PEARL GROUP HOLDINGS (NO. 1) LIMITED

(formerly known as Resolution plc)

(Company Registration Number: 3524909)

REPORT AND ACCOUNTS

For the year ended 31 December 2008

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Registered Office:

Juxon House,
100 St. Paul's Churchyard,
London,
EC4M 8BU

Company Registration No: 3524909

BOARD OF DIRECTORS

S D Huckle
H M Maxwell
J S Moss
J S B Smith

Company Secretary

Pearl Group Secretariat Services Limited

DIRECTORS' REPORT

The directors have pleasure in presenting the Report and Accounts of Pearl Group Holdings (No. 1) Limited (formerly known as Resolution plc) ("the Company") for the year ended 31 December 2008.

Change of name

On 6 May 2008, the Company changed its name to Pearl Group Holdings (No. 1) Limited.

Principal activity and future developments

The principal activity of the Company is that of an investment company. This will continue to be the principal activity for the foreseeable future.

Business review

Performance during 2008

The Company generated a profit after taxation for the year of £1,542m (2007: £795m).

Position as at 31 December 2008

The net assets of the Company at 31 December 2008 were £3,322m (2007: £2,974m). The increase in the year reflects shareholders' recognised gains of £1,539m offset by the payment of dividends of £1,150m, the payment of the coupon on the £500,000,000 6.5864 per cent Fixed/Floating Rate Perpetual Reset Capital Securities (the "Perpetual Reset Capital Securities" or the "Notes")during the year of £33m and movements for the settlement of all outstanding share options of £8m.

Principal risks and uncertainties

The main risks facing the Company are:

- interest rate risk, since the movement in interest rates will impact the value of interest payable by the Company;
- liquidity risk, arising from insufficient liquid assets to meet payment obligations; and
- credit risk, arising from the default of the counterparty to a particular financial asset.

The Company's exposure to all these risks is monitored by the Board which agrees policies for managing each of these risks on an ongoing basis. The Company uses interest rate hedges, where appropriate to mitigate the impact of interest rate risk to the Company.

Key Performance Indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Share capital

Details of movements in authorised and allotted share capital during the period are given in note 15.

Material developments

Prior to 1 May 2008 the Company was the ultimate parent undertaking of the former Resolution plc Group.

On 1 May 2008 Pearl Group Holdings (No. 1) Limited was acquired by Impala Holdings Limited, a subsidiary of Pearl Group Limited, and from this date Impala Holdings Limited became the Company's immediate parent undertaking and Pearl Group Limited became the Company's ultimate parent undertaking.

On 31 December 2008 Pearl Group Holdings (No. 1) Limited disposed of the entire issued share capital of its investments in subsidiary undertakings to Impala Holdings Limited for £2,606m. A profit on disposal of £1,043m was recognised.

DIRECTORS' REPORT (continued)

In the light of the extreme market turbulence experienced in 2008 and early 2009 and its consequent impact on the Pearl Group Limited Group ("the Group"), the Group's shareholders have been in consultations with the FSA and other key stakeholders regarding both the ongoing capital requirements of the Group and an appropriate capital structure. As an integral part of these negotiations, the shareholders of the Group have entered into an exclusivity agreement to exchange their interests in the Group together with their other interests in the Pearl Group Limited Group for the issue of shares in Liberty Acqusition Holdings (International) Company ("Liberty"). Liberty is an entity listed on the Euronext exchange. It is anticipated that the Liberty shareholders will vote on the acquisition of the Group in the second half of July and if approved it is anticipated that the acquisition will become effective shortly thereafter, subject to regulatory and other approvals. If the acquisition by Liberty is not completed, then it is likely that an alternative capital restructuring of the Group will be effected with the respective banking syndicates and other key stakeholders of the Group.

The directors do not expect the acquisition by Liberty to have a material effect on the operations of the Company. In this regard, the directors of the Company have considered the position of its parent companies including potential contagion effects on the Company in respect of the recoverability of intra-group loans.

Dividends

The directors have declared and paid dividends on ordinary shares of £1,150m during the year ended 31 December 2008 (2007: £154.0m).

Post balance sheet event

On 25 March 2009, the Board of Pearl Group Holdings (No. 1) Limited gave notice to the holders of the Perpetual Reset Capital Securities of its decision to defer the coupon payment on the Notes on the next coupon payment date of 25 April 2009. The Company has no present intention to satisfy the deferred coupon payment by operating the alternative coupon satisfaction mechanism.

For so long as a deferred coupon payment has not been satisfied the Company may not declare, pay or distribute a dividend or make a payment on any of its securities in issue ranking junior to the Notes, including the ordinary shares of the Company or any parity securities or, except in particular circumstances, redeem, purchase or otherwise acquire any of its securities in issue ranking junior to the Notes, including its ordinary shares or any parity securities.

Going concern

The financial statements of the Company have been prepared on the going concern basis. In adopting the going concern basis the following significant matters have been taken into consideration:

a) That the terms of the intra-group loan between the Company and its parent permit the Company to draw funds from its immediate parent, Impala Holdings Limited, in part or total repayment of the intra-group loan account, to enable the Company to meet its obligations as they fall due.

b) That the Perpetual Reset Capital Securities in issue have no fixed repayment date and the Company may, at its sole discretion, elect to defer coupon payments on the Notes.

The coupon payable on 25 April 2009 on the Perpetual Reset Capital Securities issued by the Company has been deferred.

The Company has also considered the financial position of its immediate parent company, Impala Holdings Limited and its ultimate parent company, Pearl Group Limited, specifically in terms of the recoverability of intra-group loans and the impact of the proposed acquisition by Liberty.

After making enquiries, taking into consideration the above matters and considering the impact of issues elsewhere within the wider Pearl Group Limited Group, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT (continued)

Directors

The names of the directors as at the date of this report are set out on page 3. Additional information in relation to changes in directors is as follows:

J S Moss	Appointed 1 May 2008
J S B Smith	Appointed 1 May 2008
S D Huckle	Appointed 1 October 2008
H M Maxwell	Appointed 1 October 2008
D P Allvey	Resigned 1 May 2008
M N Biggs	Resigned 1 May 2008
D J S Cooksey	Resigned 1 May 2008
C A Cowdery	Resigned 1 May 2008
B J Meehan	Resigned 1 May 2008
J A Newman	Resigned 1 May 2008
A E Shishmanian	Resigned 1 May 2008
P Spencer	Resigned 1 May 2008
G M Williamson	Resigned 1 May 2008
R B Williamson	Resigned 1 May 2008
D E Woods	Resigned 1 May 2008
I G Maidens	Resigned 22 August 2008

Disclosure of indemnity

Pearl Group Limited has agreed to provide an indemnity to certain persons within the Pearl Group. These persons include nominated directors and secretaries, subsidiary directors, subsidiary secretaries, alternate directors and approved persons, being persons in relation to whom the Financial Services Authority has given its approval under section 59 of the Financial Services and Markets Act 2000 ("FSMA") for the performance of a controlled function. This indemnity will cover all losses, costs and expenses incurred by an indemnified person incurred in the exercise, execution and discharge of his duties, or connected to the same, to the fullest extent permitted, consistent with the Companies Act 2006 and the FSA Rules, provided that if such indemnified person is also entitled to be indemnified under the terms of the Articles of another Pearl Group company, or pursuant to the terms of a indemnity granted by another Pearl Group company, then the indemnified person must first claim under that indemnity. Directors, alternate directors and company secretaries of Pearl Group Holdings (No. 1) Limited and former subsidiaries of that company may still benefit from the provisions of an earlier Deed of Indemnity entered into by that company.

DIRECTORS' REPORT (continued)

Audit information

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the directors

For and on behalf of
Pearl Group Secretariat Services Limited
Secretary
27 June 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under the law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEARL GROUP HOLDINGS (NO. 1) LIMITED

We have audited the Company accounts ("the accounts") of Pearl Group Holdings (No. 1) Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts.

In addition we report to you, if in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

Ernst & Young LLP
Registered Auditor
London
11 June 2009

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Investment income	1	673	934
Administrative expenses		(71)	(102)
Investment expenses and charges	2	(109)	(34)
Profit on ordinary activities before exceptional items and taxation		493	798
Non-operating exceptional items	6	1,043	-
Profit on ordinary activities before taxation		1,536	798
Tax on profit on ordinary activities	7	6	(3)
Profit on ordinary activities after taxation		1,542	795

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Profit for the financial year		1,542	795
Actuarial losses on pension scheme	14	(4)	-
Tax on items taken directly to equity		1	-
Shareholders' recognised gains arising in the year		1,539	795

BALANCE SHEET
At 31 December 2008

	Notes	2008 £m	2007 £m
Fixed assets			
Investments in group undertakings	9	3,186	2,460
Current assets			
Debtors	10	129	29
Investments	11	71	-
Cash at bank and in hand		-	707
		200	736
Creditors: amounts falling due within one year	12	(83)	(124)
Net current assets		117	612
Creditors: amounts falling due after more than one year	13	-	(120)
Net assets excluding pension asset		3,303	2,952
Pension asset	14	19	22
Net assets		3,322	2,974
Capital and reserves			
Ordinary share capital	15	34	34
Share premium account	16	1,541	1,537
Perpetual reset capital securities	16/18	497	497
Other reserves	16	-	5
Profit and loss account	16	1,250	901
Shareholders' funds attributable to equity interests	16	3,322	2,974

The accounts were approved by the directors on 22 June 2009 and were signed on their behalf by:

Director

ACCOUNTING POLICIES

Basis of presentation

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention rules.

Going concern

The financial statements of the Company have been prepared on the going concern basis. In adopting the going concern basis the following significant matters have been taken into consideration:

a) That the terms of the intra-group loan between the Company and its parent permit the Company to draw funds from its immediate parent, Impala Holdings Limited, in part or total repayment of the intra-group loan account, to enable the Company to meet its obligations as they fall due.

b) That the Perpetual Reset Capital Securities in issue have no fixed repayment date and the Company may, at its sole discretion, elect to defer coupon payments on the Notes.

The coupon payable on 25 April 2009 on the Perpetual Reset Capital Securities issued by the Company has been deferred.

The Company has also considered the financial position of its immediate parent company, Impala Holdings Limited and its ultimate parent company, Pearl Group Limited, specifically in terms of the recoverability of intra-group loans and the impact of the proposed acquisition by Liberty.

After making enquiries, taking into consideration the above matters and considering the impact of issues elsewhere within the wider Pearl Group Limited Group, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Investment income

Interest and dividends on investments, other than ordinary shares, are included on an accruals basis. Investment income is net of related expenses.

Perpetual Reset Capital Securities

The Perpetual Reset Capital Securities meet the definition of equity for accounting purposes. Accordingly, they are shown at the proceeds of issue and the coupons on the securities are recognised on the date of payment and are charged directly to equity holders' funds.

Dividends

Dividends on equity shares are recognised when they become a legal liability. For dividends declared by equity holders this is the date of declaration and for dividends declared by the directors this is on the date of payment.

Fixed asset investments

Fixed asset investments consist of investments in shares in subsidiary undertakings and loans to parent and group undertakings. Equity investments are valued at cost less impairment where circumstances indicate that the carrying value may not be recoverable. Loans to parent and group undertakings are all valued at amortised cost.

Taxation

The UK taxation in the profit and loss account is based on profits/(losses) and income in the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions of prior years.

ACCOUNTING POLICIES (CONTINUED)

The Company recognises deferred tax assets and liabilities on a discounted basis to reflect the time value of money. A discount rate has been selected that reflects the yield on government bonds which have a maturity date similar to the likely average period for assets upon which deferred tax liabilities and assets arise. Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date with the exception of deferred tax assets which are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax on changes in the fair value of investments is recognised in the profit and loss account.

Derivative financial instruments

The Company uses derivative financial instruments, where appropriate, to hedge against interest rate risk. Derivative financial instruments are classified as held for trading and carried at fair value as assets or liabilities. Fair values are based on quoted market prices or valuation techniques as appropriate. Changes in fair values are recognised in the profit and loss account. Derivative financial instruments include swaps which derive their value mainly from underlying interest rates.

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded securities and derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price. The fair value of investments that are not traded in an active market is determined using valuation techniques. Various valuation techniques are used including the use of comparable recent arm's length transactions, discounted cashflow analysis, option pricing models and other valuation techniques commonly used by market participants.

Cash flow statement

The Company has taken advantage of the exemption given by FRS1 (revised 1996) to subsidiary undertakings where 90% or more of the voting rights are controlled within the group, by not preparing a cash flow statement. Details of the ultimate holding company are given in note 20 to the accounts.

Employee benefits

Pension schemes

The Company provides employees with retirement benefits through both defined benefit and defined contribution plans. The assets of these plans are generally held separately from the Company's general assets in trustee-administered funds and are valued at fair value. Defined benefit obligations and the cost of providing benefits are determined annually by qualified actuaries using the projected unit credit method. The obligation is measured as the present value of the estimated future cash outflows using a discount rate based on corporate bonds of appropriate duration and quality. The resulting recoverable surplus/deficit of defined benefit assets less liabilities is recognised in the balance sheet. The Company's expense related to these plans is accrued over the employees' service periods based upon the actuarially determined cost for the period. Actuarial gains and losses are recognised in full in the period in which they occur in the statement of total recognised gains and losses. Contributions to the defined contribution scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The net surplus and the movement in the surplus are currently allocated in the ratio 37:63 (2007: 37:63) between the Company and a fellow subsidiary undertaking of Impala Holdings Limited, Pearl Group Management Services Limited (formerly Resolution Management Services Limited), the joint sponsoring employers of the pension scheme. The net surplus comprises the surplus in the defined benefit scheme after deducting the amount that cannot be recovered (the irrecoverable surplus) through reduced contributions in the future or from refunds from the scheme that have been agreed by the trustees.

The pension asset shown in the balance sheet comprises the net surplus net of the associated deferred tax liability.

Other defined benefit post-employment benefits, such as medical care and life insurance, are also provided for certain employees. The cost of such benefits is accrued over the service period of the employee based upon the actuarially determined cost for the period using a methodology similar to that for defined benefit pension plans.

ACCOUNTING POLICIES (CONTINUED)

Share-based payment transactions

The Company issued ordinary shares under an all-employee save as you earn (SAYE) scheme and discretionary, performance-related Executive Share Options (ESOS), share matching plan (SMP) and long term incentive plan (LTIP) schemes. FRS 20 Share-based Payment, has not been applied to those grants of ordinary shares, share options or other equity instruments that were granted before 7 November 2002. The fair value of options granted is recognised as an expense with a corresponding increase in equity.

The total amount to be expensed over the vesting period has been determined by reference to the fair value of the options determined at grant date, excluding the impact of any conditions not linked to the price of the ordinary shares (non-market vesting conditions). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive.

The fair value of the SAYE, ESOS and SMP options granted are measured using a binomial model and the fair value of the LTIP options granted is measured using Monte Carlo simulations, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is revised at the balance sheet date to reflect the actual number of share options that have vested except where changes in expectations are due to performance conditions which are linked to the Company share price (market conditions).

When shares are issued the proceeds are credited to share capital and share premium and the amount carried in the share option reserve relating to the shares issued is transferred to retained earnings.

The acquisition of the Company by Impala Holdings Limited on 1 May 2008 triggered vestings across all of the group's share schemes.

NOTES TO THE ACCOUNTS

1. Investment income

	2008 £m	2007 £m
Dividends from subsidiary undertakings	507	1,515
Impairment of investment in subsidiary undertakings	-	(703)
Interest receivable on loans from group companies	77	91
Other interest receivable	17	30
Swap interest receivable	1	-
Unrealised gain on investments	71	-
Net expected return on pension assets	-	1
	673	934

2. Investment expenses and charges

	2008 £m	2007 £m
Interest payable on loans from group companies	28	4
Other interest payable	6	30
Swap interest payable	1	-
Unrealised losses on investments	72	-
Net expected charge on pension assets (see note 14)	2	-
	109	34

3. Auditors' remuneration

The remuneration receivable by the Company's auditors for auditing the accounts amounted to £69,000 (2007: £105,000). All non-audit fees are borne by the parent company, Impala Holdings Limited.

4. Employee information

The Company has no employees. Staff are provided by Pearl Group Management Services Limited.

5. Directors' emoluments

	2008 £'000	2007 £'000
Emoluments (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	4,160	5,411
Contributions to money purchase schemes	176	228
Awards (other than shares and share options) receivable during the year Under long term incentive schemes	6,783	-
Compensation to former directors for loss of office	1,235	854
Number of directors who:		
- are members of a defined benefit pension scheme	1	-
- are members of a money purchase pension scheme	6	3
- exercised share options	3	1

	2008 £m	2007 £m
Highest paid director's remuneration:		
Aggregate amount of emoluments and cash awards under long-term incentive schemes (excluding pension contributions, share options gains and share awards arising from long-term incentive schemes)	2,335	1,438

NOTES TO THE ACCOUNTS (CONTINUED)

5. Directors' emoluments (continued)

The emoluments disclosed in the notes to these accounts are in respect of the directors with qualifying services for the Impala Holdings Limited group of companies ("the Group") and for those directors comprise their total emoluments in respect of services to the Group. These total emoluments have also been included in each of the other Group companies for which the director has qualifying services.

On 30 July 2008 Pearl Group Limited created an employee benefit trust, the Pearl Group limited Employee Benefit Trust (the "Trust"). The Trust was created in order to motivate and retain the Group's Directors and employees, each of whom is a potential beneficiary of the Trust. Amounts contributed to the Trust are included in the amount expensed for wages and salaries.

Pearl Group Limited has recommended to the trustee of the Trust that a sum of £10m be provisionally allocated to an incentive pool. The trustee, after considering a letter of wishes from Pearl Group Limited has allocated amounts into discretionary sub-funds for the benefit of particular Employees, Directors and their families. Amounts in the sub-funds have been included in the relevant Director's emoluments for the purposes of these accounts.

6. Non-operating exceptional items

On 31 December 2008 the Company disposed of the entire issued share capital of its investments in subsidiary undertakings to Impala Holdings Limited for a total consideration of £2,606m. The consideration comprised the assumption by Impala Holdings Limited of £764m of loans and associated accrued interest payable by the Company to other group undertakings with the balance of £1,842m left outstanding as an interest bearing intra-group loan (see note 9.2). A profit on disposal of £1,043m was recognised.

7. Taxation

	2008 £m	2007 £m
The (credit)/charge for taxation in the profit and loss account comprises:		
UK Corporation tax:		
Current tax (credit)/charge for the year	(6)	4
Adjustments in respect of prior periods	1	-
Total current tax (credit)/charge	(5)	4
Deferred taxation:		
Origination and reversal of timing differences	(1)	(1)
Total tax (credit)/charge	(6)	3

NOTES TO THE ACCOUNTS (CONTINUED)

7. Taxation (continued)

UK corporation tax for the current year in the profit and loss account is less than the standard rate of 28.5% (2007 less than 30%) due to the items set out in the reconciliation below:

	2008 £m	2007 £m
Profit on ordinary activities before taxation	1,536	798
Tax at 28.5% (2007: 30%)	438	239
Factors affecting charge:		
Non-deductible expenses	8	20
Impairment of investment in subsidiary undertakings not taxable	-	211
Subsidiary undertakings dividends not taxable	(145)	(455)
Non-operating exceptional items	(297)	-
Adjustment for share scheme	(1)	(2)
Corporation tax adjustments in respect of prior periods	1	-
Other	(9)	(9)
Current tax (credit)/charge for the year	(5)	4

8. Dividends

	2008 £m	2007 £m
Interim ordinary paid dividends: 167p (2007: 22p) per £0.05 share	1,150	154

9. Investment in group undertakings

9.1 Shares in subsidiary undertakings

	£m
Cost:	
At 1 January 2008	2,316
Disposals (see note 6)	(2,316)
At 31 December 2008	-
Provision for impairment:	
At 1 January 2008	753
Disposals (see note 6)	(753)
At 31 December 2008	-
Net book value:	
At 31 December 2008	-
At 31 December 2007	1,563

NOTES TO THE ACCOUNTS (CONTINUED)

9. Investment in group undertakings (continued)

9.2 Loans to parent and group undertakings	2008 £m	2007 £m
At 1 January	897	1,852
Issue of loans	2,690	30
Repayment of loans	(401)	(985)
At 31 December	3,186	897

a) On 1 August 2008 the Company provided a loan to Impala Holdings Limited of £736m. The loan accrues interest at six month LIBOR plus 2.94% which is capitalised half yearly on 7 April and 7 October. Interest of £12m was capitalised during the year. The loan has a maturity date of December 2016.

b) On 4 December 2008 the Company provided a loan to Pearl Life Holdings Limited of £55m. The loan accrues interest at six month LIBOR plus 2.94% which is capitalised half yearly on 7 April and 7 October. The loan has a maturity date of December 2016 or can be repaid as agreed between the borrower and the Company.

c) On 26 September 2008 the Company provided a loan to Pearl Life Holdings Limited of £45m. The loan accrues interest at 12 month LIBOR plus 2.00% which is capitalised annually on 31 December. The loan has a maturity date of December 2016 or can be repaid as agreed between the borrower and the Company.

d) On 31 December 2008 the Company disposed of the entire issued share capital of its investments in subsidiary undertakings to Impala Holdings Limited. £1,842m was left outstanding as an interest bearing intra-group loan. The loan will accrue interest at 6 month LIBOR plus 3.42% which will be capitalised half yearly on 30 June and 31 December. The loan is repayable upon demand but has a maturity date of December 2016.

e) During the year, Pearl Life Holdings Limited made repayments totalling £401m in respect of the £2,943m loan facility issued to it on 31 August 2006. The balance of this loan stands at £7m at the year end.

f) In September 2007, the Company granted a revolving credit facility of £110m to Pearl Group Management Services Limited. As at 31 December 2008, £30m has been drawn down (2007: £30m). Interest is calculated at six month LIBOR plus 2.00%.

g) In November 2005, the Company granted a loan of £459m to Pearl Life Holdings Limited. Interest is calculated at 7% per annum and is payable annually on 31 December.

NOTES TO THE ACCOUNTS (CONTINUED)

10. Debtors

	2008 £m	2007 £m
Amounts owed by group undertakings	125	26
Deferred tax debtor	1	1
Other debtors	3	2
	129	29

Included in amounts owed by group undertakings are £98m of loans. During the year, the Company entered into an agreement with Impala Holdings Limited and Pearl Life Holdings Limited whereby from 1 May 2008, any of those parties could lend to or borrow from each other as agreed. Under this agreement, the Company has lent £32m to Pearl Life Holdings Limited and £66m to Impala Holdings Limited at the year end. Interest on these loans accrues at six month LIBOR plus 2.94% which is capitalised half yearly on 7 April and 7 October. All loans are repayable on demand and if not previously repaid then repayable within 12 months of any advance.

11. Investments

	2008 £m	2007 £m
Derivative assets	71	-

Derivative assets comprise the fair value of the £1,130m variable to fixed interest rate swaps entered into during 2008.

12. Creditors: amounts falling due within one year

	2008 £m	2007 £m
Bank loan	-	115
Derivative liabilities (note 19)	72	-
Other creditors	4	2
Tax payable	7	7
	83	124

Derivative liabilities comprise the fair value of the £1,130m fixed to variable interest rate swaps entered into during 2008.

13. Creditors: amounts falling due after more than one year

	2008 £m	2007 £m
Bank loan	-	120
	-	120

NOTES TO THE ACCOUNTS (CONTINUED)

14. Staff pension scheme

(a) Defined contribution scheme

The Company participates in the defined contribution section of the Resolution Group Pension Scheme ('the Scheme'). Contributions in the year amounted to £nil (2007: £nil).

(b) Defined benefit scheme

The Company and a fellow subsidiary undertaking of Impala Holdings Limited, Pearl Group Management Services Limited (formerly Resolution Management Services Limited), are joint sponsoring employers of the Scheme. The defined benefit section of the Scheme is a final salary arrangement which is generally closed to new entrants and in respect of former members of the Phoenix Life Group pension Scheme (which merged with the Scheme in 2006) to future service accrual.

The valuation has been based on an assessment of the liabilities of the Scheme as at 31 December 2008, undertaken by independent qualified actuaries. The present values of the defined benefit obligation and the related current service costs have been measured using the projected unit credit method. The Company's share in the net surplus before tax of the pension Scheme amounts to £26m (2007: £30m).

The principal financial assumptions of the Scheme are set out below.

	2008	**2007**
Rate of general long term increase in salaries	3.9%	4.4%
Rate of increase in pensions	2.8%	3.4%
Discount rate	6.3%	5.8%
Inflation	2.9%	3.4%
Expected rate of return on Scheme assets	4.6%	5.2%

The discount rate and inflation rate assumptions used for the calculation of the liabilities have been determined by considering the shape of the appropriate yield curves and the duration of the Scheme liabilities. This method results in an equivalent single rate for both the discount and inflation rates, which is derived from the profile of projected benefit payments.

It has been assumed that post retirement mortality is in line with standard tables PXA00 with a scaling factor of 105% being applied, allowing for future improvements in line with the long cohort improvement factors, subject to a minimum improvement from 2007 onwards of 1.25% p.a. and 0.75% p.a. for males and females respectively. Under these assumptions, the average life expectancy for a member currently age 40 retiring at age 57 is 33.5 years and 34.8 years for male and female members respectively. The average life expectancy for a member currently aged 50 retiring at age 57 is 32.1 years and 34.0 years for male and female members respectively.

NOTES TO THE ACCOUNTS (CONTINUED)

14. Staff pension scheme (continued)

The amounts recognised in the profit and loss account are as follows:

	2008 £m	2007 £m
Current service cost	(3)	(2)
Interest cost	(22)	(20)
Expected return on Scheme assets	20	21
Gain on curtailments	-	1
	(5)	-

The amounts recognised in the statement of total recognised gains and losses are as follows:

	2008 £m	2007 £m
Actuarial gains and losses	(4)	-

The net actuarial gains and losses recognised during the year comprise the following:

	2008 £m	2007 £m
Actual return less expected return on Scheme assets	8	(4)
Experience gains and losses arising on Scheme liabilities	(2)	(3)
Changes in assumptions underlying Scheme liabilities	64	7
	70	-
Increase in irrecoverable surplus	(74)	-
	(4)	-

The cumulative net actuarial losses recognised in the statement of recognised income and expense since 1 January 2004 amounts to £9m (2007: £5m).

The amounts recognised in the balance sheet are as follows:

	2008 £m	2007 £m
Fair value of Scheme assets	423	419
Present value of defined benefit obligation	(323)	(389)
Surplus	100	30
Less: Irrecoverable surplus	(74)	-
Net surplus	26	30
Deferred tax	(7)	(8)
	19	22

The irrecoverable surplus is the amount that cannot be recovered through reduced contributions in the future or from refunds from the Scheme that have been agreed by the trustees.

The actual return on the Scheme assets comprises the following:

	2008 £m	2007 £m
Expected return on Scheme assets	20	21
Actuarial gains/(losses) on Scheme assets	8	(4)
	28	17

NOTES TO THE ACCOUNTS (CONTINUED)

14. Staff pension scheme (continued)

The Company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the benchmark asset allocation for the Scheme.

The change in the present value of the defined benefit obligation is as follows:

	2008 £m	2007 £m
At 1 January	389	357
Effect of changes in allocations between sponsoring employers	(13)	32
Current service cost	3	2
Interest cost	22	20
Curtailments	-	(1)
Actuarial gains	(62)	(4)
Benefits paid	(16)	(17)
At 31 December	323	389

The defined benefit obligation arises from plans that are wholly funded.
The change in the fair value of the Scheme assets is as follows:

	2008 £m	2007 £m
At 1 January	419	387
Effect of changes in allocations between sponsoring employers	(13)	32
Expected return on Scheme assets	20	21
Actuarial gains/(losses) on Scheme assets	8	(4)
Contributions by the employer	5	-
Benefits paid	(16)	(17)
At 31 December	423	419

The distribution of the Scheme assets at the end of the year was as follows:

	2008 £m	2007 £m
Bonds	370	352
Properties	46	61
Cash	7	6
	423	419

Contributions totalling £3m are expected to be paid into the Scheme in 2009.

Table of historical information:	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of Scheme assets	423	419	387	390
Defined benefit obligation	(323)	(389)	(357)	(356)
	100	30	30	34
Less: Irrecoverable surplus	(74)	-	-	-
Net surplus	26	30	30	34
Experience gains/(losses) on Scheme assets	8	(4)	(6)	32
Experience (losses)/gains on Scheme liabilities	(2)	(3)	2	(1)

NOTES TO THE ACCOUNTS (CONTINUED)

15. Share capital

	2008 £m	2007 £m
Authorised		
Equity shares:		
1,000,000,000 (2007: 1,000,000,000) ordinary shares of £0.05 each	50	50
Authorised, allotted, called up and fully paid		
Equity shares:		
687,809,559 (2007: 686,611,880) ordinary shares of £0.05 each	34	34

Following the acquisition of the Company by Impala Holdings Limited 498,901,006 ordinary shares were cancelled and then reissued to Impala Holdings Limited.

The remaining movement in equity shares represents shares issued under share option schemes.

16. Reserves and reconciliation of movements in shareholders' funds

	Share capital £m	Share Premium £m	Perpetual reset capital securities £m	Other reserves – share options £m	Profit & loss account £m	Total shareholders' funds £m
Shareholders' funds at 1 January 2007	34	1,534	497	4	295	2,364
Profit for the financial year 2007	-	-	-	-	795	795
Other recognised gains and losses	-	-	-	(1)	-	(1)
Dividends	-	-	-	-	(154)	(154)
Coupon paid on perpetual reset capital securities	-	-	-	-	(33)	(33)
Issue of ordinary share capital – share option schemes	-	3	-	(3)	3	3
Equity share options issued	-	-	-	5	-	5
Purchase of own share to settle share options	-	-	-	-	(5)	(5)
Shareholders' funds at 31 December 2007	34	1,537	497	5	901	2,974
Profit for the financial year 2008	-	-	-	-	1,542	1,542
Actuarial losses on pension Scheme	-	-	-	-	(4)	(4)
Tax on items taken directly to equity	-	-	-	-	1	1
Dividends (note 8)	-	-	-	-	(1,150)	(1,150)
Coupon paid on perpetual reset capital securities	-	-	-	-	(33)	(33)
Re-purchase of share options	-	-	-	(5)	(7)	(12)
Issue of ordinary share capital – share option schemes	-	4	-	-	-	4
Shareholders' funds at 31 December 2008	34	1,541	497	-	1,250	3,322

The profit and loss account of the Company at 31 December 2008 includes £1,062m which is non-distributable (2007: £22m).

On 25 March 2009, the Board of Pearl Group Holdings (No. 1) Limited gave notice to the holders of the Perpetual Reset Capital Securities of its decision to defer the coupon payment on the Notes on the next coupon payment date of 25 April 2009.

NOTES TO THE ACCOUNTS (CONTINUED)

16. Reserves and reconciliation of movements in shareholders' funds (continued)

For so long as a deferred coupon payment has not been satisfied the Company may not declare, pay or distribute a dividend or make a payment on any of its securities in issue ranking junior to the Notes, including the ordinary shares of the Company or any parity securities or, except in particular circumstances, redeem, purchase or otherwise acquire any of its securities in issue ranking junior to the Notes, including its ordinary shares or any parity securities.

17. Share options

The share-based payment arrangements in existence during the year are set out below. The acquisition of the Company by Impala Holdings Limited on 1 May 2008 triggered vestings across the group's share schemes. Information on the changes and the effect of this is given for each scheme.

For share options granted before 7 November 2002, the recognition and measurement principles of FRS 20 *Share-based Payment* have not been applied, as permitted by the transitional provisions in FRS 20.

The weighted average share price of the Company in the period to the date of acquisition of the Company by Impala Holdings Limited amounted to 698.0p (2007: 659.5p).

The total payments for the year arising from share-based payment transactions was £24m (2007 £5m), of which £5m (2007 £5m) related to equity-settled share-based payments and £19m (2007 £nil) to cash-settled share-based payments.

In addition, the Company compensated SAYE option holders in cash for the loss of benefit in respect of lapsed share options and bore the cost of income tax and national insurance that would otherwise have fallen on option holders from the early vesting of the share option schemes. The cost of this to the Company was £4m before tax relief.

The share option equity reserve at 31 December 2008 was £nil (2007: £5m).

(a) Save as you earn scheme (SAYE)

Existing employees who were SAYE option holders at the date of acquisition of the Company by Impala Holdings Limited were able to exercise their share options under the scheme early. The share option entitlement was pro-rated for the proportion of the vesting period that had elapsed and the amount of saving contributions that had accrued at that date. The remaining proportion of the share options lapsed. The grant was equity settled and the shares issued on exercise by the option holder were transferred immediately to Impala Holdings Limited for a cash consideration of £7.20 per share except where option holders opted to receive loan notes issued by Impala Holdings Limited.

The SAYE scheme allowed participating employees to save up to £250 each month over a period of three or five years. Employees were eligible to participate in a SAYE arrangement if they had been employed for the six months prior to the financial year end preceding the grant date of the relevant arrangement.

Under the SAYE arrangement, participants remaining in employment at the end of the three year or five year savings period were entitled to use their savings to purchase shares of the Company at the option price. Employees leaving for certain reasons were able to use their savings to purchase shares within six months of their leaving.

The option price was determined by the Company, which could apply up to 20% discount on market price, taken as the average market value on the three dealing days preceding the date of invitation.

NOTES TO THE ACCOUNTS (CONTINUED)

17. Share options (continued)

As at 31 December, the following options were outstanding:

Grant date	Maturity date: (exercise period ordinarily lasts six months from this date)	Exercise price (pence)	Number of 5p ordinary shares 2008	2007
April 2003	June 2008	107.57	-	427,791
April 2004	June 2009	246.62	-	64,033
April 2005	June 2008	342.82	-	102,169
April 2005	June 2010	342.82	-	62,616
May 2006	June 2009	454.76	-	269,625
May 2006	June 2011	454.76	-	90,738
May 2007	June 2010	515.00	-	392,565
May 2007	June 2012	515.00	220	266,521
			220	1,676,058

The following table sets out the number and the weighted average exercise prices (WAEP) for the movements in employee share options during the year.

	2008 Number	2008 WAEP (pence)	2007 Number	2007 WAEP (pence)
Outstanding as at 1 January	1,676,058	370.88	2,037,800	268.25
Granted during the year	-	-	1,175,539	515.00
Forfeited during the year	(711,702)	470.77	(705,069)	446.63
Exercised during the year	(915,327)	285.64	(725,347)	220.96
Expired during the year	(48,809)	512.08	(106,865)	413.52
Outstanding at 31 December	220	515.0	1,676,058	370.88
Exercisable at 31 December	220	515.0	94,693	450.00

The unexercised shares at 31 December 2008 relate to a deceased member of the scheme.

(b) Executive share option scheme (ESOS)

Existing employees who were executive share option holders as at the date of acquisition of the Company by Impala Holdings Limited became eligible to exercise their share options early. The normal performance conditions were waived in accordance with their terms, resulting in the options vesting in full. The shares issued on exercise by the option holder were either transferred immediately following their issue to Impala Holdings Limited or cancelled for a cash consideration of £7.20 per share. Former employees who were executive share option holders as at the date of acquisition were offered similar terms to those offered to existing employees, except that the options were not exercisable prior to the third anniversary of the date of grant and performance conditions were required to be measured for unvested options. The grant was equity settled and the charge to the income statement was calculated using the grant date fair value of each share option grant.

From 1999 to 2005, share options were granted to senior management with a vesting period of three years from the date of grant and with an exercise period of seven years from the earliest date of vesting. The exercise price of options under the Resolution 1998 Approved Share Option Scheme was determined as the average of the mid-market price on the three days prior to the date of grant. In the case of the Resolution 1998 Unapproved Share Option Scheme, the exercise price was determined by considering the mid-market price on the date of grant. If the mid-market price was lower than that determined in the preceding three days for the Approved options, the same exercise price was set for the Unapproved options as was set for the Approved ones; but if the mid-market price on the date of grant was higher than that set for the Approved options, the exercise price set for the Unapproved options was that higher mid-market price. No grant has ever been made under the scheme at less than market value.

NOTES TO THE ACCOUNTS (CONTINUED)

17. Share options (continued)

Options granted in 1999 and 2000 have performance conditions based on a fixed three year performance period. Both performance conditions must be met in order for the options to vest. The first performance condition requires Embedded Value Added by New Business to match or exceed the Retail Price Index by 3% per annum over a three year period; this performance condition for the 3 years ended 31 December 2007 has been met. The second performance condition requires the total shareholder return (TSR) to match or exceed the median of the FTSE 250, excluding investment trusts, over any 3 year period; this performance condition was met for the 3 years ended 31 December 2007.

Options granted in 2003, 2004 and 2005 met a performance condition by achieving an increase in operating earnings per share (EPS), before exceptional items and excluding any longer term return from the shareholders' retained capital (SRC), that matched or exceeded RPI + 6% over the 3 years ended 31 December 2005, 31 December 2006 and 31 December 2007 respectively.

Since 2005 the Company has decided not to make any further grants under the ESOS scheme.

There were no options outstanding under the ESOS schemes as at 31 December 2008:

Grant date	Exercise period ordinarily within seven years from	Exercise price (pence)	Number of 5p ordinary shares 2008	2007
March 1999	March 2002	903	-	16,005
March 2000	March 2003	655	-	14,861
September 2002	September 2005	319	-	6,230
March 2003	March 2006	135	-	9,204
September 2003	September 2006	267	-	10,346
March 2004	March 2007	308	-	22,401
September 2004	September 2007	335	-	12,576
September 2004	September 2007	340	-	21,323
April 2005	April 2008	416	-	118,190
October 2005	October 2008	527	-	117,458
			-	348,594

The following table sets out the number and corresponding weighted average exercise prices (WAEP) for the movements in the executive share options during the year.

	2008 Number	2008 WAEP (pence)	2007 Number	2007 WAEP (pence)
Outstanding as at 1 January	348,594	382.04	970,045	325.82
Exercised during the year	(331,092)	357.80	(586,371)	(231.15)
Expired during the year	(17,502)	854.60	(35,080)	(283.43)
Outstanding at 31 December	-	-	348,594	382.04
Exercisable at 31 December	-	-	82,080	155.35

As detailed above, there are no options (2007 – 37,096) over shares that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. Except for the effect of the rights issue that occurred in 2006 these options have not been subsequently modified; therefore, they do not need to be accounted for in accordance with FRS 20.

(c) Long term incentive plan (LTIP)

Participants in the LTIP were awarded a cash payment in lieu of the shares that they would have become entitled to under the plan, subject to the performance period being shortened to the date of acquisition of the Company by Impala Holdings Limited and no pro-rating taking place for the proportion of the vesting period that had elapsed. The full award was subject to the relevant performance conditions being met and to the discretion of the Remuneration Committee.

NOTES TO THE ACCOUNTS (CONTINUED)

17. Share options (continued)

Under the Resolution 2002 LTIP and the Resolution 2005 LTIP, share options were granted to directors and senior management. Both were 'nil cost' and had a vesting period of three years, both being subject to performance criteria being met.

Once vested, the 2002 LTIP had an exercise period of three months which could be extended up to one year at the discretion of the Company. The 2005 LTIP could be exercised during the six months following vesting, though the Trustee had discretion to extend the exercise period up to twelve months. However no options could vest unless the measured (TSR) reflects underlying financial performance.

The number of shares under option was determined by reference to a maximum multiple of twice basic salary and a notional share price set prior to date of grant.

Options granted in 2003, 2004 and April 2005 were exercisable from the third anniversary subject to how the Company's share price growth over a fixed three year period ending on 30 March 2006, 30 March 2007 and 30 March 2008 respectively, was ranked in a table of companies in the FTSE 250.

Options granted in April 2004 and April 2005 were exercisable from the third anniversary subject to (TSR) growth over three years, ending on 30 March 2007 and 30 March 2008 respectively, as compared to the FTSE 250.

Under the 2002 LTIP, 25% of shares vest at median ranking, all if performance is in the top quartile and straight line pro rata if in between.

Options granted in September 2005 and October 2005 were exercisable from the third anniversary of the date of grant subject to TSR growth over three years, ending 3 July 2008, as compared to that of the companies ranked 51 to 150 in the FTSE All-share index. 25% of shares vest at median ranking, all if in the top quintile and straight line pro-rata if in between.

Options granted in 2006 and 2007 had 50% of the awards based on TSR and 50% based on adjusted embedded value (adjusted EV). The TSR measure was based on TSR growth compared to companies ranked 51-150 in the FTSE All-Share Index over three years from date of grant. 25% of shares subject to this part of the award would vest for median ranking, all if in top quintile and a pro-rating on a straight line basis for values in between. The EV target was measured over three financial years commencing from 31 December 2005 for the options granted in 2006 and 31 December 2006 for those granted in 2007. For the 2006 grant 25% of shares subject to the award would vest for average growth in Adjusted EV per share in excess of the risk free rate of 2.5% increasing on a straight line basis to 100% vesting for average growth in Adjusted EV per share of 6%. For the 2007 grant 25% of shares subject to the award would vest for average growth in Adjusted EV per share in excess of the risk free rate of 3.5% increasing on a straight line basis to 100% vesting for average growth in Adjusted EV per share of 7%.

At the discretion of the Remuneration Committee, a cash settlement alternative could be offered; however no obligation to settle in cash existed at the balance sheet date.

There were no options outstanding under the LTIP schemes as at 31 December 2008:

Exercise period ordinarily within 1 year from	Option price (pence)	Number of 5p ordinary shares 2008	2007
April 2008	Nil	-	90,273
September 2008	Nil	-	374,905
October 2008	Nil	-	74,981
April 2009	Nil	-	711,611
April 2009	Nil	-	9,055
October 2009	Nil	-	12,096
April 2010	Nil	-	1,219,449
Total		-	2,492,370

NOTES TO THE ACCOUNTS (CONTINUED)

17. Share options (continued)

The following table sets out the number and movements in the LTIP share options during the year. The weighted average exercise price (WAEP) for all LTIP share options is £nil.

	2008 Number	2007 Number
Outstanding as at 1 January	2,492,370	2,471,019
Granted during the year	-	1,300,457
Exercised during the year	(2,411,568)	(745,310)
Expired during the year	(80,802)	(533,796)
Outstanding at 31 December	-	2,492,370
Exercisable at 31 December	-	-

For options granted from 2005 to 2007, the fair value of equity-settled share options granted has been estimated as at the date of grant using a binomial pricing option and a Monte Carlo pricing model, taking into account the terms and conditions upon which the options were granted.

d) Share matching plan (SMP)

Participants in the SMP were awarded a cash payment in lieu of the shares that they would have become entitled to under the plan, with the vesting period shortened to the date of acquisition of the Company by Impala Holdings Limited and no pro-rating taking place for the proportion of the vesting period that had elapsed.

The SMP was a share-based payment scheme offered to certain senior managers for the first time in 2006. Two awards were made during 2006, the first in November and the second in December.

Participants in the scheme pledged shares in the Company ('investment shares'), which they had to hold for the duration of the vesting period. For each investment share that was held for the entirety of the vesting period, the participant received a matching award of shares in the Company. If the employee sold any of his investment shares during the vesting period then the corresponding matching shares lapsed.

Each employee invited to participate in the scheme was able to pledge shares whose value did not exceed 6% of their gross annual income. It was the employee's responsibility to obtain their investment shares. Shares already held by the employee could be pledged as investment shares. The matching award normally vested after three years from the date of grant.

18. Perpetual Reset Capital Securities

	2008 £m	**2007 £m**
At 1 January and 31 December	497	497

The Company has in issue £500m of Perpetual Reset Capital Securities which are admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange. The proceeds of the issue amounted to £497m.

The Notes are unsecured obligations of the Company and are subordinate to the claims of senior creditors. Payments in respect of the Notes are conditional upon the Company being solvent at the time of payment and immediately following such payment.

The Notes have no fixed maturity date and interest payments may be deferred at the option of the Company; accordingly the Notes meet the definition of Equity for financial reporting purposes. The Notes also meet the conditions for Innovative Tier 1 capital treatment in the calculation of the Group Capital Resources under the rules of the Financial Services Authority.

NOTES TO THE ACCOUNTS (CONTINUED)

18. Perpetual Reset Capital Securities (continued)

The Notes may be redeemed at par at the option of the Company on the first reset date of 25 April 2016 or on any coupon payment date thereafter. Redemption is subject to the agreement of the Financial Services Authority. In certain circumstances the Company has the right to substitute the Notes or to redeem the Notes before the first reset date.

Coupons are payable annually in arrears on 25 April at the rate of 6.5864% per annum, until the first reset date. Thereafter coupons are payable semi-annually at 2.73% per annum over the then prevailing offered rate for six-month sterling deposits.

If the Company opts to defer a coupon payment, then it has the option to either leave the coupon outstanding or satisfy the deferred coupon payment by the issue of securities ('ACSM instruments') by either the Company or a special purpose subsidiary of the Company established for the purpose of issuing ACSM instruments and which are guaranteed by the Company. The obligations of the Company in respect of such securities, or if applicable, guarantee will be subordinated to and rank or be expressed to rank junior to the Notes as to rights to payments of interest and participation in the assets of the Company in a winding up and shall comply with the then current requirements of the Financial Services Authority in relation to Tier 1 Capital. ACSM instruments will in the first instance be offered to related parties (as defined in the Terms and Conditions of the Notes as amended by the Supplemental Trust Deed dated 30 July 2008) and to third parties if not purchased by related parties. In the event that neither such related parties nor third parties will purchase the required ACSM instruments then Pearl Group Limited is required to use its best endeavours to raise such funds as are deemed necessary to purchase the required amounts of ACSM instruments.

For so long as a deferred coupon payment has not been satisfied the Company may not declare, pay or distribute a dividend or make a payment on any of its securities in issue ranking junior to the Notes, including the ordinary shares of the Company or any parity securities or, except in particular circumstances, redeem, purchase or otherwise acquire any of its securities in issue ranking junior to the Notes, including its ordinary shares or any parity securities.

19. Related party transactions

The Company has taken advantage of the exemption given by FRS 8 to subsidiary undertakings, 90% or more of whose voting rights are controlled within the Impala Holdings Limited group, by not disclosing information on related party transactions with entities that are part of this group, or investees of this group qualifying as related parties.

During the year the Company entered into an interest rate swap with Hera Investments No. 2 Limited and Sun Capital Investments No.2 Limited, investing entities of Impala Holdings Limited. The swap exchanges a variable rate of interest on loan finance of £1,130m for a fixed rate. At 31 December 2008 the total fair value of this swap was £(72)m. Net interest of £1m has been charged to the Company on these swaps and this is outstanding at 31 December 2008.

During the year, Pearl Assurance plc, a subsidiary undertaking of Pearl Group Limited, retained its 3.48% holding of the Perpetual Reset Capital Securities. On 25 April 2008, interest of £1m was paid to Pearl Assurance plc. (See note 18 for details).

The Resolution Foundation was set up by the former Chairman of Pearl Group Holdings (No. 1) Limited and in the period prior to the Company's acquisition by Pearl Group Limited the Company entered into the following transactions with the Resolution Foundation:

- The Company charged £9,400 (2007: £24,000) for the sharing of office space and the use of facilities and services provided by the Company; and
- A donation of £Nil (2007: £400,000) was made to the foundation representing the fee waived by Clive Cowdery for his services as chairman of the Company.

NOTES TO THE ACCOUNTS (CONTINUED)

20. Parent undertaking

Prior to 1 May 2008 the Company was the ultimate parent undertaking of the former Resolution Group.

On 1 May 2008 the Company was acquired by Impala Holdings Limited, a subsidiary of Pearl Group Limited, and from this date Pearl Group Limited which is registered in England and Wales became the Company's immediate and ultimate parent undertaking, and is the parent undertaking of the largest group to consolidate these accounts. The parent undertaking of the smallest group to consolidate these accounts is Impala Holdings Limited. Copies of Pearl Group Limited and Impala Holdings Limited accounts can be obtained from their registered office The Pearl Centre, Lynch Wood, Peterborough, PE2 6FY.

21. Pension scheme guarantee

The Company has guaranteed the performance by a fellow group undertaking, Pearl Life Holdings Limited, of a guarantee given by Pearl Life Holdings Limited to the trustees of the Resolution Group Pension Scheme ('the Scheme') in respect of the obligations and liabilities of the participating employers to make payments to the Scheme. The principal obligations that are subject to the guarantee are cash contributions totalling £52.5m, which are payable in instalments over the period to June 2012.

22. Post balance sheet event

On 25 March 2009, the Board of Pearl Group Holdings (No. 1) Limited gave notice to the holders of the Perpetual Reset Capital Securities of its decision to defer the coupon payment on the Notes on the next coupon payment date of 25 April 2009. The Company has no present intention to satisfy the deferred coupon payment by operating the alternative coupon satisfaction mechanism.

For so long as a deferred coupon payment has not been satisfied the Company may not declare, pay or distribute a dividend or make a payment on any of its securities in issue ranking junior to the Notes, including the ordinary shares of the Company or any parity securities or, except in particular circumstances, redeem, purchase or otherwise acquire any of its securities in issue ranking junior to the Notes, including its ordinary shares or any parity securities.

On 3 June 2009 the shareholders of the Group entered into an exclusivity agreement to exchange their interests in the Group together with their other interests in the Pearl Group Limited Group for the issue of shares in Liberty Acquisitions Holdings (International) Company ("Liberty"). Liberty is an entity listed on the Euronext exchange. It is anticipated that the Liberty shareholders will vote on the acquisition of the Group in the second half of July and if approved it is anticipated that the acquisition will become effective shortly thereafter, subject to regulatory and other approvals.