Rock plc.

ClearDebt Group plc acquired the individual voluntary agreement (IVA) portfolio of Invocas Group plc. TDR Capital acquired debt purchase and collection firm Lowell Group in a secondary buy-out.

July:
Banking M&A continued to be active, with major activity around Lloyds Banking Group, Northern Rock and Citigroup's piecemeal disposal of Egg.

Initial interest appeared to have narrowed on Lloyds' 632 branch disposal with only NBNK (headed by Lloyd's of London chairman Lord Levene), Co-operative Financial Services and Hugh Osmond (backed by Sun Capital) understood to remain in the process. Northern Rock was rumoured to be in the running. Buy-to-let lender Paragon was considering a bid for Northern Rock or its loan portfolio and Egg continued to be sold piecemeal to Yorkshire Building Society (Egg's mortgage and savings business), Barclays (Egg's credit card accounts) and Britannica Recoveries (Egg's loans portfolio).

August:
Private equity continued to be active with Towerbrook Capital Partners acquiring a majority stake in debt purchase business CapQuest and RBS Equity Finance-owned Whiteaway Laidlaw Bank acquiring specialist lender Link Loans.

In addition GE Capital acquired the UK invoice discounting and factoring arm of Crédit Agricole Leasing & Factoring; and Coventry Assurance Society announced it was to transfer its business to another mutual, Healthy Investment, citing the increased cost of financial regulation.

September:
The Co-Op Group, Sun Capital and NBNK continued to assess bids for Lloyds Bank's branch disposal including the C&G and Intelligent Finance brands plus a share of UK current accounts. NBNK and Sun Capital were also understood to have looked at the UK assets of National Australia Bank (Clydesdale & Yorkshire Banks) ahead of final bids for Lloyds. The FSA approved the Yorkshire and Norwich & Peterborough building society merger to complete on 1 November 2011.

Cyrus Capital (formerly Och-Ziff Friedheim) acquired a majority stake in UK contingency collection services business Sigma Financial Group and Bluestone Group acquired debt collection agency Close Credit Management. Värde Partners acquired non-standard credit card provider SAV Credit from Palamon / Morgan Stanley / Electra and was also an investor in debt purchaser Experto Credite which acquired the UK credit management operations of Intrum Justitia.

October:
NBNK, the start-up banking venture, announced plans to submit a bid for Northern Rock following the lifting of the Government's ban preventing it from making an offer. However, this bid was conditional on success in the Lloyds auction where NBNK was under pressure to raise their £1.5bn offer.

Lloyds Banking Group's £1bn basket of commercial property debt attracted interest from four parties that remained interested at around 35% of the loans' face value. Nationwide Building Society acquired part of Bank of Ireland's UK residential mortgage portfolio in a £1.1bn deal covering the transfer of over 14,000 Bank of Ireland mortgage customers; and Paragon Group acquired a portfolio of unsecured loans from RBS for £43.2m. Yorkshire Building Society completed the acquisition of the Egg mortgage & savings book and brand. Finally enforcement firm Philips Collection Services was acquired by Serco.

Private equity remained active. Duke Street-backed debt purchaser Marlin Financial Group invested c.£45m in a portfolio from a major UK bank, including around 40,000 accounts, and Inflexion-backed Harrington Brooks acquired debt management service provider Debtsure.

November:
Northern Rock finally concluded a £747m sale to Virgin Group backed by US billionaire investor Wilbur Ross and Abu Dhabi investment fund Stanhope Investments. A further £250m could also be paid subject to a future sale / float. Lloyds Bank sold £1bn of distressed property loans in Australia and New Zealand to Goldman Sachs and Morgan Stanley. Palatine Private Equity's portfolio company MoneyPlus Group announced the completion of four IVA debt management infill acquisitions in the four months since its MBO and Sterling Green agreed to sell the majority of its debt management book to IVA support provider DRSP.

December:
Lloyds Banking Group announced The Co-operative Group as preferred bidder for its EC-mandated divestiture of 632 branches, while also progressing an initial public offering in tandem ahead of the November 2013 EC timescale.

Paragon Group continued its portfolio acquisition strategy with the acquisition of a closed UK consumer credit card receivables portfolio from MBNA Europe Bank.

Cross-border activity returned with US bank Wells Fargo acquiring UK asset-based lender Burdale in a £0.6bn acquisition from Bank of Ireland, and German-based Wirecard Group acquiring the prepaid cards business of Newcastle Building Society.

The financial support services market

The financial support services market represents almost one in ten groups within the broader UK financial services industry. In absolute terms, this corresponds to 270 groups with an estimated equity capital value in excess of £5 million, as detailed below.

The market itself is broadly defined. While a number of service businesses specific to the general insurance, investment or the lending sectors have been classified as such, the vast majority have been defined within financial support services.

The financial support services market analysed in this section comprises financial technology businesses (FinTech) and outsourced services, which includes business process outsourcing and administration.

From an M&A perspective FinTech was active throughout 2011, with a number of key transactions also involving private equity houses, including Advent International's acquisition of Oberthur card systems, Thomas H. Lee's acquisition of Sword Insurance, Apax's sale of Travelex Global Business Payments and Investcorp's sale of Acuity.

Securities exchanges were also active, with BATS Global Market's acquisition of Chi-X and London Stock Exchange completing two acquisitions and one disposal in addition to its aborted offer for TMX Group.

In outsourced services, Capita continued to be active with three acquisitions as well as one disposal.

Table 5: Ownership by value band of the UK financial support services market

	UK Quoted	Privately Held	Widely Held	Overseas Owned	Private Equity	Mutual/ Friendly	Other	Total
£100+ million	11	5	2	23	12	2	1	56
£25-100 million	8	19	4	36	13	1	5	86
£5-25 million	5	52	6	35	12	12	6	128
Total	**24**	**76**	**12**	**94**	**37**	**15**	**12**	**270**

Overseas owned groups are the most common form of control within the financial support services market, representing over one third of the market in total and over 41% of the largest groups by value.

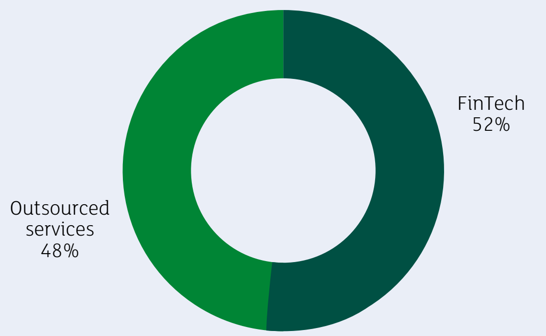
Privately held groups are the next most common form of control, representing over 28% of the financial support services market. Their influence declines as values increase, which is consistent with larger groups requiring access to other forms of capital.

Thereafter, private equity held groups are most prevalent, representing over 13% of the market. For the largest groups by value, private equity is the second largest investor, representing over 21% of the market in excess of £100 million.

Of all four sectors within the UK financial services industry, financial support services has attracted the most investment from private equity relative to the size of the respective market.

Of the other forms of control, UK quoted groups represent almost 9% of the financial support services market.

Fig. 33: Financial support services groups (by number)



Source: IMAS-*insight*

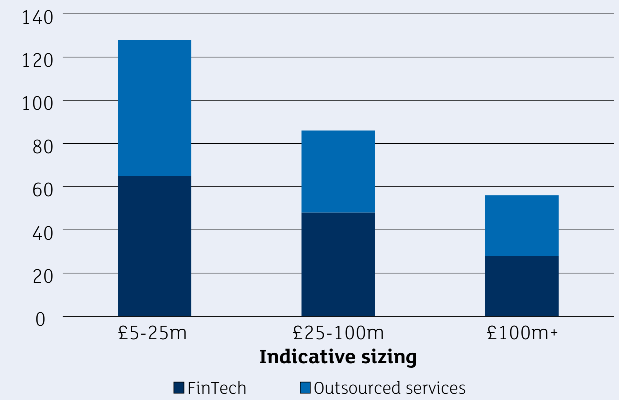
The financial support services market has been categorised into two segments:

- FinTech, which includes all technology-related providers to the financial services industry including payment providers and data analytics; and

- Outsourced services, which includes business process outsourcing and administration for the financial services industry as well as financial research and compliance.

Further detail on the underlying sub-sectors within each segment is provided at the end of this section.

Fig. 34: Indicative sizing of the financial support services industry (by number)

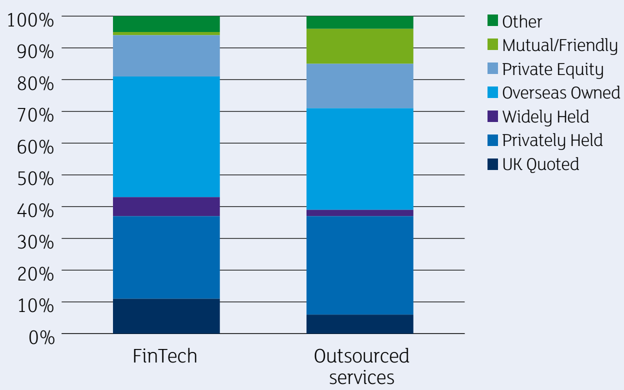


Source: IMAS-*insight*

The distribution of groups within financial support services reveals that almost half lie within the lower value band of £5-25 million.

The distribution between FinTech and outsourced services is relatively constant across the three value bands, with FinTech groups representing just over 50% of all financial support services groups.

Fig. 35: Ownership of the financial support services industry (by number)



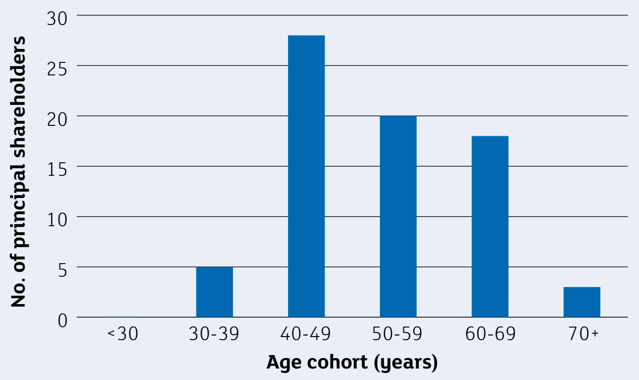
Source: IMAS-*insight*

The ownership structures between the two segments are similar, as set out. Overseas owned groups are the most common, broadly representing around a third of all groups in both segments, followed by private ownership.

The principal differences in ownership highlight that FinTech includes more quoted businesses and has a higher proportion of overseas owners. By contrast, outsourced services have a material proportion of mutually owned institutions, derived primarily from the presence of industry associations.

The financial support services market

Fig. 36: Age analysis within privately held companies (by number)



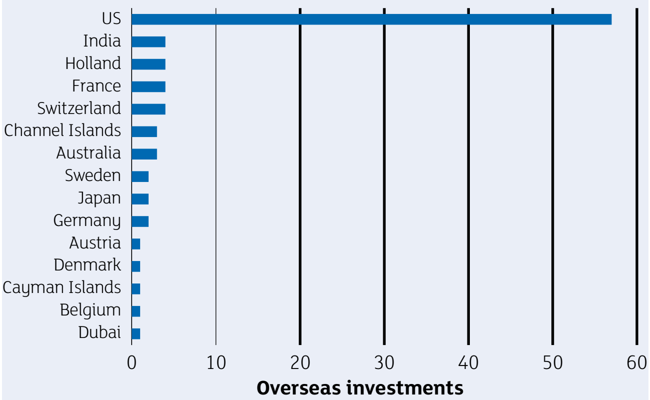
Source: IMAS-*insight*

Analysing the current age of the principal shareholders within privately held financial support services groups reveals the distribution by age cohort shown.

Almost 65% of the principal shareholders analysed are in either the 40-49 or 50-59 age cohort. Thereafter, the number of principal shareholders begins to decline which is consistent with the exit or succession planning that is often undertaken at such times.

The relatively low level of ownership in the 70+ age cohort confirms that exit or succession has largely been completed by such time.

Fig. 37: Top 15 overseas investors (by number of investments)

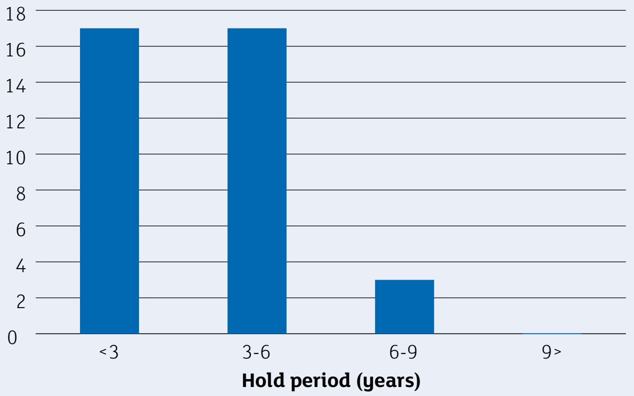


Source: IMAS-*insight*

There are 94 groups within the financial support services sector that are controlled by overseas investors. The US is by far the largest investor, accounting for over 60% of all overseas investments.

The top six overseas countries represent in total over 80% of all overseas investments in the support services sector.

Fig. 38: Hold period of private equity investments (by number of investments)



Source: IMAS-*insight*

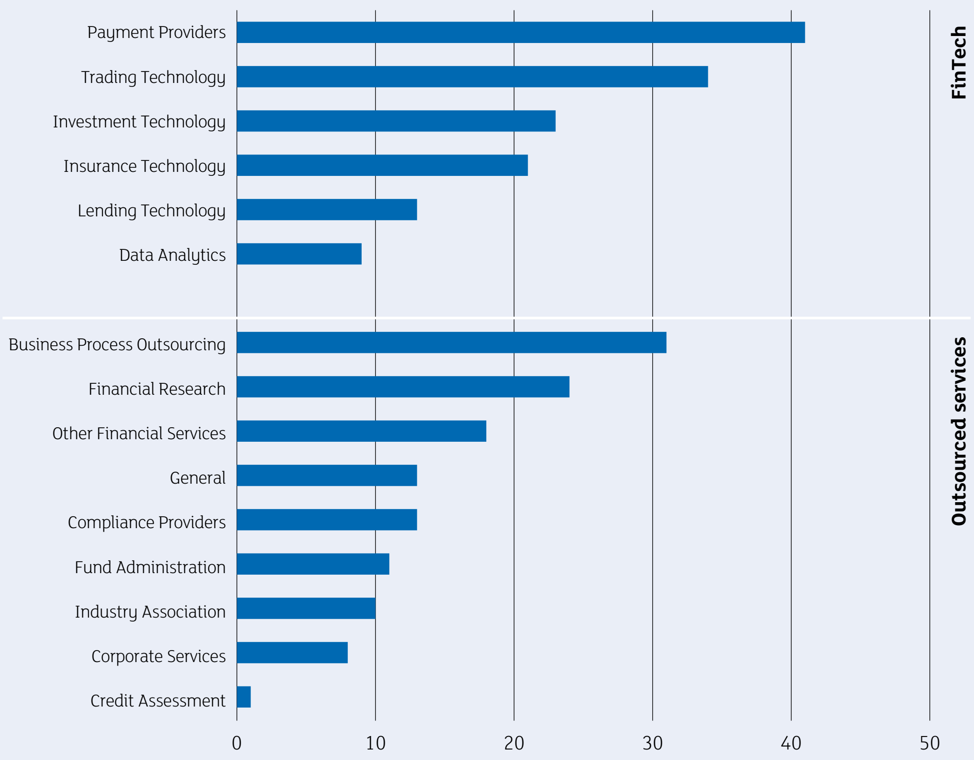
There are 37 private equity investments in the financial support services sector, which have been analysed according to the length of time the investment has been held in the private equity firm's portfolio.

Given the typical term of a private equity fund, investments are frequently acquired and divested within a three- to six-year timeframe.

The distribution of investments highlights that private equity firms have continued to invest in the sector post-credit crisis, and further that there are a number of investments where private equity firms will begin to evaluate their exit options.

The financial support services market: sub-sectors

Fig. 39: Sub-sectors of the financial support services industry (by number)



Source: IMAS-*insight*

The analysis highlights the sub-sector and activity classifications employed in this report, and details the number of participants within each.

Payment providers, and trading technology and business process outsourcing collectively represent almost 40% of the sector

M&A in 2011: the financial support services market

It was an active year for FinTech in particular, including Western Union's acquisition of Travelex Global Business Payments, Advent International's acquisition of Oberthur card systems, Reed Elsevier's acquisition of Acuity, Experian's acquisition of Computec and CVC's aborted offer for ConvergEx.

Securities exchanges were also active, with BATS Global Market's acquisition of Chi-X and also a number of deals with the London Stock Exchange including its failed bid for TMX Group, the sale of its Italian software business, acquisition of the FSA Transaction Reporting Service, exclusivity discussions for LCH.Clearnet and acquisition of FTSE International.

Private equity also played an important role in the sector including Thomas H. Lee acquiring insurance software business Sword Insurance, Apax's sale of Travelex Global Business Payments, Investcorp's sale of Acuity, Carlyle's acquisition of ITRS and Advent / Oberthur (as mentioned above).

Finally, outsourced administration and services continues to be active with Capita in particular playing a key role throughout the year with both acquisitions (including Xayce, AIB international financial services division, AIB Jersey Trust) and a disposal (Capita Financial Administrators, its Gibraltar-based fund administration business).

January:

A strong start for FinTech as payment firms Proxama and Neovia acquired near-field communications firm Hypertag and Canada-based Optimal Payments for $50m respectively. Markit acquired Canadian risk analytics outfit QuIC Financial Technologies and US-based Wall Street Systems agreed to acquire Thomson Reuters' corporate treasury manager service. Vitruvian-backed Callcredit acquired The Trading Floor, the transactional data and marketing research services firm, and Latitude Digital Marketing, a mobile marketing services business. Finally, UK turnaround private equity house Endless backed the £20m MBO of Liberata.

February:

The London Stock Exchange announced its proposed merger with TMX Group, the owner of the Toronto Stock Exchange. BATS Global Markets announced negotiations to acquire equities multilateral trading facility Chi-X Europe which itself was negotiating the sale of its trading technology business MarketPrizm to Colt. Bottomline Technologies acquired payment software business Direct Debit Limited and Avelo acquired IFA internet firm Screen Business.

March:

In FinTech, SunGard acquired validated data solutions business Valuelink Information Services, Misys completed Sophis and acquired selected US payment products from Canada's Gandacar Consulting and Advent Software acquired hedge fund financing software firm Syncova Solutions.

Capita's management consulting arm acquired financial services change management specialist Xayce from 2e2 Group. Capita also sold its Gibraltar-based fund administration business, Capita Financial Administrators, to Helvetica Fund Administration, the established Gibraltar-based fund administration company.

April:

The London Stock Exchange (LSE) sold its Italy-based software business for £32m (including cash) to Computershare. Investcorp-owned online payments group Skrill (operating as Moneybookers) shelved its £160m listing plans citing insufficient investor demand. Spring Programs, the financial regulation reporting business, was sold to Wolters Kluwer Financial Services. Ion Trading acquired US treasury and trading firm Wall Street Systems, CashZone acquired Omnicash and Gain Capital agreed to acquire dbFX, Deutsche Bank's retail FX trading platform.

May:

US private equity firm Thomas H Lee Partners acquired insurance software house Sword Insurance whilst Worldpay, controlled by Advent International and Bain Capital, acquired Envoy Services, the payment services provider, for £70m. Fund administrator Butterfield Fulchrum was acquired by management, backed by private equity firm BV Investment Partners. Thomson Reuters acquired financial crime and corruption specialist World-Check and Azibo Group (which owns Foreign Currencies Direct) acquired TorFX. Bank of Ireland sold its US-based FX processing business Foreign Currency Exchange Corp to Wells Fargo Bank.

June:

LSE terminated its proposed £1.8bn merger with TMX due to insufficient shareholder support given a rival Canadian bid; whilst US banking software provider FIS Global made a preliminary bid for the UK banking software business Misys. Trading technology supplier Lightspeed Financial acquired the Irish unit of Lime Brokerage, a provider of professional trading and brokerage solutions. Early stage investor DN Capital completed the sale of Datanomic, the data quality and risk software business, to Oracle.

July:
A notable month for Western Union's announced acquisition of Travelex Global Business Payments from private equity investor Apax for £606m. Other FinTech deals included CVC's $1.9bn aborted acquisition of US trading technology firm ConvergEx, presidential approval for Tullett Prebon's acquisition of Brazil's inter-dealer broker Convenção S/A Corretora de Valores e Cambio, and Point's acquisition of secure transaction solutions firm TS3.

August:
Private equity house Advent International announced the €1.15bn acquisition of Oberthur's card systems and ID business, London Stock Exchange acquired the business and assets of FSA Transaction Reporting Service for £15m and Ffastfill acquired spread trading tools business Spread Intelligence for up to £1.5m.

Capita continued to be active, with the announced acquisition of AIB's international financial services division for £29m and AIB Jersey Trust, the trust services business, for £12.5m. IFA support services provider SimplyBiz bought Sifa, the trade body for IFAs and solicitors, ahead of the incoming Legal Services Act; and Centaur Media acquired wrap and platform research firm Platforum for an initial price of £1.8m.

September:
Private equity also continued its activity in the sector with Investcorp's US-based financial services data solutions business Acuity sold to UK-based Reed Elsevier for £343m and Carlyle's acquisition of trading monitoring software business ITRS. Equiniti (owned by Advent) acquired the Corporate and Employee Services dealing division from NatWest Stockbrokers.

Wells Fargo announced the acquisition of LaCrosse Global Fund Services, the hedge fund administration business, from Cargill whilst LCH.Clearnet entered into exclusive deal discussions with the London Stock Exchange. Dublin-based trading technology business Frontier FX was acquired by FXDD Malta and Nice Systems acquired customer experience manager Fizzback.

October:
Parseq, the listed financial services support services provider, announced a £34m take private backed by Dover Street Capital and Nova Capital. Travelex Global Business Payments (Western Union) acquired Pay 24-7, the online payments technology for global higher education institutions; US-based Nasdaq OMX acquired SaaS corporate communications provider Glide Technologies; and IT Asset Mangement Solutions acquired asset management and software business CRC.

Fund and fiduciary services specialist Abacus acquired Isle of Man-based fund administrators, Portal Fund Administration, and KPMG LLP acquired Xantus Ltd, a Cheshire-based provider of management consultancy services. Standard Life acquired pension scheme operator EMAP Flexiplan Trustees and finally Vitruvian-backed Callcredit acquired TenantID, the tenants letting history business.

November:
In FinTech, Experian acquired Latin American credit services provider Computec for $380m and Ion Trading acquired screen-dealing software Patsystems for £28.6m. Brightside paid £17m for insurance software firms eDevelopment Limited and E-Systems, GB Group acquired customer registration business Capscan Parent for £11m and Ffastfill announced the acquisition of US technology software business WTD Consulting for $12.0m. Belgian electronic payments specialist Clear2Pay acquired UK ATM testing specialist Level Four Software and Visa Europe took a minority stake in UK data analytics firm Beyond Analysis.

Data analytics specialist Markit acquired US research and trading analytics firm Quantitative Services Group; Randall & Quilter acquired Synergy Insurance Services; Indian Dion Global Solutions acquired wealth management software business Investmaster. US credit ratings business Moody's acquired a stake in UK analytics provider Copal Partners and Scottish Friendly Assurance sold its back office wrap admin business to Citi.

December:
FinTech activity continued with London Stock Exchange acquiring the remaining 50% in indices data business FTSE International from JV partner Pearson for £450m. US-based FleetCor Technologies acquired fuel card services player Allstar Business Solutions for £194m and US rating agency Moody's acquired insurance risk management modeller Barrie Hibbert for £50m.

Other deals included HgCapital acquiring a stake in IRIS Accountancy Solutions whilst Innovation Group acquired Claims Services Australia for £13m and Lombard Risk Management acquired SOFGEN's regulatory reporting business for £4m.

About TheCityUK and UK Trade & Investment

About TheCityUK

TheCityUK is the independent, cross-sector voice for the UK financial and professional services industry which champions the international competitiveness of the financial and professional services industry. Created in 2010, TheCityUK supports the whole of the sector, promoting UK financial and professional services at home and overseas and playing an active role in the regulatory and trade policy debate.

The financial and professional services industry currently accounts for 13.5% of UK GDP. The sector employs over two million people, more than 68% of whom work outside London, and underpins the businesses that drive jobs and growth. It is easy to see the importance of an industry that employs one in every ten of the working population.

TheCityUK provides constructive advice and the practitioner voice on trade policy and all aspects of taxation, regulation, and other legislative matters that affect the competitiveness of the sector. It conducts extensive research and runs a national and international events programme to inform the debate. TheCityUK's leadership team regularly engages with regulators and policymakers at home and overseas, ensuring the sector's views are represented at the highest levels. TheCityUK is tasked with creating a new vision for the financial services sector.

Its board, chaired by Stuart Popham, Vice Chairman EMEA Banking, Citi, is responsible for developing our strategy and delivery. Sir Win Bischoff, Chairman of Lloyds Banking Group, oversees TheCityUK's Advisory Council. The President of the Advisory Council is the Lord Mayor.
TheCityUK is politically neutral.

For further information please see
www.thecityuk.com

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About UK Trade & Investment

UK Trade & Investment (UKTI) is the government department that helps UK-based companies succeed in global markets and assists overseas firms in bringing their high-quality investment to the UK.

UKTI has a global network of 2,400 staff. Its International Trade Advisers (ITAs) around the UK have years of business experience to draw on when advising companies. In 96 markets based in British embassies and other diplomatic offices around the world, UKTI staff can offer local, in-market knowledge and expertise.

UKTI has helped many thousands of businesses achieve international success by providing tailored services with specialist support covering a wide range of industries. Its clients consistently cite the importance of UKTI support in helping them to overcome barriers to new overseas business and improve their business performance.

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About IMAS and IMAS-insight

About IMAS

Founded in 1992, IMAS is a corporate finance adviser with unparalleled expertise in selling companies across the UK financial services sector. We have completed over 100 transactions since inception.

IMAS's partners all have extensive experience in working for major UK financial institutions. IMAS combines in-depth knowledge and understanding of the specific issues affecting the financial services sector with our corporate finance experience to provide our clients with discreet, experienced and independent advice.

In addition, IMAS-*insight* allows us to present a range of strategic options to our clients that would otherwise be unavailable. For further details, please contact us or visit our website: www.imas.uk.com

About IMAS-insight

IMAS-*insight* is IMAS's proprietary knowledge management system that 'maps' the UK financial services industry, analysing over 50,000 UK financial services businesses and over 300,000 FSA registered individuals.

IMAS-*insight* provides us with detailed knowledge and insight into individual sectors within the UK financial services market. We employ our enhanced knowledge of buyers and sellers in that market to help our clients achieve their strategic objectives.

Summary data derived from the underlying analysis on IMAS-*insight* can be viewed at: www.imasinsight.com

Contacts for further information

If you are interested in buying or selling in the UK financial services sector and would like to discuss the full range of options available to you in confidence, please contact:

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Report methodology

Data sources

Data in this report has been analysed as at 30 November 2011.

The data employed in this report has been sourced from Companies House and the FSA Register and supplemented with proprietary research undertaken by IMAS.

The FSA Register identifies all entities that are authorised in the UK and regulated by the FSA. This is supplemented with proprietary research by IMAS to identify businesses that are outside the FSA's regulatory scope.

Companies House provides financial disclosures of all UK entities, including the ownership structure of each entity.

Data verification

All groups and entities that are contained in this report can be reviewed and verified on www.imasinsight.com

Methodology

Activity

Company entities have been categorised based on their principal business activity into the following sectors: general insurance, investment, lending and financial support services. Where a company undertakes more than one business activity, they are classified according to their principal line of business.

Groups

UK entities have been grouped together under the ultimate UK parent company based on disclosure from Companies House. This is updated where relevant for additional changes of control that have taken place since the last filing date (e.g. due to an acquisition or divestiture) and of which IMAS is aware.

Ownership

The ultimate UK parent company in the UK is identified by IMAS and its ownership analysed accordingly. It is this company which determines the ownership category, irrespective of the ownership status of its own parent.

Where judgemental issues have arisen relating to ownership, we have sought to apply 'substance over form'. For example, overseas intermediate holding companies are looked through to the ultimate domicile of the parent company.

Indicative sizing

IMAS's value banding is an indicative sizing of the ultimate UK parent company of the group, based on a number of factors including, but not limited to, IMAS's proprietary models and assumptions (which are subject to change without notice) and publicly available information including turnover, profits, net asset value and the number of approved persons.

The approach has been consistently applied and companies categorised accordingly into the following broad categories: £5m to £25m, £25m to £100m, and £100m+. Businesses with a lower estimated capital value have been excluded from this report but can be reviewed and verified on www.imasinsight.com

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IMAS Corporate Finance LLP
January 2012

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